U.S. Agency for International Development

Office of Inspector General

Annual Plan

2005

Statement of the Inspector General

I am pleased to present the Office of Inspector General's (OIG) annual plan for fiscal year (FY) 2005. Our plan consolidates needed audit, investigative, and other activities into a single document that articulates the goals and objectives for our work in FY 2005 at the United States Agency for International Development (USAID), the African Development Foundation (ADF), and the Inter-American Foundation (IAF). This annual plan is aligned with our current strategic plan for FY 2005 - FY 2010.

Also included in this plan is an appendix entitled "Strategic Goals and Objectives, Standards for Success, and Multiyear Plan of OIG Activities." Through a consultative process with USAID officials and others, the OIG has developed standards for success for each strategic objective set forth in the OIG's strategic plan. The standards are drawn from authoritative sources such as Office of Management and Budget (OMB) circulars, legislation, the President's Management Agenda, and the State - USAID strategic plan.
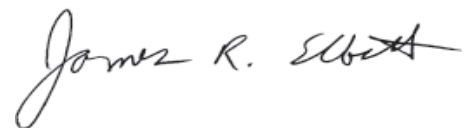
We designed the standards for success to address major management challenges that we have identified at USAID. They represent our approach to seeking agreement with USAID management on expectations for overcoming each major management challenge.

Our overriding goal is to support management in the delivery of their programs. We do this through our audit and investigative activities and by advising management on program risks and the need for associated internal controls necessary for promoting effective and efficient program delivery. In performing our duties, we work with the management and staff of USAID, ADF, and IAF, as well as with members of Congress and their staffs to understand their particular interests and to provide them with information that they need to develop and administer their programs and activities.

We can do this because we have a professional and well-trained staff operating under the professional standards mandated by law and promulgated by the Comptroller General of the United States and the President's Council on Integrity and Efficiency. Under these standards, our operations are subject to an external peer review performed by another independent inspector general's office. The most recent review, completed in 2003, concluded that applicable professional standards were being met.

In addition, and most important, we can serve the organizations' management teams and Congress by providing them with timely recommendations, suggestions, and advice that they can rely on because of the independence that the Inspector General Act of 1978 provides. The Act fosters independence by requiring the Inspector General to report both to the head of the respective organization and to Congress, keeping both fully informed of problems identified during the course of its work. We fulfill this role through our regular reporting processes, including our audit and investigation reports and our semiannual reports to Congress, and through frequent briefings to both organization management and members of Congress and their staffs.

James R. Ebbitt
Acting Inspector General

U.S. Agency for International Development

Office of Inspector General

Annual Plan

Fiscal Year 2005

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Authority and Responsibility

The USAID Office of Inspector General (OIG) 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. In 1999, the OIG assumed audit and investigative oversight of the African Development Foundation (ADF) and the Inter-American Foundation (IAF) in accordance with Public Law 106-113. In addition, on January 23, 2004, the USAID Inspector General was appointed as the Inspector General for the Millennium Challenge Corporation through Public Law 108-199. Our plan for work at the Millennium Challenge Corporation is provided in a separate document.

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. As a result of this work, the OIG (1) promotes economy, efficiency, and effectiveness and (2) detects and prevents fraud, waste, and abuse in the programs and operations of USAID, ADF, and IAF. The Inspector General is responsible for keeping the head of the respective organization and Congress fully informed of the results of audits and investigations related to the organization's programs and operations, as well as the necessity for, and progress of, corrective actions.

Mission

The mission of the OIG is to contribute to and support integrity, efficiency, and effectiveness in all activities of USAID, ADF, and IAF.

Values

In accomplishing our mission, we are committed to the following:

Integrity. Strive to display character, decency, and honor in everything we do; work openly and fairly with our colleagues and partners; show respect for one another; maintain independence to ensure objectivity and impartiality; and accept responsibility for our actions.

Excellence. Strive to produce work that has distinction, merit, quality, and a positive effect; work efficiently with highly trained people who enjoy equal opportunities to excel; deliver products that are accurate, timely, complete, concise, and meaningful; and present work in a way that is most useful to those who are responsible for implementing the organizations' goals and objectives.

Teamwork. Work with USAID, ADF, and IAF management to understand their program objectives; team with the three organizations, demonstrating and encouraging integrity and achieving excellence; understand the entire OIG program and its effect on the organizations' programs; help management find solutions to problems; and remember that our success is measured in part by the success of our colleagues and partners.

Strategic Goals and Objectives

On the basis of the overarching philosophy described in the mission and values statements, the OIG developed its strategic goals and objectives. They are driven by legislative mandates, USAID goals, the major challenges facing management, and the activities identified as having high risks of fraud, waste, and abuse. Each strategic goal has accompanying strategic objectives, a description of the activities we plan to carry out for each objective, and performance measures that we will use to determine if we are achieving our objectives.

> **Strategic Goal 1:** Keep the Administrator and Congress fully informed of the status of USAID's administration and operations and the need for and progress of corrective actions.

Objective 1.1: Provide timely, high quality reports and briefings to the Administrator and Congress on the major challenges identified by audits and investigations.

The OIG plans to undertake the following specific activities to address objective 1.1.

1.1.1: Continuing refinement of the OIG semiannual report to Congress

The IG Act requires that the OIG provide Congress with written reports of its activities and accomplishments every six months. The OIG continually updates and refines its message in the semiannual report in tune with new OIG initiatives and USAID management challenges. For example, the Spring 2004 semiannual report was revised to include information on the OIG's Standards for Success Accomplishment Report which describes USAID's progress toward achieving the standards for success and summarizes the results of OIG work during fiscal year 2003 related to those standards. The OIG intends to prepare this Accomplishment Report on an annual fiscal year basis.

1.1.2: Periodic briefings for USAID officials

The Inspector General holds regular meetings with the Administrator and other senior OIG leadership to brief key USAID officials on critical issues identified by OIG work throughout the year. The OIG involves USAID, ADF, and IAF management in the annual planning process, which is intended to identify critical problems requiring OIG assistance. Where possible, establishing a work plan to meet the interests of management at the start, allows the OIG to elicit cooperation with and follow-up by management to address findings.

The Inspector General and Deputy Inspector General meet weekly with the Administrator to brief him on important issues such as the rollout of the Phoenix Operating System to the field. These meetings serve as a regular reporting mechanism for the Administrator and Deputy Administrator to learn about current issues, ongoing audit work, and sensitive investigations.

In addition, the Inspector General participates in the Administrator's weekly staff meeting for senior USAID leadership. At this meeting, the IG may provide guidance or comment on critical problem issues. The Inspector General, Deputy Inspector General, and other OIG senior staff also attend the Administrator's Thursday staff meeting. At these meetings, the OIG may provide guidance or comment on critical problem issues.

1.1.3: Periodic briefings for congressional officials

The Inspector General and senior OIG leadership maintain regular contact with relevant oversight, and appropriation committees for the foreign affairs agencies as well as with the Government Reform Committee in the House and the Governmental Affairs Committee in the Senate. The Inspector General and OIG staff brief these six committees quarterly or more often if circumstances dictate based on our work.

1.1.4: Providing for timely reports and more efficient and more effective report distribution

The OIG continually assesses its planning information to help identify issues and areas of potential audit and investigative concern as expeditiously as possible. The OIG also continually reviews report distribution and dissemination procedures to bring its message more efficiently to its congressional, USAID, and public clients. Audit reports are placed on the Internet in a format complying with all Federal requirements. In addition, the OIG has instituted a procedure for electronically distributing audit reports directly to congressional members and staffs.

Performance Measures for Objective 1

- Submit the Semiannual Report to Congress which meets the content requirements of the IG Act of 1978 and is submitted to the Administrator and the Congress within the timeframes specified in the IG Act.

- Brief the Administrator on significant OIG activities and significant issues affecting USAID programs and operations as well as the need for, and progress of, corrective actions.

- Brief key congressional staff on significant OIG activities and significant issues affecting USAID programs and operations as well as the need for, and progress of, corrective actions.

- Conduct audits and distribute audit reports in a timely manner. Issue draft audit reports within 30 days of the end of audit fieldwork and issue final audit reports within 30 days of receipt of management comments on draft audit reports.

- Conduct audits in accordance with Government Auditing Standards and the OIG Policy and Procedures Handbook for Audit.

- Achieve management decisions on audit recommendations within six months.

- Perform three follow-up audits that examine the effectiveness of corrective actions taken by USAID management.

Strategic Goal 2: Promote improvements in the way that USAID advances sustainable development and global interests.

Objective 2.1: Contribute to improvements in USAID's programs that advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.

The OIG plans to undertake the following activities to address objective 2.1.

2.1.1: Risk Assessment of the Office of Transition Initiatives

In 1994, USAID created the Office of Transition Initiatives (OTI) to provide fast, flexible, short-term assistance to take advantage of windows of opportunity to build democracy and peace. OTI is intended to lay the foundations for long-term development by promoting reconciliation, jumpstarting economies, and helping stable democracy take hold. In doing this, OTI has encouraged a culture of risk-taking, political orientation,[1] and swift response among its staff and partners. Quick responses by OTI are also facilitated by its separate "Transition Initiatives" budget account with special authorities that allow immediate spending where it is most needed. Finally, OTI uses a contracting mechanism that strives to preserve the principle of competition while allowing quick start-up in new countries and direct grants to small, indigenous organizations. This assessment will examine OTI's major programs and operations and will assess the risk posed therein.

2.1.2: Audit of USAID/Sierra Leone's Management of Its Transition Strategy

The Office of Transition Initiatives worked in the war-torn country of Sierra Leone from 1997 to 2002. In 2001, OTI handed over its role to the USAID Mission to implement a transitional strategy for the period of FY 2001-2003 that had the overarching goal of national peace, security and stability. The strategy was composed of two objectives: the first objective was directed at advancing the reintegration process of war-torn populations in targeted areas; the second objective was targeted toward strengthening democratic governance. The transition strategy has been extended into a second phase to cover FY 2004 to FY 2006 with a funding level of about $20.5 million. The goal of Phase 2 remains "Peace, Security and Stability" and, although the two objectives have not changed, the focus of each has been adjusted slightly. This audit will review the transition from phase 1 to phase 2 and determine if the program is on target for achieving intended results.

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[1] While OTI avoids partisan involvement, it believes that broadening participation in social, political and economic decision-making is key to sustainable development.

2.1.3: Audit of USAID/Iraq's Monitoring of the Iraq Community Action Program

In May 2003, USAID awarded five cooperative agreements totaling $70 million to five U.S.-based non-governmental organizations (NGOs) to help implement the Iraq Community Action Program. The program activities focus on strengthening the management and leadership skills of local administrations, local interim representative bodies, and civic institutions to improve the delivery of essential municipal services such as water, health, public sanitation, and economic development as well as conflict resolution. This audit will determine if USAID/Iraq's community action program is achieving its goals.

2.1.4: Audit of USAID/Peru's Short-term Community Support Activities under Its Alternative Development Program

In 2003, USAID enacted a short-term community support activity financed through the Andean Counter-Drug Initiative. In fiscal years 2003 and 2004, funding for the Mission's Alternative Development Program totaled $67 million and $50 million, respectively. The program, by funding small labor-intensive infrastructure works, was intended to provide temporary income for families in communities where coca crops were eradicated. Participatory processes to identify and prioritize these small projects will serve as the basis for linking communities to municipal level governance and sustainable licit development activities. The audit will determine whether USAID/Peru's Short-term Community Support Program was on schedule to achieve planned sustainable results and whether the total direct and indirect costs associated with implementing the Program were commensurate with the results achieved. Results from the audit will provide input for the Mission to make adjustments, if required, in project execution to ensure successful implementation.

Performance Measures for Objective 2.1

- Conduct three audits and one risk assessment on USAID's democracy and governance programs.

- Discuss USAID's democracy and governance programs with USAID officials at the OIG annual planning conference and at least one other time during the fiscal year. Monitor USAID's anticorruption mailing list. Provide advice if appropriate to help USAID improve these programs.

Objective 2.2: Contribute to improvements in USAID's programs for strengthening world economic growth, development, and stability while expanding opportunities for U.S. businesses and ensuring economic security for the nation.

The OIG plans to undertake the following activities to address objective 2.2.

2.2.1: Audit of USAID's Global Development Alliance Program (Multi-country Audit)

The Global Development Alliance Secretariat was established by USAID in January 2002, after being launched by Secretary of State Colin Powell in May 2001. Alliances are made with both public and private organizations to leverage USAID's limited resources to achieve a greater impact. In FY 2003, USAID allocated approximately $273 million to initiate or expand about 140 alliances, involving contributions totaling $1.2 billion from alliance partners. This assignment will summarize the results of audits at several USAID missions and will determine how well USAID has integrated development alliances into its programs and whether established alliances are achieving their intended results.

2.2.2: Audit of USAID/XX's Global Development Alliance Program (West/Central Africa Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.2.1 above.

2.2.3: Audit of USAID/XX's Global Development Alliance Program (East/Southern Africa Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.2.1 above.

2.2.4: Audit of USAID/XX's Global Development Alliance Program (Asia and Near East Missions TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.2.1 above.

2.2.5: Audit of USAID/XX's Global Development Alliance Program (Europe and Eurasia Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.2.1 above.

2.2.6: Audit of USAID/XX's Global Development Alliance Program (Latin America/Caribbean Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.2.1 above.

2.2.7: Audit of USAID's Development Credit Authority Program

The Development Credit Authority (DCA) is the legislative authority that permits USAID to issue partial loan guarantees to private lenders to achieve the economic development objectives contained in the Foreign Assistance Act of 1961. From its inception in FY 1999 through FY 2003, USAID has implemented 82 DCA projects with cumulative loan amounts totaling $619 million, guaranteed portions of $254 million, and subsidy costs of nearly $20 million. USAID plans to expand the use of DCA in the coming years. This audit will determine whether USAID is properly managing its DCA program so that intended results are achieved.

2.2.8: Audit of USAID/Senegal's Monitoring and Reporting of Its Microfinance Activities

With few natural resources and a per capita income of $500 per year, Senegal is one of the poorest countries in the world. In efforts to strengthen the country's microfinance sector, USAID/Senegal

has tailored assistance packages (FY 03 and FY 04 obligations of $2.8 and $1.9 million, respectively) for micro-finance institutions (MFIs) on a cost-sharing basis. The Mission has been instrumental in tripling savings deposits and the number of loans made each year. To date, USAID/Senegal has provided 36 MFI networks serving 43 percent of all reported MFI members in Senegal, with institutional support and technical training, computers, and office equipment. These efforts have made credit and savings products available to a larger number of rural and urban entrepreneurs, particularly women. This audit will determine if the activities are monitored and reported to ensure that intended objectives are achieved.

2.2.9: Audit of USAID/Jordan's Cash Transfer Program

USAID/Jordan's cash transfer program is a policy-based balance of payments activity that totaled $800 million in fiscal year 2003 and $238 million in fiscal year 2004. Cash transfers to the Government of Jordan are conditioned on policy reforms in the economic, water, and health and population sectors. Unlike in prior years, a portion of the 2003 and 2004 programs includes local currency to support extra budgetary activities (rather than for general budgetary support) and thus requires more monitoring in accordance with Automated Directives System Chapter 624. USAID/Jordan requested this audit based on the size of the cash transfers and concerns over the monitoring of funds programmed for extra budgetary activities. Our audit will cover cash transfers made during fiscal years 2003 and 2004 and will determine whether USAID/Jordan ensured that the Government of Jordan met conditions precedent for any cash disbursements made and whether the Government of Jordan used funds programmed for extra budgetary activities in accordance with the cash transfer agreement.

2.2.10: Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program

Restoring food security in Afghanistan is USAID's highest priority. Afghanistan's rural sector employs some 80 percent of the country's citizens, and traditionally produces more than half of Afghanistan's

GDP. However, after many years of civil war and drought, the agriculture sector in Afghanistan is de-capitalized, and many productive assets have been destroyed. Crops have been uprooted, livestock has been lost, farmers are heavily indebted, and years of drought have compounded rural-sector poverty.

In fiscal year 2003, USAID awarded a three-year, $130.8 million cost-plus-fixed-fee contract to implement the Rebuilding Agriculture Markets Program. The program's primary objective is to increase the marketable output of the agriculture sector in Afghanistan by more than $250 million over three years. This will be accomplished through such activities as increasing agricultural productivity, providing access to operating capital through the provision of credit, improving roads and irrigation systems, and developing processing, marketing and storage facilities for agricultural products. This audit will determine whether USAID/Afghanistan's agricultural program activities were on schedule to achieve planned outputs.

2.2.11: Audit of USAID/Caucasus' Economic Growth Programs in Georgia

Georgia's development as a stable, democratic country, increasingly integrated into the global economy, remains a key U.S. national interest at this crossroads linking Russia, Iran and Turkey. The U.S. government finances programs that support stable and secure regional partners, economic growth, democracy building, and counterterrorism. USAID/ Caucasus has undertaken two major multi-year programs to foster a broad-based market economy in Georgia.

The Georgia Economic Growth Initiative (GEGI) is a 5-year, $23 million plus activity started in FY 2003 that emphasizes demand-driven policy reforms in which the private sector will largely define a national business agenda for policy initiatives. The Initiative will also strengthen the finance sector and increase competitiveness in select industry clusters. GEGI will set priorities, lobby the government, and monitor implementation of reforms. The Support Added Value Enterprises (SAVE) program identifies markets for Georgian value-added products. SAVE identifies markets for these products and then

works through the market chain, mitigating critical constraints to enable the production, processing and sale of a specific product. This five-year, $23 million plus activity started in FY 2002. This audit will determine if USAID/Caucasus monitored the performance of its Economic Growth programs in Georgia in accordance with applicable USAID guidance and if the program has progressed toward their intended results.

2.2.12: Audit of USAID/Central Asia Republic's Central Asia Microfinance Alliance (CAMFA) Project

The Central Asia Micro-Finance Alliance (CAMFA) Project will expand and strengthen the network of indigenous micro and rural financial institutions in Central Asia. The overall goal of the project is to stimulate economic and employment opportunities for poor and at-risk populations and strengthen the business environment. CAMFA will achieve this goal through three primary project components. The first is the creation of CAMFA's Project Management Unit in Tashkent, Uzbekistan. This Unit will consist of a regional micro-finance team that will support Central Asian micro and rural lenders with technical assistance and training, lending capital for on-lending, and advocacy and strategic guidance in policy and regulation reform. The second component will work to strengthen best practice institutions through support to the Kazakhstan Community Loan Fund and micro-finance institutions in Kyrgyzstan. The third component will establish new micro-finance institutions in Uzbekistan and Tajikistan. This audit will determine if USAID/CAR implemented its CAMFA activities in accordance with applicable USAID guidance and if the activities have progressed toward their intended results.

2.2.13: Audit of the USAID Regional Quality Coffee Program in Latin America

During 2000 and 2001, coffee prices dropped to their lowest levels in 30 years due to worldwide oversupply. In Central America and the Dominican Republic, coffee bean prices at the farm level have plummeted below the cost of production for most coffee producers and are causing serious hardships to coffee farmers in the region. USAID's Regional

Quality Coffee Program in Latin America, funded at approximately $17 million, focuses on "quality" coffee growers and is primarily managed by USAID's Central American regional office. This audit will determine if USAID was on schedule to improve the competitiveness and sustainability of quality coffee exports in targeted countries. The audit will have the added benefit of gaining insights into how the Central American regional office managed and coordinated its activities regionally.

Performance Measures for Objective 2.2

- Conduct eight audits on USAID's economic growth programs.

- Discuss USAID's economic growth programs with USAID officials at the OIG annual planning conference and at least one other time during the fiscal year. Provide advice if appropriate to help USAID improve these programs.

Objective 2.3: Contribute to improvements in USAID programs to improve health, education, environment, and other social and environmental conditions for the global population.

The OIG plans to undertake the following activities to address objective 2.3.

2.3.1: Audit of USAID's Implementation of the President's Emergency Plan for HIV/AIDS Relief (PEPFAR) – Multi-country Audit

In response to the HIV/AIDS crisis, the Administration is implementing the President's Emergency Plan for AIDS Relief (PEPFAR). This $15 billion, 5-year program provides $9 billion in new funding to speed up prevention, treatment and care services in 15 focus countries[2]. The Plan also devotes $5 billion over five years to bilateral programs in more than 100 countries and increases the U.S. pledge

to the Global Fund[3] by $1 billion over five years. This assignment will consolidate the findings from a series of country-specific audits, performed in connection with this worldwide audit, and will result in a capping report that will (1) describe USAID's involvement in PEPFAR and (2) determine whether USAID is making adequate progress toward planned outputs.

2.3.2: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (West/Central Africa Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.3.1 above.

2.3.3: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (East/Southern Africa Missions TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.3.1 above.

2.3.4: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (ANE Missions TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.3.1 above.

2.3.5: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (LAC Missions TBD)

This audit is part of a multi-country audit and will be centrally directed. See 2.3.1 above.

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[2] The 15 focus countries are Botswana, Cote d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia in Africa; Guyana and Haiti in the Caribbean; and Vietnam.

[3] The Global Fund is a public-private partnership that raises money to fight AIDS, tuberculosis and malaria.

2.3.6: Survey and Pilot Audit of USAID's Procurement of Commodities for PEPFAR

In P.L. 108-25, Congress has indicated that 55 percent of the $15 billion in PEPFAR funding should be spent on the treatment of individuals with HIV/AIDS. USAID is responsible for procuring a substantial amount of commodities to further such treatment. This survey and pilot audit will determine USAID's role in procuring and distributing those commodities and will determine whether it has done so in an efficient and effective manner.

2.3.7: Follow-up of USAID's Implementation of Recommendations Included in the Audit of Selected Operating Units Monitoring of Their HIV/AIDS Program, Audit Report No. 9-000-03-004-P, dated February 3, 2003

On February 3, 2003, the OIG issued Audit Report No. 9-000-03-004-P, entitled *Audit of Selected USAID Operating Units' Monitoring of the Performance of Their HIV/AIDS Programs*. This audit examined whether selected USAID operating units were (1) monitoring the performance of their HIV/AIDS programs in accordance with the ADS, (2) achieving intended results from their HIV/AIDS programs, and (3) meeting new reporting requirements. The report highlighted two areas that could be strengthened – the preparation of Program Monitoring Plans and the conduct of data quality assessments – and contained recommendations addressing those areas. This assignment will assess the adequacy of USAID's actions on those recommendations.

2.3.8: Audit of USAID/West Africa Regional Program's (WARP) Management of Environmental Monitoring

The USAID/West African Regional Program (WARP), headquartered in Accra, Ghana, functions as a USAID Mission to deal with West African development challenges that are most effectively addressed at a regional level. As part of its overall program (over $7 million in FY 2004 and over $7 million in FY 2005) on food security and natural resource management, USAID/WARP has implemented activities to monitor key regional environmental trends such as land use, land

degradation, and desertification with a view to influencing key decision-makers on regional and national environmental and land-use policies. In FY 04, the coverage has been expanded from 9 to 15 West Africa countries. The data collected by the Permanent Interstate Committee for Drought Control in the Sahel is subsequently used by other security organizations such as the World Food Program to make decisions on disaster response and emergency food aid. This audit will determine if there are systems in place for USAID/WARP to adequately monitor and report results of activities conducted in multiple countries.

2.3.9: Audit of USAID/Mali's Monitoring and Reporting of Its Basic Education Program

Mali has one of the highest percentages of people living below the poverty line in the world. At the end of 1999, the Government of the Republic of Mali with USAID support adopted an ambitious ten-year plan called PRODEC to reform and decentralize primary education. One of PRODEC's goals is to achieve 95 percent gross enrollment (93 percent for girls) in primary schools by 2008. The Mission's new strategic plan for FY 2003 through FY 2012 includes a new strategic objective for a Basic Education program. This program will continue to support decentralization efforts, improvement in curricula, increased community and parent participation, and improvements in school-based teacher education. This audit will evaluate the program's monitoring and evaluation process and provide recommendations for improvement.

2.3.10: Audit of USAID/Yemen's Health and Education Activities

Prior to the establishment of a USAID mission in Sanaa in June 2003, the Yemen Basic Health and Education Program was the sole USAID non-presence program in the country. The Program was implemented by a PVO with approximately $5 million from the Economic Support Fund in fiscal years 2001 and 2002. However, with the advent of a new Yemen Interim Strategy and its focus on health and education, the Mission re-oriented the Program to fund a new Graduate Studies Program and add program staff to support all of the Mission's

programs. USAID/Yemen requested that we audit the PVO's performance to assist the Mission in making a decision on whether to add funds to or extend its agreement with the PVO. The audit will assess the status of the health and education activities and determine whether the PVO's activities are achieving their intended results.

2.3.11: Audit of USAID/Iraq's Health System Strengthening Activities

By 2003, malnutrition had affected the health of almost a third of the children in southern and central Iraq. The child mortality rate was high as a result of low breastfeeding rates and birth weights, high rates of anemia among women, diarrhea, and acute respiratory infections. Adult life expectancy was 58 years, low in comparison to the average for least developed countries of 65 years. The high child mortality rate and the low adult life expectancy could be attributed to the deterioration of health conditions in Iraq during the reign of Saddam Hussein. In support of the Coalition Provisional Authority's objectives, USAID is responsible for managing $43.8 million of funding for health activities in Iraq. This audit will determine if health activities are achieving intended results.

2.3.12: Audit of USAID/Iraq's Water and Sanitation Rehabilitation Projects

Iraq has 140 major water treatment facilities with an operating capacity of 3 million cubic meters per day before the war. After the war, electricity shortages and looting of plant parts and emergency generators reduced the facilities' operations to about 65 percent of their pre-war level. In support of the Coalition Provisional Authority's reconstruction effort in Iraq, USAID awarded a contract valued at $1.03 billion of which approximately $200 million has been committed to water and sanitation projects. This audit will determine if USAID/Iraq's water and sanitation rehabilitation projects are achieving intended results. In addition, the audit will also determine if USAID/Iraq has adequately addressed sustainability in its program to rebuild and rehabilitate Iraq's vital water and sanitation infrastructure.

2.3.13: Audit of USAID/Iraq's Monitoring of Education Activities in Iraq

Before the 1990s, Iraq's education systems were one of the best in the Middle East. In addition, the country had high rates of literacy among women. However, during the past decade, school enrollment for all ages declined greatly. Teachers were poorly paid and ill-trained. Buildings were poorly maintained. Basic equipment and schoolbooks were in short supply. The tight control from the central government caused the decline of the educational systems in the country. In coordination with the Coalition Provisional Authority, USAID and partners are revitalizing public education in Iraq by laying the foundation for sustainable, decentralized quality education at all levels of the educational systems. This audit will determine if USAID/Iraq's education program is achieving its intended results.

2.3.14: Audit of USAID/Afghanistan's School and Clinic Reconstruction Program

The Rehabilitation of Economic Facilities and Services (REFS) program is the largest of USAID/Afghanistan's activities. The program is being carried out through a $500 million contract. The purpose of the REFS program is to promote economic recovery and political stability in Afghanistan though various activities including rehabilitating infrastructure such as roads, schools, and health facilities. The schools and clinics portion of the REFS program is an ambitious plan to accelerate the construction and rehabilitation of schools and health clinics. The outputs to be achieved in calendar year 2004 include the completion of 105 new buildings initiated in 2003 at an estimated cost of $22.3 million. In addition, another 569 new (or existing) buildings are planned for construction (or rehabilitation) to begin and end in calendar year 2004 at an estimated cost of $59.4 million. This audit will determine whether the school and clinic reconstruction activities are on schedule to achieve planned outputs.

2.3.15: Audit of USAID/Pakistan's Health and Population Awareness Program

Pakistan's major health indicators demonstrate large unmet needs. For example, infant mortality

is about 85 per 1,000 births and maternal mortality is 533 per 100,000. Immunization rates are low with less than 60 percent of one-year-olds fully immunized, and 26 percent of children under five are moderately to severely underweight. Further, a high population growth rate of 2.2 percent per year, a low contraceptive prevalence rate and a high total fertility rate will only increase the demand for health resources and services. In August 2003, the U. S. Government and the Government of Pakistan signed a five-year, $115.7 million bilateral agreement to support the Government of Pakistan's comprehensive national health and population strategy. Under the bilateral agreement, USAID and its implementing partners are to (1) increase the availability of quality reproductive health services, (2) strengthen management of health programs at the provincial and district levels, (3) improve maternal and neonatal health services, and (4) strengthen communicable disease control programs. This audit will determine whether USAID/Pakistan's health and population program development and reform activities were on schedule to achieve planned outputs.

Performance Measures for Objective 2.3

- Conduct 11 audits on USAID's social and environmental programs.

- Discuss USAID's social and environmental programs with USAID officials at the OIG annual planning conference and attend meetings of USAID's Commodity Procurement Working Group and staff meetings in the Office of HIV/AIDS. Provide advice if appropriate to help USAID improve these programs.

Objective 2.4: Help USAID minimize the human costs of displacement, conflicts, and natural disasters.

The OIG plans to undertake the following activities to address objective 2.4.

2.4.1: Audit of USAID/Iraq's Electrical Generation Activities

Before the war, Iraq's electrical generation capacity was 4,400 megawatts. In April 2003, the capacity was 1,275 megawatts, a 71 percent decrease in capacity. Restoring electricity is critical to the reestablishment of all facets of Iraqi society and is required for sustainable economic growth. In addition, there are several areas of concern regarding the sustainability of the power plants when control and management is turned over to the Iraqi government. These concerns include finding enough staff to run the power plants 24 hours a day and training the people who will manage and run them. USAID awarded a contract with a value of $1.03 billion for the repair and rehabilitation of vital elements of Iraq's infrastructure. This will include the assessment and repair of power generation facilities, electrical grids, municipal water systems and sewage systems. This audit will determine if USAID/Iraq's electrical generation program is achieving its intended results. In addition, the audit will determine if the Mission adequately addresses sustainability in its program to rebuild and rehabilitate Iraq's power generation infrastructure.

2.4.2: Audit of USAID/Columbia's Internally Displaced Persons Program

For fiscal years 2003 and 2004, USAID/Colombia obligated $50 million and $43 million, respectively, for the Internally Displaced Persons Program. Activities were funded through the Andean Counter-Drug Initiative and aimed to support displaced and other vulnerable persons through healthcare, shelter, income generation, improved education, and basic community services. The audit will determine how USAID/Colombia funds have been spent under the Internally Displaced Persons Program and whether the Program was on schedule to achieve planned results. Results from the audit will provide input for the Mission to make adjustments, if required, in project execution to ensure successful implementation.

Performance Measures for Objective 2.4

- Conduct two audits on USAID's humanitarian assistance programs.

- Discuss USAID's humanitarian assistance programs with USAID officials at the OIG annual planning conference and at least one other time during the fiscal year. Provide advice

if appropriate to help USAID improve these programs.

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.1: Contribute to the development of a workforce whose number, skills, and deployment meet USAID needs; strategies for succession planning and leadership continuity; and strategies that integrate workforce planning into USAID's budget and strategic plans.

The OIG plans to undertake the following activity to address objective 3.1.

3.1.1: Audit of USAID/Egypt's Foreign Service National Severance Payments

USAID/Egypt is planning to decrease its Foreign Service National (FSN) staff from 237 at the end of fiscal year 2004 to 142 at the end of fiscal year 2006. This reduction of almost 100 FSN staff will occur primarily in the first year (fiscal year 2005). All of the 95 staff dropped from the payroll will be eligible for severance payments of 1½ months' salary for each year served. We estimate that the overall costs of these payments will be approximately $3 million, but could increase to $4 million if the U.S. Embassy adopts a recently passed Government of Egypt labor law, which increases the severance payment to 2 months' salary for each year served. Our audit will aim to ensure that controls are in place to ensure that these payments are accurately computed. We will also test prior severance payments to determine if they were accurately computed.

Performance Measures for Objective 3.1

- Conduct one audit for FY 2005 on USAID's human capital programs.

- Discuss USAID's human capital programs with USAID officials at the OIG annual planning conference and attend meetings of the Business Transformation Executive Committee Subcommittee on Strategic Management of

Human Capital. Provide advice if appropriate to help USAID improve these programs.

Objective 3.2: Contribute to improvements in USAID's processes for planning, monitoring, and reporting on program activities and integrating performance information into budget decision-making.

The OIG plans to undertake the following activities to address objective 3.2.

3.2.1: Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2005 Consolidated Financial Statements

The Government Management and Reform Act (GMRA) of 1994 requires the annual preparation and audit of organization-wide financial statements (now called the Performance and Accountability Report or PAR) for certain departments and agencies of the Federal government. According to OMB Bulletin No. 01-09, "Form and Content of USAID Financial Statements," agencies are required to prepare a section in the PAR titled "Management's Discussion and Analysis" (MD&A). This section is a brief narrative overview that describes the reporting entity and its mission, activities, program and financial results, and financial condition. This review will focus on understanding and reporting on the internal controls related to the performance information included in the MD&A and determining if it has been prepared in accordance with OMB guidance.

3.2.2: Audit of USAID's Implementation of the Program Assessment Rating Tool (PART)

The Program Assessment Rating Tool (PART) was developed by OMB in an effort to promote Budget and Performance Integration – one of five government-wide initiatives cited in the President's Management Agenda. The PART provides a method for assessing agency performance in an objective manner, building upon the strategic framework established under the Government Performance and Results Act. Assessments are performed through the completion of a PART questionnaire which contains a series of questions designed to provide a consistent approach to rating programs across the Federal government.

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As the lead agency coordinating the implementation of the PART, OMB provides guidance to agencies on how to complete the PART. This audit will determine if USAID is properly implementing it.

3.2.3: Audit of USAID Activities in Non-Presence Countries in Eastern Africa

USAID's traditional management model is an in-country mission with resident U.S. and foreign national employees and personal service contractors filling a variety of program and administrative positions. However, USAID is increasingly funding new or continuing activities in countries where it does not maintain resident U.S. direct hire employees (non-presence countries). Activities in these non-presence countries support a variety of developmental, humanitarian, and/or foreign policy objectives. In a 1999 report, the USAID OIG concluded that USAID was unable to quickly or accurately identify the location, cost, or other basic data about non-presence country activities.

USAID's regional office, REDSO/ESA, in Nairobi, Kenya oversees USAID activities in three non-presence countries – Burundi, Somalia, and Djibouti. USAID has funded or plans to fund over $132 million of activities in these three countries from FY 2002 through FY 2005. Since 1998, the OIG has not conducted performance audit work relating to any of the three countries. Activities in non-presence countries have a higher risk of not being properly monitored or reported than do activities in countries where USAID employees are present. This audit will determine if the activities in these countries are being properly monitored and are achieving their planned objectives.

Performance Measures for Objective 3.2

- Conduct three audits on USAID's strategic planning and reporting processes.

- Discuss USAID's strategic planning and reporting processes with USAID officials at the OIG annual planning conference and attend USAID's Performance and Accountability Report Core Working Group meetings. Provide advice if appropriate to help USAID improve

these programs.

Objective 3.3: Contribute to improvements in USAID's processes for awarding and administering acquisition and assistance instruments.

The OIG plans to undertake the following activities to address objective 3.3.

3.3.1: Audit of Management Activities Performed by USAID/Nicaragua's Cognizant Technical Officers

In a 2004 report (Audit of USAID's Training, Use, and Accountability of Cognizant Technical Officers, Audit Report No. 9-000-04-003-P, dated March 31, 2004), the OIG concluded that USAID had provided adequate guidance to cognizant technical officers (CTOs) but had not provided them enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them. USAID either lacked a mechanism to identify the training needed or did not properly monitor the mechanism in place. In addition, USAID did not hold all its CTOs accountable for the performance of the tasks assigned to them and, in some cases, did not evaluate CTOs at all. This audit is the logical next step to complement the findings of the OIG's previous work under the CTO theme. The audit will determine whether CTOs were managing implementation activities in accordance with USAID policies. Additionally, this audit will expand on CTO accountability and assess CTO effectiveness. Since the audit focuses on CTOs in all strategic objectives in the mission, systemic deficiencies can be identified and corrected to improve the mission's overall managerial effectiveness.

Performance Measures for Objective 3.3

- Conduct one audit on USAID's processes for awarding and administering acquisition and assistance instruments.

- Discuss USAID's processes for awarding and administering acquisition and assistance instruments with USAID officials at the OIG annual planning conference and at least one

other time during the fiscal year. Provide advice if appropriate to help USAID improve these programs.

Objective 3.4: Assist USAID in improving its financial systems that contribute to preparation of reliable and useful information that managers can use to manage USAID.

The OIG plans to undertake the following activities to address objective 3.4.

3.4.1: Audit of USAID's Fiscal Year 2005 Consolidated Financial Statements Under the Government Management Reform Act – GMRA (Multi-country Audit)

The Government Management Reform Act (GMRA) requires OIGs to conduct audits of Federal agencies' consolidated financial statements. Conforming to GMRA, the OIG will conduct the audit of USAID's FY 2005 consolidated financial statements. Our objective is to determine whether USAID's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Guidance. We will also obtain an understanding of USAID's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the Principal Statements and Required Supplementary Stewardship Information. OIG regional audit offices in Budapest, Cairo, Manila, and Pretoria will participate in this audit at their home locations. In addition, OIG-contracted auditors will perform audit work at additional missions to be selected using statistical sampling techniques.

3.4.2: GMRA Audit of Financial Systems of USAID/South Africa for Fiscal Year 2005

This audit is part of the multi-country audit of USAID's FY 2005 consolidated financial statements led by the OIG's Washington audit office. (See 3.4.1 above.)

3.4.3: GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2005

This audit is part of the multi-country audit of USAID's FY 2005 consolidated financial statements led by the OIG's Washington audit office. (See 3.4.1 above.)

3.4.4: GMRA Audit of Financial Systems of USAID/Pakistan for Fiscal Year 2005 (Accounting Station – USAID/Philippines)

This audit is part of the multi-country audit of USAID's FY 2005 consolidated financial statements led by the OIG's Washington audit office. (See 3.4.1 above.)

3.4.5: GMRA Audit of Financial Systems of USAID/Regional Support Center (RSC) Budapest for FY 2005

This audit is part of the multi-country audit of USAID's FY 2005 consolidated financial statements led by the OIG's Washington audit office. (See 3.4.1 above.)

3.4.6: Audit of USAID's Compliance with the Federal Financial Management Improvement Act of 1996 – Fiscal Year 2005

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that each Federal agency implement and maintain financial management systems that comply with Federal financial management systems requirements, including OMB Circular A-127. That OMB circular requires agencies to implement a single, integrated financial management system, which is a unified set of financial systems and the financial parts of mixed systems (systems that support both financial and non-financial activities). A statutory requirement is that the Agency's Inspector General report on USAID's compliance with FFMIA as part of the annual financial statement audit process to ensure that USAID develops and uses systems that generate reliable, timely, and consistent financial information.

3.4.7: Audit of USAID's Credit Management Program

USAID administers a large portfolio of direct, fully guaranteed, and partially guaranteed loans to foreign

governments and foreign non-governmental entities. A bank provides loan servicing and financial management services for USAID's loan portfolios. The bank's responsibilities include, but are not limited to receiving loan collections, making claim payments, reconciling accounts and computing interest earned on fund balances.

Our objective is to determine whether USAID has conducted timely and accurate reconciliations of its direct, fully guaranteed, and partially guaranteed loan information with borrowing-country information reported by the bank. We will determine the adequacy of USAID's system of internal control to ensure that credit reconciliations are accurate, complete, and provide reliable financial data, and determine if established reconciliation procedures are being followed.

Performance Measures for Objective 3.4:

- Conduct three audits on USAID's financial management systems.

- Discuss USAID's financial management systems with USAID officials at the OIG annual planning conference and on other occasions as requested by the OIG or the Bureau for Management during the fiscal year. Provide advice if appropriate to help USAID improve these systems.

Objective 3.5: Assist USAID in ensuring the proper accountability for funds provided to contractors, grantees, and host governments.

The OIG plans to undertake the following activities to address objective 3.5.

3.5.1: Audit of Europe, Eurasia, and Regional Division's (M/OP/EER) Monitoring of Enterprise Fund Financial Audits

Audit reports containing findings and recommendations are referred to the appropriate USAID action office for review and action. To ensure that the issues have been addressed, the Bureau for Management, Office of Procurement, Europe, Eurasia, and Regional Division (M/OP/EER), should implement a monitoring system that would provide

the status of open issues and recommendations and serve as a measuring guide for any additional follow-up or service. The objective of this audit is to determine whether M/OP/EER's management system provides effective oversight to ensure that deficiencies identified during financial audits of Enterprise Funds are corrected.

3.5.2: Audit of USAID/Ethiopia's Monitoring of Awards Which Do Not Require Annual Financial Audits

In 1998, USAID's Automated Directives System (ADS) Chapter 591 was amended to increase the threshold for requiring an annual audit of foreign nonprofit and host government organizations from expenditures of $100,000 to expenditures of $300,000 per their fiscal year. This change was made to be consistent with the increase implemented by OMB Circular A-133 earlier in the year. As a result, a significant number of organizations spending between $100,000 and $299,999 were no longer required to have annual audits. Nevertheless, missions were still required to ensure proper accountability for the funds. The ADS further strongly recommends that missions use the "Recipient Control Environment Assessment Checklist" to determine the level of monitoring necessary for those organizations not required to have audits performed. The audit will determine if USAID/Ethiopia effectively monitored recipients expending less than $300,000 of USAID funds during their fiscal year to ensure proper accountability.

3.5.3: Audit of USAID/South Africa's Control over Prime Recipient Monitoring of Sub-recipients

With its decreasing numbers of employees, USAID is faced with additional demands on those employees as a result of increased funding to cover programs in HIV/AIDS, the Millennium Challenge Corporation, and Iraq and Afghanistan reconstruction. In response to these demands, missions are moving more and more to the use of umbrella agreements with U.S. organizations (pass-through entities) that then provide funding to foreign sub-recipients to implement the missions' programs. The benefit of removing significant administrative responsibilities

from the missions is clear; however, ensuring that the U.S. prime recipients are effectively monitoring their foreign sub-recipients is much more problematic.

USAID uses OMB Circular A-133 annual audit results as a primary tool in ensuring a U.S. prime recipient's compliance with the requirement to monitor the funds passed through to their sub-recipients. The audit requirement for sub-recipients contained in A-133 is not applicable to foreign sub-recipients. The U.S. prime recipient's only requirement is to monitor their foreign sub-recipients. Section 230(b)(2) of A-133 states that factors such as the size of awards, percentage of the pass-through entity's total program funds awarded to sub-recipients, the complexity of the compliance requirements, and the risk of sub-recipient non-compliance as assessed by the pass-through entity may influence the nature and extent of monitoring procedures. Still, there is a significant risk that required monitoring by the prime U.S. recipients will not be sufficient to ensure that program objectives are achieved and USAID funds will be used in accordance with laws, regulations and agreement terms. This audit at USAID/South Africa will determine if sufficient monitoring of foreign sub-recipients by prime U.S. recipients is taking place to ensure USAID assets are being safeguarded and programmatic objectives are being achieved

3.5.4: West Bank and Gaza Agency-Contracted Audit Coordination

On May 8, 2003, the House International Relations Committee passed its version of the Foreign Relations Authorization Act for fiscal years 2004 and 2005. Section 1346 of the Act, titled "West Bank and Gaza Program," requires the USAID Administrator to ensure that independent audits of all contractors and grantees, and significant subcontractors and sub-grantees, are conducted at least annually. Of the Economic Support Funds available for West Bank and Gaza, the Committee authorized up to $1 million for use by the USAID Office of Inspector General for audits, inspections, and other activities. Audit objectives for these audits and inspections will vary depending on the assignment. Generally, financial audits focus on costs incurred, and performance audits focus on reported results.

3.5.5: Oversight of (1) the Office of Management and Budget (OMB) Circular A-133 audit program, (2) services provided to USAID by the Defense Contract Audit Agency (DCAA), (3) the Enterprise Fund audit program, (4) audits contracted by USAID, and (5) audits contracted by overseas contractors and grantee recipients.

Under the terms of OMB Circular A-133, the Support for Eastern European Democracy Act, the Federal Acquisition Regulations, and the terms of grant and cooperative agreements, annual audits are required and conducted in accordance with generally accepted government auditing standards. USAID relies on non-Federal auditors to audit the operations of nonprofit grantees and USAID Enterprise Funds, and on DCAA to audit the operations of its for-profit contractors.

We conduct oversight activities to ensure that:

- Non-Federal auditors have adequately assessed the allowability of costs charged to USAID awards.

- Adequate internal control assessments have been made.

- Non-Federal auditors are familiar with the compliance auditing requirements of the Enterprise Fund programs.

- The independence of the non-Federal auditors has not been compromised in appearance or fact.

- Financial audits meet USAID's needs.

3.5.6: Quality-control reviews of audits performed by independent public accounting firms under OMB Circular A-133, Enterprise Fund, and USAID- and recipient-contracted audit programs

We conduct quality-control reviews to ensure that non-Federal auditors are independent, are familiar with the compliance auditing requirements of USAID's programs, and have adequately assessed internal controls as well as the allowability of

USAID award expenditures.

Performance Measures for Objective 3.5

- Conduct three audits on USAID's systems for maintaining accountability over funds provided to contractors, grantees, and host governments.

- Conduct desk reviews on 659 financial audit reports and transmit the reports to USAID.

- Conduct quality control reviews of 39 financial audit reports prepared by non-Federal auditors.

Objective 3.6: Promote improvements in the creation of systems and information technology (IT) infrastructures that are able to leverage capital investments, provide blueprints for IT solutions, and share data and information within USAID and with its customers.

The OIG plans to undertake the following activities to address objective 3.6.

3.6.1: Audit of USAID's Process for Deployment of Its Core Financial System Overseas (Multi-Country Audit)

In December 2000, USAID deployed its new core financial system—Phoenix—in Washington to comply with Federal Financial Management Improvement Act and Joint Financial Management Improvement Program core accounting requirements. To establish a common accounting system across the Agency and improve access to field-related information, USAID plans to deploy Phoenix overseas which would allow users worldwide access to Phoenix via the web. Phoenix is scheduled to be tested in three pilot missions (Peru, Ghana and Egypt) in August 2004. It will be deployed worldwide in 2005 to missions in the Latin America and Caribbean region by April 15 2005; in Africa by June 15, 2005; in the Europe and Eurasia region by August 15, 2005; and in the Asia and Near East region by December 15, 2005.

The Phoenix overseas deployment project includes project planning, functional and technical configuration of Phoenix for roll-out to field offices, migration of mission data to Phoenix, testing of

technical and functional requirements, change management, training, and project oversight and management. Through observation and testing of selected functions, the audit will determine whether the deployment of the system was effective and is operating as planned in the overseas environment.

3.6.2: Audit of USAID/XX's Process for Deployment of Its Core Financial System Overseas (West/Central Africa Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. (See 3.6.1 above.)

3.6.3: Audit of USAID/XX's Process for Deployment of Its Core Financial System Overseas (Asia and Near East Missions TBD)

This audit is part of a multi-country audit and will be centrally directed. (See 3.6.1 above.)

3.6.4: Audit of USAID/XX's Process for Deployment of Its Core Financial System Overseas (E&E Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. (See 3.6.1 above.)

3.6.5: Audit of USAID/XX's Process for Deployment of Its Core Financial System Overseas (LAC Mission TBD)

This audit is part of a multi-country audit and will be centrally directed. (See 3.6.1 above.)

Performance Measures for Objective 3.6

- Conduct one audit on USAID's overseas deployment of its core accounting system.

- Discuss USAID's information technology systems with USAID officials at the OIG annual planning conference, Phoenix monitoring meetings, and meetings on USAID's new procurement system. Also, monitor the activities of the Business Transformation Executive Committee Subcommittees for Business Systems Modernization, Enterprise Architecture, and Capital Planning and Investment Control.

Provide advice if appropriate to help USAID improve these systems.

Objective 3.7: Contribute to the development, promotion, and monitoring of security awareness and processes for protecting USAID's critical information systems from loss, misuse, and unauthorized access or modification.

The OIG plans to undertake the following activities to address objective 3.7.

3.7.1: Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107-347, which superseded the Government Information Security Reform (GISR), states the following:

> *Each agency shall develop, document, and implement an agency-wide information security program…to provide information security for the information and information security systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source….*

This audit will contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether USAID's information system security program meets the requirements of the Federal Information Security Management Act of 2002.

3.7.2: Audit of USAID/Washington's Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2005

General computer controls are the architecture, policies, and procedures that apply to all or a large segment of an entity's information systems and help ensure their proper operation. The primary objectives of general controls are to safeguard data, protect computer application programs and system

software from unauthorized access, and ensure continued computer operations in case of unexpected interruptions.

As categorized in GAO's Federal Information System Controls Audit Manual, access controls are one of six categories of general controls that an entity can use to ensure the proper operation of an entity's information systems. One type of access control is logical access control, which prevents or detects unauthorized access to sensitive files. This audit will be conducted in support of the annual financial statement audit required by the Government Management Reform Act of 1994. Specifically, it will determine whether USAID/Washington implemented logical access controls over its general support and core accounting systems to mitigate the risk of unauthorized modification, loss, destruction, and disclosure of its financial data.

3.7.3: Audit of USAID/South Africa's Access Controls over Its Financial Management Systems for Fiscal Year 2005

The Government Management Reform Act (GMRA) of 1994 requires USAID to prepare and submit audited consolidated financial statements for inclusion in the government-wide financial statements. As part of this effort, this audit will help ensure that the USAID overseas missions' financial data are complete and reliable. In addition, this audit will help to determine if USAID has implemented a computer security program that protects its financial data from loss, misuse, and unauthorized access and modifications.

3.7.4: Audit of USAID/Egypt's Access Controls over Its Financial Management Systems for Fiscal Year 2005

The Government Management Reform Act (GMRA) of 1994 requires USAID to prepare and submit audited consolidated financial statements for inclusion in the government-wide financial statements. As part of this effort, this audit will help ensure that the USAID overseas missions' financial data are complete and reliable. In addition, this audit will help to determine if USAID has implemented a computer security program that protects its financial

data from loss, misuse, and unauthorized access and modifications.

3.7.5: Audit of USAID/Pakistan's Access Controls Over Its Financial Management Systems for Fiscal Year 2005 (Accounting Station – USAID/Philippines)

The Government Management Reform Act (GMRA) of 1994 requires USAID to prepare and submit audited consolidated financial statements for inclusion in the government-wide financial statements. As part of this effort, this audit will help ensure that the USAID overseas missions' financial data are complete and reliable. In addition, this audit will help to determine if USAID has implemented a computer security program that protects its financial data from loss, misuse, and unauthorized access and modifications.

3.7.6: Audit of USAID RSC/Budapest's Access Controls Over Its Financial Management Systems for Fiscal Year 2005

The Government Management Reform Act (GMRA) of 1994 requires USAID to prepare and submit audited consolidated financial statements for inclusion in the government-wide financial statements. As part of this effort, this audit will help ensure that the USAID overseas missions' financial data are complete and reliable. In addition, this audit will help to determine if USAID has implemented a computer security program that protects its financial data from loss, misuse, and unauthorized access and modifications.

3.7.7: Audit of USAID Missions' Access Controls over Their Financial Management Systems for Fiscal Year 2006

As categorized in GAO's Federal Information System Controls Audit Manual (FISCAM), access controls are one of six categories of general controls that an entity can use to ensure the proper operation of its information systems. The objectives of access controls are to ensure that users' access rights to computer resources are compatible with their job functions and that sensitive resources are accessible only to appropriate users. Access controls limit or

detect access to computer resources, such as data files, application programs, and computer–related facilities and equipment. In effect, they prevent unauthorized modification, loss, and disclosure of an entity's computer resources.

As required by the Computer Security Act of 1987 and the OMB Circular A-130, Federal agencies must identify and protect computer systems that contain "sensitive" information and establish a minimum set of controls in a computer system security program. This audit will determine whether USAID missions protected their data files from unauthorized access, modification, and destruction. The audit is part of a worldwide audit effort to determine whether USAID complies with its own policies and procedures, Federal laws and regulations, and industry best practices. Mission audits will be performed at USAID missions in Egypt and the Philippines and the Regional Support Center in Budapest, as well as at additional locations selected on the basis of statistical sampling.

3.7.8: Audit of USAID's Progress in Implementing Recommendations from Prior General and Application Controls Audits

Previous audits showed that USAID did not have adequate computer security controls in place to mitigate the risks to critical information systems. For instance, these audits found that USAID needed to implement an effective security program for its information systems as well as to correct other computer security weaknesses. Consequently, these previous audits recommended corrective actions to address the deficiencies. In response to our recommendations, USAID has made substantial computer security improvements. This audit will assess USAID's corrective actions to implement recommendations from past OIG audits of USAID's controls over its financial data and systems. It will also assist in determining whether USAID is complying with laws and regulations, including the Federal Financial Management Improvement Act of 1996. Finally, the audit will assist in determining whether USAID/Washington's financial data are reliable.

Performance Measures for Objective 3.7

• Conduct eight audits on the security of USAID's information systems.

• Discuss the security of USAID's information systems with USAID officials at the OIG annual planning conference and on other occasions as requested by the OIG or the Bureau for Management during the fiscal year. Provide advice if appropriate to help USAID improve these systems.

Strategic Goal 4: Promote better management of significant and unplanned matters.

Objective 4.1: Contribute to better management of USAID activities that address significant, often unplanned, conditions or engender intense congressional interest.

The OIG will accomplish this objective by assisting USAID to achieve the following agreed-upon standards for success:

• Effective and efficient delivery of desired results in executing significant, unforeseen activities.

The OIG plans to undertake the following audits to address objective 4.1.

4.1.1: Survey of USAID/Sudan

After a 20 year civil war, the Government of Sudan and the Sudan Peoples Liberation Movement/Army have made significant progress in negotiating a North-South peace agreement, although they have not yet been able to bring it to a successful conclusion. This positive development has now been overshadowed by armed attacks against civilians in Darfur in Western Sudan. The country faces enormous challenges which in part include: human rights abuses, lack of a basic infrastructure and institutional capacity, high illiteracy rates, high rates of child mortality and infectious diseases – including an emerging HIV/AIDS threat. In November 2003, the Office of the USAID Representative for Sudan was established

and located in Nairobi, Kenya. USAID officials have testified that USAID is "poised to assist the Sudanese in their economic recovery and prevention of future conflict once an agreement is reached."

USAID's three-year strategic plan for assistance to Sudan was designed to promote a flexible approach, depending upon the outcome of the peace negotiations – stalemate, deterioration, or peace. USAID's approved program of $220 million in FY 2004 was based on a "stalemate" scenario of no peace and no war. The Administration's FY 2005 request includes $336 million for Sudan and assumes that a comprehensive peace settlement will be reached. USAID has planned a package of special programs in FY 2005. This program will underpin the peace agreement through five key program elements: "quick start" programs, demobilization, disarmament and reintegration, democratic governance, and infrastructure. It is also designed to meet humanitarian needs, which will dramatically increase in the short-term as access is granted to those regions long isolated by conflict. The U.S. Government policy towards Sudan rests on three principles: The War on Terrorism, Peace in Sudan, and Humanitarian Access. This survey will assist both USAID and the Congress as the OIG assesses USAID's plans to implement its activities in Sudan – a task that will face many challenges.

4.1.2: Audit of the Middle East Partnership Initiative (MEPI)

The Middle East Partnership Initiative (MEPI) is a Presidential initiative that strives to bring together Arab, U.S., and global private sector businesses, non-governmental organizations, civil society elements, and governments to develop innovative policies and programs that support reform in the region. The Department of State's Partnership Initiative Office manages the policy and programs under MEPI which includes four reform areas – economic, political, education, and women. The Department of State, USAID, the Department of Commerce, and the Department of Treasury implement the activities under the direction of the Department of State.

During fiscal year 2004, the OIG is surveying MEPI activities that receive USAID funding. Using the

results of that survey, we will assess which USAID-financed activities in the region are most vulnerable to not attaining program objectives and to encountering other inefficiencies. Thereafter, we will select an activity or activities to audit.

4.1.3: Audit of USAID/Afghanistan's Reconstruction of the Kandahar-Herat Highway

In September 2002, USAID awarded a contract to implement the Rehabilitation of Economic Facilities and Services (REFS) program in Afghanistan. The program includes the reconstruction of the Kabul-Kandahar-Herat highway – the country's major east-west highway. Reconstruction of the Kabul-Kandahar section has been underway for some time. Reconstruction of the Kandahar-Herat section is scheduled to begin in June 2004 and is expected to be completed in September 2005. The part of the Kandahar-Herat road to be reconstructed under the REFS program is estimated to cost $220 million. This audit will determine whether (1) the reconstruction activities were on schedule to achieve planned outputs and (2) the contractor awarded subcontracts in accordance with competitive procedures acceptable to USAID.

Performance Measures for Objective 4

* Conduct three audits on USAID programs in Sudan, the Middle East Peace Initiative, and the reconstruction of the Kandahar-Heart highway in Afghanistan.

* Discuss USAID activities that address significant, often unplanned, conditions or engender intense congressional interest with USAID officials at the OIG annual planning conference and at least one other time during the fiscal year. Provide advice if appropriate to help USAID improve these systems.

> **Strategic Goal 5: Preserve and protect USAID program and employee integrity.**

Objective 5.1: Investigate allegations of fraud, waste, and abuse in USAID programs and operations.

The OIG plans to undertake the following activities to address objective 5.1.

5.1.1: Investigate allegations of fraud, waste and abuse in USAID programs and operations

The OIG will investigate all allegations of fraud, waste, and abuse received from USAID personnel, audit staff, contractors, grantees, the Hotline, or other sources. When appropriate, the OIG will refer cases to USAID for administrative action and to the Department of Justice for criminal and/or civil action.

5.1.2: Prioritize cases involving major fraud

The OIG will continue to prioritize program integrity cases involving major fraud in the programs and operations of USAID, ADF, and IAF. Major fraud investigations are high profile cases involving large dollar losses by USAID, ADF, or IAF.

5.1.3: Track and report the results of OIG investigations

The OIG will report the number of investigations conducted, and the number of criminal, civil, and administrative actions taken.

Performance Measures for Objective 5.1

* Track and report the number of allegations investigated.

* Track and report the number of criminal, civil, and administrative actions resulting from investigations.

Objective 5.2: Prevent fraud, waste, and abuse in USAID programs

The OIG plans to undertake the following activities to address objective 5.2.

5.2.1: Fraud Awareness/Cost Principles Briefings to Contractors, Grantees, Supreme Audit Institutions, and Non-governmental Organizations

The OIG will promote awareness of fraud and/or cost principles by providing training to USAID employees, contractors, grantees, and others to alert them to fraudulent schemes and practices. The OIG will continue to develop and distribute fraud awareness literature, audiovisual aids and other material to USAID and its partners. In furtherance of those fraud-prevention efforts, the OIG will offer advice and support to USAID and its partners on antifraud strategies through briefings, meetings, conferences and other forums.

5.2.2: Risk Assessment of Major Activities Managed by USAID/Liberia

Years of conflict have resulted in widespread human suffering in Liberia and internal displacement of approximately 500,000 of its 3 million inhabitants. In February 2004, the International Reconstruction Conference on Liberia, co-hosted by the U.S., the World Bank, and the United Nations in New York resulted in pledges totaling more than $520 million toward humanitarian and reconstruction assistance for Liberia. Additionally, the U.S. Government has contributed $100 million in humanitarian assistance to Liberia since the summer of 2003. The Mission has two current or recently expired projects. One is a $12 million cooperative agreement to strengthen civil society; the second is a 5-year $10 million project concerning maternal and child health programs. Furthermore, in fiscal year 2003, USAID/Food for Peace provided Liberia P.L. 480 Title II emergency food assistance valued at $16.7 million. This assessment is to identify the type of audit coverage that will be needed in the future as the programs progress and presumably grow.

5.2.3: Risk Assessment of USAID/Angola

In August 2002, the Government of the Republic of Angola and the National Union for the Independence of Angola ended their 27-year civil war. This conflict had resulted in the killing of a million people, and left 4 million people dislocated. Angola is now left with some of the worst social and economic conditions in the world. The country faces poverty, severe malnutrition, poor education, lack of basic human rights, and HIV/AIDS.

USAID has focused its effort's in Angola toward improving food security, strengthening civil society, improving maternal and child health, and reducing the incidence of HIV/AIDS among target populations. Angola has tremendous potential to be a stabilizing influence in the Southern African region. It possesses large quantities of mostly unexploited resources including oil, diamonds, valuable minerals, and farmland. Angola is the United States' eighth largest supplier of oil and one of its largest African trading partners. This risk assessment provides an opportunity for the OIG to obtain an overview of the Mission's activities and to identify areas of risk that should be considered for future audits. Once these risks are known, the Mission will be in a better position to decrease or mitigate them.

5.2.4: Risk Assessment of the Program and Operations of the USAID Regional Development Mission /Asia

In September 2003, USAID established the Regional Development Mission/Asia (RDM/Asia) in Bangkok, Thailand and the Mission is growing rapidly. RDM/Asia manages regional and country-specific programs in Burma, China, Laos, Thailand, and Vietnam, as well as HIV/AIDS and environmental programs that extend east into the Pacific and west into South Asia. We plan on issuing an information report on the risk exposure for all major Mission programs and on the operations of this newly established Mission. The primary purpose of this assessment is to help determine future audit work and to review the efficiency and the effectiveness with selected Mission operations – especially security controls over its automated information systems.

5.2.5: Audit of USAID/Iraq's Cash Control Procedures

Due to the lack of a local banking system in Baghdad's security zone, USAID/Iraq is operating in a cash economy. Hence, the Mission maintains an imprest fund in cash to pay for purchases and services ranging from office supplies to renovation of the housing complex and recreation center. Small amounts of the imprest fund are maintained at the Mission's regional offices in Basrah and Arbil. The audit of the imprest fund will determine if USAID/Iraq is managing its imprest fund in accordance with USAID policies and procedures.

5.2.6: Risk Assessment of USAID/Albania

Agriculture accounts for more than half of the output and 70 percent of the rural workforce in Albania. Although most of the population still survives on subsistence agriculture, most of the small farms lack the economies of scale and technology to produce for export. The country's transition to democracy has been incomplete and the government remains weak. Overall, the country suffers from a perception of corruption of the central and local governments, the limited capacity of its health care systems, and a failure of public spending that has not kept pace with the provision of social programs. Much work remains to be conducted throughout the country as Albania addresses weaknesses in infrastructure networks, public and civic institutions, crime, and corruption. This assessment will identify the significant risks faced by USAID/Albania's administrative and program operations.

5.2.7: Audit of USAID/El Salvador's Cashiering Operations

To reduce the risk of fraud or misuse, numerous policies and procedures have been developed for handling cash at USAID missions. Compliance with this guidance is essential to ensure that cash is used for authorized purposes. The objective of this audit is to determine whether USAID/El Salvador was managing its cashiering operation efficiently, economically, and in accordance with USAID policies and procedures. The audit will provide assurance that access to funds and vouchers was controlled at the Mission and determine whether petty cash fund balances were being held at reasonable levels. Analyzing the controls over cashiering operations will ensure that payments were made only when properly authorized and documented. The audit will identify whether controls were in place to reduce the likelihood of fraud occurring related to cash handling operations.

5.2.8: Recommend systemic improvements

The OIG will make recommendations for systemic improvements if weaknesses are uncovered in USAID programs or operations and will work with USAID to correct the problems.

5.2.9: Promote the Hotline

The OIG will continue to promote the Hotline as a tool for reporting fraud, waste, and abuse in fraud awareness presentations and other forums. The OIG believes that the Hotline serves both as an effective medium for receiving allegations and as an active deterrent against fraud.

5.2.10: Conduct proactive investigations

The OIG will conduct two proactive investigations involving major Agency programs to identify potential threats and vulnerabilities that could lead to criminal, civil, or administrative violations.

Performance Measures for Objective 5.2

- Conduct fraud awareness training sessions, briefings, or presentations, increasing the number of sessions by 5 percent over the previous fiscal year.

- Record the number of participants in fraud awareness training, identifying their program areas.

- Promote the OIG Hotline through OIG publications, internet publications, and Agency-wide exposure.

- Conduct two proactive investigations to identify vulnerabilities in multi-million dollar USAID

programs involving U.S. contractors and grantees.
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- Conduct two audits and four risk assessments on preventing fraud, waste, and abuse in USAID programs and operations.

- Discuss the prevention of fraud, waste, and abuse in USAID programs and operations with USAID officials at the OIG annual planning conference and on other occasions as requested by the OIG or USAID management. Provide advice if appropriate to help USAID improve these programs and operations.

- Make recommendations for systematic improvements if weaknesses in USAID programs or operations are detected.

Objective 5.3: **Preserve and protect USAID employee integrity by conducting and concluding investigations of employee integrity efficiently and expeditiously.**

The OIG plans to undertake the following activities to address objective 5.3.

5.3.1: Investigate allegations of USAID personnel misconduct

The OIG will investigate all allegations of personnel misconduct received from USAID personnel, contractors, grantees, the Hotline, and other sources. Evidence of wrongdoing by any employee will be reported to the Department of Justice for criminal/ civil prosecution and/or to USAID for administrative action.

5.3.2: Conduct and conclude investigations of employee integrity efficiently and expeditiously.

The OIG recognizes the effect that employee investigations have on USAID programs and operations; accordingly, OIG will complete employee integrity investigations within 120 days of receipt of an allegation.

Performance Measures for Objective 5.3

- Complete all employee integrity investigations referred to the OIG within 120 days of receipt of the allegation.

- Make referrals, as appropriate, to the Department of Justice for criminal/civil action and/or to USAID for administrative action.

- Track and report the number of criminal, civil, and administrative actions.

General Strategy for ADF and IAF

The African Development Foundation (ADF), which began field operations in 1984, provides grants directly to community groups in Africa. Its budget in FY 2004 was approximately $18.6 million. The Inter-American Foundation (IAF) was established in 1969. With a budget of about $16.3 million in FY 2004, it provides development grants directly to local organizations in Latin America and the Caribbean. Both foundations are U.S. Government corporations. The OIG assumed audit and investigative oversight of the foundations in 1999.

The cornerstone of the OIG's strategy for maintaining effective oversight of foundation operations lies in the OIG's annual audit of each foundation's organization-wide financial statements. The audits will help to identify areas for more in-depth audits and investigations as circumstances warrant. The OIG also will review the foundations' implementation of their financial audit program over their grantees. Performance audits also will play an integral role in maintaining accountability at ADF and IAF. Further, the OIG has disseminated information to the foundations and has conducted employee briefings on the OIG Hotline. Foundation employees and others can contact the OIG Hotline or OIG investigators to report their accountability concerns. Finally, the OIG will, at all times, remain responsive to congressional concerns about the foundations' operations.

Audit of the African Development Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2005

As required by the Government Management Reform Act, the Office of Inspector General must submit an annual audit report on its agency's financial statements. USAID/OIG is the responsible OIG for the ADF and must therefore submit its annual financial statement audit report. The OIG will contract with an independent accounting firm to perform this audit. Our objective is to determine whether ADF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Guidance. We will also obtain an understanding of ADF's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the Principal Statements and Required Supplementary Stewardship Information.

Audit of the African Development Foundation's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107-347, which superseded the Government Information Security Reform (GISR), states the following:

> *Each agency shall develop, document, and implement an agency-wide information security program…to provide information security for the information and information security systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source….*

This audit will contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether the African Development Foundation's information system security program meets the requirements of the

Federal Information Security Management Act of 2002.

Audit of the African Development Foundation's Monitoring, Reporting, and Evaluation System

The African Development Foundation (ADF) is a Government corporation established by Congress in 1980 with headquarters in Washington, D.C. It currently has active programs in 15 sub-Saharan countries and is authorized to award grants, loans, and loan guarantees to African private or public groups, associations, or other entities engaged in peaceful activities. In February 2003, USAID's Office of Inspector General issued a performance audit entitled Audit of Awarding and Monitoring of Grants by the African Development Foundation. The audit found among other things that ADF had not implemented an effective system to monitor its projects. This audit will take a broader approach to determine whether ADF has instituted an adequate monitoring, reporting and evaluation system.

Audit of the Inter-American Development Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2005

As required by the Government Management Reform Act, the Office of Inspector General must submit an annual audit report on its agency's financial statements. USAID/OIG is the responsible OIG for the IAF and must therefore submit its annual financial statement audit report. The OIG will contract with an independent accounting firm to perform this audit. Our objective is to determine whether IAF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Guidance. We will also obtain an understanding of IAF's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the Principal Statements and Required Supplementary Stewardship Information.

Audit of the Inter-American Development Foundation's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107-347, which superseded the Government Information Security Reform (GISR), states the following:

> *Each agency shall develop, document, and implement an agency-wide information security program…to provide information security for the information and information security systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source….*

This audit will contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether the Inter-American Development Foundation's information system security program meets the requirements of the Federal Information Security Management Act of 2002.

Audit of the Inter-American Development Foundation's Efforts to Meet the Government Performance Results Act

The Inter-American Foundation (IAF) is an independent U.S. Government corporation that has its headquarters in Washington, D.C. and provides grants to nongovernmental and community-based organizations in Latin America and the Caribbean. With an appropriation of $16.3 million in fiscal year 2004, IAF currently provides grants under 216 projects in 22 countries. To address some of the management challenges identified earlier by the OIG and the Government Accountability Office, the IAF has implemented a number of initiatives, including several focusing on improving the Foundation's performance monitoring and efforts to document results. For example, the IAF formalized its process for reporting consolidated grant performance results

and is now focusing greater attention on assessing the appropriateness of its existing performance indicators. This audit will determine whether IAF's strategic planning, annual planning and performance reporting meets the requirements of the Government Performance and Results Act and enable the Foundation to measure its performance by comparing planned and actual results.

Consultations

An important element in carrying out our audit and investigative work is our collaboration with other organizations. We consult with them to consider the work they have performed, seek opportunities for joint work, and obtain additional information that will affect our planning.

Government Accountability Office

The IG Act requires coordination with the Government Accountability Office (GAO) to prevent duplication and ensure effective coordination and cooperation. The OIG has assigned a liaison who serves as the principal contact with GAO and is responsible for keeping the OIG advised on GAO's relevant audit work and reports, which are used for OIG planning. Consultation and coordination are undertaken in planning annual audits.

Defense Contract Audit Agency

The Defense Contract Audit Agency (DCAA) performs audits, reviews, and preaward surveys as requested by the USAID OIG. The OIG funds these efforts and works with DCAA and USAID to ensure that the work meets USAID's needs.

State Department

The State Department and USAID have issued a joint strategic plan for fiscal years 2004 - 2009. The OIG strategic plan is aligned with the joint State-USAID strategic plan. USAID OIG staff meet with State Department OIG staff to discuss planning and coordination issues and other matters of mutual interest in the foreign affairs environment.

Other Agencies

Several other Federal agencies have interests and activities in the foreign affairs community. For example, the Department of Agriculture obtains food commodities for USAID's P.L. 480 food distribution programs and manages USAID's payroll activities. The Department of Health and Human Services, the Federal Emergency Management Agency, the Environmental Protection Agency, and others, including the Department of State, receive funds through USAID to help manage foreign assistance and disaster assistance activities. Under the President's Emergency Plan for AIDS (Acute Immunodeficiency Syndrome) Reduction, the Department of State plays an overall coordinating role and USAID, the Department of Health and Human Services, the Department of Defense, the Department of Commerce, and the Department of Labor help implement prevention, treatment, and palliative care activities. We coordinate with each Agency's OIG in planning and carrying out our annual audits and investigations. The USAID OIG also coordinates with other OIGs through the President's Council for Integrity and Efficiency (PCIE) and plays a leadership role in the PCIE Audit Committee and the Federal Audit Executive Committee.

Customers and Stakeholders

Understanding the needs of our customers and ensuring that their needs are addressed in conducting our work is vital to the overall success of OIG operations.

To facilitate exchanges between OIG staff and the customers for our work, the OIG held a management and planning conference in early 2004. The conference included participation from all the units within the OIG and gave representatives from both headquarters and field offices an opportunity to meet and discuss issues that affect audits and investigations.

Professional staff from key congressional appropriations and authorizing committees participated, as did officials from the Office of Management and Budget (OMB) and GAO. Management officials from USAID bureaus discussed their programs and vulnerabilities, and senior officials of ADF and IAF also presented information on risks and vulnerabilities and perceived audit and investigative needs.

These discussions, and others held throughout the year, have helped us to focus our limited resources on the issues of greatest concern to our customers and stakeholders.

Factors Affecting OIG Audit and Investigative Activities

The OIG faces several factors – some of which are beyond its control – that could affect its ability to achieve its goals and objectives. For example, the OIG has no implementation authority: that is, it can only make recommendations to USAID on the basis of audit and investigative findings. USAID is not obligated to accept any of these recommendations. The OIG's recommendations, along with USAID's responses, are included in OIG audit reports and summarized in the semiannual report to Congress. In addition, there are other factors (discussed below) both internal and external to USAID, that affect the OIG's ability to accomplish its work.

USAID's Internal Environment

USAID's management challenges have been documented by the OIG in audit reports and by GAO in its report entitled Major Management Challenges and Program Risks: U.S. Agency for International Development (GAO-03-111, January 2003).

Although USAID has made progress, it still does not have timely, accurate, and reliable performance data and integrated information management systems. The Agency continues to have problems developing reporting systems that meet the requirements of the Government Performance and Results Act of 1993, and its financial accounting system does not fully meet government standards.

Nor has USAID successfully addressed human capital issues despite long-standing recognition of the problem. For example, because of the staffing challenges that it faces, it is difficult for USAID's procurement workforce to maintain the levels of contract administration necessary to ensure the continuation of sound business practices. As a result, the Agency could be vulnerable to higher contract costs, delays in contract awards, an increased

number of bid protests, and costly contract modifications and revisions.

These internal USAID factors pose significant challenges in our audit and investigative work. Because of the inability to rely on USAID's information systems, for example, our auditors must increase the amount of testing required for audits, thereby increasing the cost and time required for them.

USAID's External Environment

USAID operates in more than 100 countries. Given the differences in language, law, and standards of accountability that it faces, its working environment is complex. Besides the difficulties inherent in an overseas environment, USAID is faced with implementing programs in countries susceptible to corruption.

In carrying out their audits and investigations, OIG staff must be aware of these vulnerabilities and factor the high-risk environment into designing audit and investigative strategies.

Standards for Success

The OIG has developed standards for success for each of the objectives set forth in the OIG's strategic and annual plans. These standards for success are drawn from such sources as OMB circulars, legislation (GPRA, GMRA, FFMIA, etc.), the State-USAID Strategic Plan, USAID policy documents and notices, and USAID priorities. The standards were developed to articulate what USAID needs to do to accomplish its mission and address the major challenges it faces. If the OIG can help USAID achieve the standards for success (listed in Appendix A), the OIG will thereby have accomplished its objectives.

One key to making the standards for success meaningful is for USAID to "buy into them." The OIG considered it essential that the Agency and the OIG agree that the standards are relevant and attainable. To accomplish the necessary buy-in, we met with the Administrator and Deputy Administrator as well as with the Assistant and Deputy Assistant Administrators, Office Directors, and other USAID individuals identified as having an interest in meeting the standards. As a result of those meetings, USAID and the OIG are in substantial agreement that the standards for success, as presented in this annual plan, are relevant to USAID's success and attainable by USAID. The audits and investigative activities planned for FY 2005 are designed to assist USAID in attaining the standards.

The OIG's strategic goals and objectives, as well as the standards for success and a multiyear plan for addressing them, are presented in Appendix A. Included as Appendix B is the list of planned audit activities for FY 2005, organized by geographic bureau within USAID, followed by Appendix C, the list of audit activities for ADF and IAF.

APPENDIX A

STRATEGIC GOALS AND OBJECTIVES, STANDARDS FOR SUCCESS, AND MULTIYEAR PLAN OF OIG ACTIVITIES

Strategic Goal 1: Keep the Administrator and Congress fully informed of the status of USAID's administration and operations and the need for and progress of corrective actions.

Objective: Provide timely, high-quality reports and briefings to the Administrator and Congress on the major challenges identified by audits and investigations.

Provide prompt notification to the Administrator and Congress on issues of significant importance impacting USAID operations in accordance with the Inspector General Act of 1978.

Strategic Goal 2: Promote improvements in the way that USAID advances sustainable development and global interests.

Objective 2.1: Contribute to improvements in USAID's programs that advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
2.1 USAID, with the Department of State (DOS), advances the growth of democracy by pressing for democratic reform based on rule of law; acting as a leading human rights defender; working with other countries that share U.S. values; promoting freedom of religion and conscience worldwide; providing assistance focused on governance; and encouraging the development of appropriate infrastructures and institutions. [State-USAID Strategic Plan]	Risk Assessment of the Office of Transition Initiatives	IG/A	05
	Audit of USAID/Sierra Leone's Management of Its Transition Strategy	IG/A	05
	Audit of USAID/Peru's Short-term Community Support Activities Under Its Alternative Development Program	IG/A	05
	Audit of USAID/Iraq's Monitoring of the Iraq Community Action Program	IG/A	05
	Audit of USAID's Rule of Law Activities	IG/A	08

Strategic Goal 2: Promote improvements in the way that USAID advances sustainable development and global interests.

Objective 2.2: Contribute to improvements in USAID's programs for strengthening world economic growth, development, and stability while expanding opportunities for U.S. businesses and ensuring economic security for the nation.

1

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
2.2.1 USAID, with DOS, strengthens world economic growth, development, and stability by promoting growth, open markets, and economic development (i.e. through economic policy reforms that tie assistance to performance and accountability); assisting conflict resolution, crisis management, and failing states; harnessing private sector transaction flows; promoting agricultural development; and expanding opportunities for U.S. businesses. [State-USAID Strategic Plan]	Audit of USAID's Development Credit Authority Program	IG/A	05
	Audit of USAID/Senegal's Monitoring and Reporting of Its Microfinance Activities	IG/A	05
	Audit of USAID/Jordan's Cash Transfer Program	IG/A	05
	Audit of USAID/Caucasus' Economic Growth Programs in Georgia	IG/A	05
	Audit of USAID/Central Asia Republic's Central Asia Microfinance Alliance (CAMFA) Project	IG/A	05
2.2.2 DOS and USAID work with the Treasury Department and other federal agencies, international financial institutions, and friendly governments to minimize financial disruptions, to improve functioning of energy markets for producing and consuming countries, and to prevent the illegal use of communication technologies. [State-USAID Strategic Plan]			
2.2.3 USAID, with DOS, coordinates with the Millennium Challenge Corporation (MCC) to implement the Millennium Challenge Account (MCA) by providing assistance to threshold countries to improve their performance eligibility criteria. [State-USAID Strategic Plan]			
2.2.4 USAID, with DOS, ensures that private financial flows, such as those sponsored by the Global Development Alliance, contribute to economic prosperity and security by developing	Audit of USAID's Global Development Alliance Program (Multi-country Audit)	IG/A	05
	Audit of USAID/XX's Global	IG/A	05

business models and generating public-private partnerships to mobilize private sector flows in support of public resources and objectives. [State-USAID Strategic Plan]	Development Alliance Program (West/Central Africa Mission TBD)		
	Audit of USAID/XX's Global Development Alliance Program (East/Southern Africa Mission TBD)	IG/A	05
	Audit of USAID/XX's Global Development Alliance Program (Asia/Near East Missions TBD)	IG/A	05
	Audit of USAID/XX's Global Development Alliance Program (Europe/Eurasia Mission TBD)	IG/A	05
	Audit of USAID/XX's Global Development Alliance Program (Latin America/Caribbean Mission TBD)	IG/A	05
2.2.5 USAID, with DOS, promotes agricultural development and food security through supporting technological improvements, enhancing the role of women, strengthening local, regional, and global markets for agricultural products, supporting PL 480 food programs, and gaining acceptance of biotech products while maintaining food safety standards. [State-USAID Strategic Plan]	Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program	IG/A	05
	Audit of the USAID Regional Quality Coffee Program in Latin America	IG/A	05
	Audit of USAID's Management of P.L. 480 Non-Emergency Monetization Programs	IG/A	06
	Audit of USAID's Management of P.L. 480 Title II Emergency Assistance Program	IG/A	07
	Audit of USAID's Procurement of Freight Services under P.L. 480 Title II Program	IG/A	08

Strategic Goal 2: Promote improvements in the way that USAID advances sustainable development and global interests.

Objective 2.3: Contribute to improvements in USAID programs to improve health, education, environment, and other social and environmental conditions for the global population.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
2.3.1 USAID and DOS combat the spread of HIV/AIDS by a balanced, integrated approach that includes prevention, treatment, and care – raising awareness, addressing mother-to-child transmission of HIV, and advocating sexual behavior that reinforces abstinence, faithfulness, and responsible use of condoms. [State-USAID Strategic Plan]	Audit of USAID's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (Multi-country Audit)	IG/A	05
	Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (West/Central Africa Mission TBD)	IG/A	05
	Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (East/Southern Africa Missions TBD)	IG/A	05
	Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (Asia/Near East Missions TBD)	IG/A	05
	Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/ AIDS Relief – PEPFAR (Latin America/Caribbean Mission TBD	IG/A	05
	Survey and Pilot Audit of USAID's Procurement of Commodities for PEPFAR	IG/A	05
	Follow-up of USAID's Implementation of Recommendations Included in the Audit of Selected Operating Units' Monitoring of Their HIV/ AIDS Program, Audit	IG/A	05

	Report No. 9-000-03-004-P, dated February 3, 2003		
	Audit of USAID's Procurement of Commodities for PEPFAR	IG/A	06
	Audit of USAID's Progress Under PEPFAR	IG/A	06
2.3.2 USAID and DOS contribute to the reduction of infectious diseases by supporting bilateral treatment and prevention programs and international programs, including those of the World Health Organization and the Global Fund to Fight AIDS, Tuberculosis, and Malaria. [State-USAID Strategic Plan]	Audit of USAID/Yemen's Health and Education Activities	IG/A	05
2.3.3 USAID and DOS contribute to the reduction of infant and child mortality through direct health interventions and by enhancing a country's capacity to develop and manage its health care sector. [State-USAID Strategic Plan]	Audit of USAID/Iraq's Health System Strengthening Activities	IG/A	05
	Audit of USAID/Afghanistan's School and Clinic Reconstruction Program	IG/A	05
	Audit of USAID's Child Survival Activities	IG/A	08
2.3.4 USAID, with DOS, supports reproductive and maternal health by increasing access to and use of quality care, including encouragement of abstinence, fidelity, voluntary family planning, competent delivery assistance, avoidance of unintended pregnancies, and local institutional capacity building. [State-USAID Strategic Plan]	Audit of USAID/Pakistan's Health and Population Awareness Program	IG/A	05
2.3.5 USAID and DOS work toward the UN Millennium Declaration of universal primary education by encouraging countries to improve education policies, institutions, and practices, especially reducing barriers for girls, and by working with donor	Audit of USAID/Mali's Monitoring and Reporting of Its Basic Education Program	IG/A	05
	Audit of USAID/Iraq's Monitoring of Education Activities in Iraq	IG/A	05

partners to implement commitments made at international conferences. [State-USAID Strategic Plan]	Audit of USAID's Basic Education Activities	IG/A	08
2.3.6 USAID and DOS promote sustainable natural resource management and environmental conservation by increasing capacity to protect the oceans and environment; building partnerships to deliver water, energy, and sound resource management; and advancing international environmental cooperation that supports trade and economic growth. [State-USAID Strategic Plan]	Audit of USAID/West Africa Regional Program's (WARP) Management of Environmental Monitoring Audit of USAID/Iraq's Water and Sanitation Rehabilitation Projects	IG/A IG/A	05 05

Strategic Goal 2: Promote improvements in the way that USAID advances sustainable development and global interests.

Objective 2.4: Help USAID minimize the human costs of displacement, conflicts and natural disasters.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
2.4.1 USAID and DOS minimize the human cost of displacement and conflict by providing, on a non-political basis, equipment and support for transition to development that protects lives, alleviates suffering, and restores capacity for self-reliance; upholding international standards concerning exploitation, especially of women and children; and promoting durable solutions for displaced persons. [State-USAID Strategic Plan]	Audit of USAID/Iraq's Electrical Generation Activities Audit of USAID/Columbia's Internally Displaced Persons Program Audit of USAID's Emergency Response Efforts	IG/A IG/A IG/A	05 05 09
2.4.2 USAID and DOS improve disaster assistance and response capabilities by enhancing early warning systems, mitigating potential disaster effects, building response capabilities, involving local women, promoting accountable	Audit of USAID's Emergency Preparedness Efforts	IG/A	08

governance and coordinating international donor response. [State-USAID Strategic Plan]			

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.1: Contribute to the development of a workforce whose number, skills, and deployment meet USAID needs; strategies for succession planning and leadership continuity; and strategies that integrate workforce planning into USAID's budget and strategic plans.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.1.1 No skill gaps exist in mission-critical positions. [OMB Management Initiative USAID-Performance Goal 2.1, OPM Scorecard/ Strategic Competency Goal]			
3.1.2 Human capital strategy is consistent with OPM's "Human Capital Scorecard." [President's Management Agenda, OMB Management Initiative OPM Scorecard]	Audit of USAID's Implementation of Its Human Capital Strategy	IG/A	06
3.1.3 Human capital strategy is integrated into the budget and strategic plans. [OMB-Management Initiative OPM Scorecard/Strategic Alignment Goal]	Audit of USAID's Incorporation of Human Capital Strategy into the Budget and Planning Process	IG/A	07
3.1. 4 USAID strategically uses existing personnel flexibilities, tools, and technology. [OMB-Management Initiative OPM Scorecard]	Audit of USAID/Egypt's Foreign Service National Severance Payments Audit of USAID's Use of Existing Personnel Flexibilities	IG/A IG/A	05 09
3.1.5 USAID implements effective succession plans. [OMB-Management Initiative OPM Scorecard/Leadership Goal]	Audit of USAID's Succession Planning for Top Leadership and Management Positions	IG/A	09
3.1.6 USAID sustains a high-performing workforce that is continually improving in productivity. [OMB-Management Initiative OPM Scorecard/Leadership Goal and Performance Culture Goals]	Audit of USAID's Programs for Improving Employee Performance	IG/A	06

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Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.1.7 Human capital strategy complies with standards for internal accountability systems to ensure effective merit-based human resource management. [OMB-Management Initiative Executive Order 13197]	Audit of USAID's Human Capital Strategy for Compliance with Standards for Internal Accountability Systems	IG/A	10
3.1.8 USAID employs competitive sourcing practices to ensure that the best possible service and products are procured at the best possible price, regardless of the source. [President' Management Agenda, State-USAID Strategic Plan]			
3.1.9 USAID ensures the security of its employees and implementing partners. [State-USAID Strategic Plan]	Audit of USAID's Office of Security	IG/A	07

Strategic Goal 3: Help USAID achieve management and organizational excellence. Objective 3.2: Contribute to improvements in USAID's processes for planning, monitoring, and reporting on program activities and integrating performance information into budget decision-making.			
Standards for Success	**Planned OIG Services**	**Performing Organization**	**Planned Fiscal Year**
3.2.1 USAID has a process of strategic planning, performance monitoring and evaluation, and results reporting that includes the following: 1. In conjunction with the Department of State, an updated and revised strategic plan every three years setting out a course of action and accomplishments covering a period of at least five years. 2. An annual performance budget that sets annual goals with measurable target levels of performance.	Audit of USAID's Strategic Plan	IG/A	06

3. An annual performance and accountability report that compares actual performance with annual goals. [GPRA, OMB Circular A-11]			
3.2.2 "Management's Discussion and Analysis," a part of USAID's annual Performance and Accountability Report, contains meaningful performance information addressing the extent to which programs are achieving their intended objectives. [OMB Bulletin Nos. 01-09, Statement of Federal Financial Accounting Standards No. 15]	Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2005 Consolidated Financial Statements	IG/A	05 and Annual
3.2.3 USAID systematically applies performance data to budget decisions and can demonstrate how program results inform budget decisions. Budget processes are efficient and enhance operational efficiency. [President's Management Agenda]	Audit of USAID's Implementation of the Program Assessment Rating Tool (PART) Audit of USAID's Performance-Based Budget	IG/A IG/A	05 06
3.2.4 USAID can adequately monitor and report on activities not covered by a country strategy. [USAID priority]	Audit of USAID Activities in Non-Presence Countries in Eastern Africa Audit of USAID Activities Not Managed by Resident USAID Staff	IG/A IG/A	05 08
3.2.5 USAID has a performance measurement process that verifies and validates the reliability of data in the annual reports of individual operating units. [GPRA, USAID Notice dated 12/5/01]			
3.2.6 USAID provides quick, reliable, and economic program and administrative services to USAID/ Washington offices and field missions. [USAID priority]	Audit of Field Support Agreement Expenditures	IG/A	07

3.2.7 USAID coordinates with the State Department on the consolidation of State-USAID performance reporting, financial management, information technology, and other support services. [State-USAID Strategic Plan]			

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.3: Contribute to improvements in USAID's processes for awarding and administering acquisition and assistance instruments.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.3.1 Cognizant Technical Officers are effective participants in the procurement process. [OFPP Best Practice, USAID-Performance Goal 3.2.1]	Audit of Management Activities Performed by USAID/Nicaragua's Cognizant Technical Officers	IG/A	05
3.3.2 USAID's management of service contracts improves USAID operations and programs. [OFPP Policy Letter 93-1]	Audit of USAID's Service Contracts	IG/A	07
3.3.3 USAID follows procedures for using performance-based contracting where applicable to achieve or exceed OMB targeted goals. [OFPP Policy Letter 91-2, USAID Performance Goal 3.1.2]			
3.3.4 USAID ensures consistent application of acquisition and assistance policies and procedures. [OFPP]	Audit of USAID's Solicitation and Award Process	IG/A	08
3.3.5 USAID ensures increased competitiveness and access to procurement opportunities for U.S. small businesses. [OFPP]			

3.3.6 USAID adopts practices that enable it to manage its workload efficiently. [USAID Performance Goal 3.1.1]			
3.3.7 USAID's internal evaluations of its contracting systems are sufficient and complete to ensure accurate reporting of system compliance and integrity. [OFPP]	Audit of USAID's Procurement Evaluation Program	IG/A	06
3.3.8 USAID identifies and implements applications for on-line procurement. [President's Management Agenda, OFPP, USAID Performance Goal 3.1.1]			

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.4: Assist USAID in improving its financial systems that contribute to preparation of reliable and useful information that managers can use to manage USAID.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.4.1 USAID has financial management systems that substantially meet Federal financial management system requirements and applicable accounting standards. They include a financial management system that does the following: --Complies with the Joint Financial Management Improvement Program. --Processes transactions in accordance with the Standard General Ledger. --Complies with Federal accounting standards. [President's Management Agenda, Government Management Reform Act of 1994, Federal Financial Management Improvement Act of 1996]	Audit of USAID's Fiscal Year 2005 Consolidated Financial Statements Under the Government Management Reform Act – GMRA (Multi-country Audit) GMRA Audit of Financial Systems of USAID/South Africa for Fiscal Year 2005 GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2005 GMRA Audit of Financial Systems of USAID/Pakistan for Fiscal Year 2005 (Accounting Station – USAID/Philippines) GMRA Audit of Financial Systems of USAID/Regional Support Center (RSC) for Fiscal Year 2005	IG/A IG/A IG/A IG/A IG/A	Annual 05 05 05 05

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
	Audit of USAID's Compliance with the Federal Financial Management Improvement Act of 1996 – Fiscal Year 2005	IG/A	05
	Audit of USAID's Credit Management Program	IG/A	05
3.4.2 USAID provides accurate and timely interim financial information. [OMB Bulletin 01-09]	GMRA Audit	IG/A	05
3.4.3 USAID has integrated financial and performance management system supporting day-to-day operations for both Washington and Overseas Accounting Stations. [President's Management Agenda]	GMRA Audit	IG/A	05
3.4.4 USAID accurately posts all financial transactions on a timely schedule. [Government Management Reform Act of 1994]	GMRA Audit	IG/A	05
3.4.5 USAID performs timely reconciliation of financial data. [GAO Internal Control Guidance]	GMRA Audit	IG/A	05

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.5: Assist USAID in ensuring proper accountability of funds provided to contractors, grantees, and host governments.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.5.1 Maintain accountability for funds provided to U.S. and non-U.S. grantees and enterprise funds through monitoring activities such as field visits, meetings, and review of progress reports; through review of payment requests submitted to USAID; and through financial reviews and evaluations.	Audit of USAID/Ethiopia's Monitoring of Awards Which Do Not Require Annual Financial Audits	IG/A	05
	Audit of USAID/South Africa's Control over Prime Recipient Monitoring of Sub-recipients	IG/A	05

[OMB Circular No. A-133, Single Audit Act, Federal Acquisition Regulations, ADS 591, and Support for Eastern European Democracy Act of 1989]	Audit of Europe, Eurasia, and Regional Division's (M/OP/EER) Monitoring of Enterprise Fund Financial Audits	IG/A	05
	Audit of Enterprise Funds	IG/A	06
3.5.2 USAID obtains contractor, grantee, and host country audits that meet standards and provide assurance that financial information is reliable. [OMB Circular No. A-133, Single Audit Act, Federal Acquisition Regulations, ADS 591, and Support for Eastern European Democracy Act of 1989]	Oversight of OMB Circular A-133 Audit Program	IG/A	Annual
	Oversight of Services Provided to USAID by the Defense Contract Audit Agency	IG/A	Annual
	Oversight of Audits Contracted by USAID	IG/A	Annual
	Oversight of Audits Contracted by Overseas Grantee Recipients	IG/A	Annual
	West Bank and Gaza Agency-Contracted Audit Coordination	IG/A	05
	Quality Control Reviews of Audits Performed by Independent Public Accounting Firms under OMB Circular A-133, Enterprise Fund, and USAID and Recipient-Contracted Audit Programs	IG/A	05

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.6: Promote improvements in the creation of systems and information technology (IT) infrastructures that are able to leverage capital investments, provide blueprints for IT solutions, and share data and information within USAID and with its customers.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.6.1 USAID attains full compliance with the Clinger-Cohen Act of 1996. For example, the Act requires but is not limited to the following: --Capital planning and investment control. --Performance-based and results-based management of information resources.	Audit of USAID's Process for Deployment of Its Core Financial System Overseas (Multi-country Audit)	IG/A	05
	Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (West/Central Africa Mission TBD)	IG/A	05

--Assignment of responsibilities within the USAID for managing IT. [Clinger-Cohen Act of 1996]	Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (Asia and Near East Missions TBD)	IG/A	05
	Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (Europe and Eurasia Mission TBD)	IG/A	05
	Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (Latin America/Caribbean Mission TBD)	IG/A	05
	Audit of USAID's Implementation of the Program Management Office	IG/A	06
	Audit of USAID's Implementation of the Clinger-Cohen Act	IG/A	06
	Audit of Performance Measures for IT Initiatives	IG/A	07
	Audit of USAID's Management of Information Technology Projects	IG/A	08
3.6.2 USAID's major system investments comply with OMB Circular A-11 (Exhibit 53, Form 300). For example, the circular requires but is not limited to the following: --Submitting to OMB, for all major system investments, a business case that complies with the circular's provision.	Audit of USAID/State's Progress in Implementing a Joint Enterprise Architecture	IG/A	06
	Audit of USAID's IT Investment Process	IG/A	06

--Planning, budgeting, and acquisition of capital assets. (For example, IT investment should include the basis for selection of investment; principles of financing; and strategies for strengthening accountability for achieving project cost, schedule, and performance goals. [OMB Circular A-11, Exhibit 53, Form 300]			
3.6.3 On average, all major IT projects operate within 90 percent of Form 300 cost, schedule, and performance targets. [OMB Circular A-11, Exhibit 53, Form 300]	Audit of the Post Implementation of the Phoenix and Procurement Systems	IG/A	07
3.6.4 E-government and Government Paperwork Elimination Act (GPEA) implementation must show department-wide progress or participation in multi-agency initiative in the following areas: --Citizen one-stop service delivery integrated through www.firstgov.gov, cross-agency call centers, and offices or service centers. --Minimizing of burden on business by reusing data previously collected or using ebXML or other open standards to receive transmissions. --Obtaining productivity improvements by implementing customer-relationship management, supply chain management, enterprise resource management, or knowledge-management best practices. [President's Management Agenda]	Audit of USAID's E-Gov Initiatives Audit of USAID's Oversight of IT Contractors and Deliverables	IG/A IG/A	06 08

Strategic Goal 3: Help USAID achieve management and organizational excellence.

Objective 3.7:   Contribute to the development, promotion, and monitoring of security awareness and processes for protecting USAID's critical information systems from loss, misuse, and unauthorized access or modification.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
3.7.1 The security of USAID's information systems fully complies with Federal requirements, specifically the Federal Information Security Management Act of 2002. The Act's provisions include: 1. Annual agency reviews. 2. Annual Inspector General or independent evaluations. 3. Annual OMB reports to Congress that summarize the Inspector General and agency reports. 4. Annual agency performance plan that describes time periods for implementing the agency-wide security program. 5. Agency incorporation of security practices throughout the life-cycle of all systems. The Act also requires agencies to do the following: 1. Develop policy and procedures that are based on a continuous risk management cycle. 2. Implement controls that assess information security risk. 3. Continually monitor and evaluate policy and control effectiveness. The Computer Security Act of 1987: For example, the Act requires but is not limited to the following : 1. Identification of sensitive systems. 2. Security plans and privacy for Federal computer systems and Federal computer system security training.	Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005	IG/A	Annual
	Audit of USAID Missions' Access Controls over Their Financial Management Systems for Fiscal Year 2006	IG/A	Annual
	Audit of USAID/Washington's Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2005	IG/A	05
	Audit of USAID/South Africa's Access Controls over Its Financial Management Systems for Fiscal Year 2005	IG/A	05
	Audit of USAID/Egypt's Access Controls over Its Financial Management Systems for Fiscal Year 2005	IG/A	05
	Audit of USAID/Pakistan's Access Controls over Its Financial Management Systems for Fiscal Year 2005 (Accounting Station – USAID/ Philippines)	IG/A	05
	Audit of USAID RSC/ Budapest's Access Controls over its Financial Management Systems for Fiscal Year 2005	IG/A	05
	Audit of USAID's Progress in Implementing Recommendations From Prior General and Application Controls Audits	IG/A	05

OMB Circular A-130, Appendix III: The Circular requires but is not limited to establishing an automated information security program and management structure that includes controls for access (passwords, intrusion detection, antivirus software, and system protection devices), application software development, system software (operating systems and related utilities), segregation of duties, and contingency planning.			

Strategic Goal 4: Promote better management of significant and unplanned matters.

Objective 4.1: Contribute to better management of USAID activities that address significant, often unplanned, conditions or engender intense congressional interest.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
4.1.1 USAID achieves effective and efficient delivery of desired results in executing significant and often unforeseen activities.	Survey of USAID/Sudan	IG/A	05
	Audit of the Middle East Peace Initiative (MEPI)	IG/A	05
[Implicit in OMB October 30, 2001 Memorandum and the President's Management Agenda]	Audit of USAID/Afghanistan's Reconstruction of the Kandahar-Herat Highway	IG/A	05

Strategic Goal 5: Preserve and protect USAID program and employee integrity.

Objective 5.1: Investigate allegations of fraud, waste, and abuse in USAID programs and operations.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
5.1.1 USAID maintains the highest possible level of program integrity.	Investigate allegations of fraud, waste, and abuse in USAID programs and operations.	IG/I	Ongoing
	Make appropriate referrals for criminal, civil, or administrative actions.	IG/I	Ongoing
5.1.2 USAID reduces fraud in major programs and contracts.	Prioritize program integrity cases involving major fraud.	IG/I	Ongoing

| | Track and report the number of allegations investigated and the number of criminal, civil, and administrative actions resulting from investigations. | IG/I | Ongoing |

Strategic Goal 5: Preserve and protect USAID program and employee integrity.

Objective 5.2: Prevent fraud, waste, and abuse in USAID programs.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
5.2.1 USAID proactively prevents fraud in its programs and operations.	Conduct fraud awareness/cost principles training sessions, briefings, and presentations to alert employees, contractors, and grantees to fraud schemes and fraudulent practices.	IG/I IG/A	Annual
	Promote the OIG Hotline to increase awareness of tools for reporting fraud, waste, and abuse.	IG/I	Annual
	Conduct two proactive investigations to identify vulnerabilities in multi-million dollar USAID programs involving U.S. contractors and grantees, which could lead to criminal activity or civil or administrative violations.		
5.2.2 USAID corrects identified systemic problems.	Recommend systemic improvements if weaknesses are detected in USAID programs or operations and work with USAID to correct problems.	IG/I	Annual and As Needed
	Audit of USAID/Iraq Cash Control Procedures	IG/A	05
	Audit of USAID/El Salvador's Cashiering Operations	IG/A	05

5.2.3 USAID is able to identify potential threats and vulnerabilities of programs and operations before major problems develop.	Risk Assessment of Major Activities Managed by USAID/ Liberia	IG/A	05
	Risk Assessment of USAID/ Angola	IG/A	05
	Risk Assessment of the Programs and Operations of the USAID Regional Development Mission/Asia	IG/A	05
	Risk Assessment of USAID/ Albania	IG/A	05
5.2.4 USAID employees, contractors, grantees, and others are aware of procedures for reporting fraud, waste, and abuse.	Promote the Hotline as a tool for reporting fraud, waste, and abuse in fraud awareness presentations and other forums.	IG/I IG/A	As Needed

Strategic Goal 5: Preserve and protect USAID program and employee integrity.

Objective 5.3: Preserve and protect USAID employee integrity by conducting and concluding investigations of employee integrity efficiently and expeditiously.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
5.3.1 USAID maintains the highest possible level of personnel integrity.	Investigate allegations of personnel misconduct received from USAID personnel, contractors, grantees, IG/A, the Hotline, and other sources.	IG/I	Ongoing
	Make appropriate referrals for criminal, civil, or administrative actions.	IG/I	Ongoing
5.3.2 USAID has an expeditious process for resolving personnel integrity issues.	Complete employee integrity investigations within 120 days of receipt of the allegation.	IG/I	Ongoing

APPENDIX B

AUDIT ACTIVITIES BY BUREAU

AUDIT ACTIVITIES OF USAID OFFICE OF INSPECTOR GENERAL FOR FISCAL YEAR 2005

Following is a list of planned OIG audit activities for fiscal year 2005 for USAID. The number assigned to each audit activity corresponds to the number in the main body of this annual plan. The first two digits of each number correspond to the strategic objective within the OIG strategic plan. The first section, "USAID-General," includes work done by OIG Washington-based audit units and certain activities performed by all audit units, i.e., fraud awareness activities and follow-up on closed audit recommendations.

USAID-GENERAL

2.1.1: Risk Assessment of the Office of Transition Initiatives

2.2.1: Audit of USAID's Global Development Alliance Program (Multi-country Audit)

2.2.7: Audit of USAID's Development Credit Authority Program

2.3.1: Audit of USAID's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (Multi-country Audit)

2.3.6: Survey and Pilot Audit of USAID's Procurement of Commodities for PEPFAR

2.3.7: Follow-up of USAID's Implementation of Recommendations Included in the Audit of Selected Operating Units Monitoring of Their HIV/AIDS Program, Audit Report No. 9-000-03-004-P, dated February 3, 2003

3.2.1: Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2005 Consolidated Financial Statements

3.2.2: Audit of USAID's Implementation of the Program Assessment Rating Tool (PART)

3.4.1: Audit of USAID's Fiscal Year 2005 Consolidated Financial Statements Under the Government Management Reform Act – GMRA (Multi-country Audit)

3.4.6: Audit of USAID's Compliance with the Federal Financial Management Improvement Act of 1996 – Fiscal Year 2005

3.4.7: Audit of USAID's Credit Management Program

3.5.1: Audit of Europe, Eurasia, and Regional Division's (M/OP/EER) Monitoring of Enterprise Fund Financial Audits

3.5.5: Oversight of (1) OMB Circular A-133 audit program, (2) services provided to USAID by Defense Contract Audit Agency (DCAA), (3) Enterprise Fund audit program, (4) audits contracted by USAID, and (5) audits contracted by overseas contractors and grantee recipients

3.5.6: Quality-control reviews of audits performed by independent public accounting firms under OMB Circular A-133, Enterprise Fund, and USAID- and recipient-contracted audit programs

3.6.1: Audit of USAID's Process for Deployment of Its Core Financial System Overseas (Multi-country Audit)

3.7.1: Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

3.7.2: Audit of USAID/Washington's Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2005

3.7.7: Audit of USAID Missions' Access Controls over Their Financial Management Systems for Fiscal Year 2006

3.7.8: Audit of USAID's Progress in Implementing Recommendations from Prior General and Application Controls Audits

5.2.1: Fraud Awareness/Cost Principles Briefings to Contractors, Grantees, Supreme Audit Institutions, and Non-governmental Organizations

BUREAU FOR AFRICA

2.1.2: Audit of USAID/Sierra Leone's Management of Its Transition Strategy

2.2.2: Audit of USAID/XX's Global Development Alliance Program (West/Central Africa Mission TBD)

2.2.3: Audit of USAID/XX's Global Development Alliance Program (East/Southern Africa Mission TBD)

2.2.8: Audit of USAID/Senegal's Monitoring and Reporting of Its Microfinance Activities

2.3.2: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (West/ Central Africa Mission TBD)

2.3.3: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (East/Southern Africa Missions TBD)

2.3.8: Audit of USAID/West Africa Regional Program's (WARP) Management of Environmental Monitoring

2.3.9: Audit of USAID/Mali's Monitoring and Reporting of Its Basic Education Program

3.2.3: Audit of USAID Activities in Non-Presence Countries in Eastern Africa

3.4.2: GMRA Audit of Financial Systems of USAID/ South Africa for Fiscal Year 2005

3.5.2: Audit of USAID/Ethiopia's Monitoring of Awards Which Do Not Require Annual Financial Audits

3.5.3: Audit of USAID/South Africa's Control over Prime Recipient Monitoring of Sub-recipients

3.6.2: Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (West/ Central Africa Mission TBD)

3.7.3: Audit of USAID/South Africa's Access Controls over Its Financial Management Systems for Fiscal Year 2005

4.1.1: Survey of USAID/Sudan

5.2.2: Risk Assessment of Major Activities Managed by USAID/Liberia

5.2.3: Risk Assessment of USAID/Angola

BUREAU FOR ASIA AND THE NEAR EAST

2.1.3: Audit of USAID/Iraq's Monitoring of the Iraq Community Action Program

2.2.4: Audit of USAID/XX's Global Development Alliance (ANE Missions TBD)

2.2.9: Audit of USAID/Jordan's Cash Transfer Program

2.2.10: Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program

2.3.4: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (ANE Missions TBD)

2.3.10: Audit of USAID/Yemen's Health and Education Activities

2.3.11: Audit of USAID/Iraq's Health System Strengthening Activities

2.3.12: Audit of USAID/Iraq's Water and Sanitation Rehabilitation Projects

2.3.13: Audit of USAID/Iraq's Monitoring of Education Activities in Iraq

2.3.14: Audit of USAID/Afghanistan's School and Clinic Reconstruction Program

2.3.15: Audit of USAID/Pakistan's Health and Population Awareness Program

2.4.1: Audit of USAID/Iraq's Electrical Generation Activities

3.1.1: Audit of USAID/Egypt's Foreign Service National Severance Payments

3.4.3: GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2005

3.4.4: GMRA Audit of Financial Systems of USAID/Pakistan for Fiscal Year 2005 (Accounting Station – USAID/Philippines)

3.5.4: West Bank and Gaza Agency-Contracted Audit Coordination

3.6.3: Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (Asia and Near East Missions TBD)

3.7.4: Audit of USAID/Egypt's Access Controls over Its Financial Management Systems for Fiscal Year 2005

3.7.5: Audit of USAID/Pakistan's Access Controls over Its Financial Management Systems for Fiscal Year 2005 (Accounting Station – USAID/Philippines)

4.1.2: Audit of the Middle East Peace Initiative (MEPI)

4.1.3: Audit of USAID/Afghanistan's Reconstruction of the Kandahar-Herat Highway

5.2.4: Risk Assessment of the Programs and Operations of the USAID Regional Development Mission/Asia

5.2.5: Audit of USAID/Iraq's Cash Control Procedures

BUREAU FOR EUROPE AND EURASIA

2.2.5: Audit of USAID/XX's Global Development Alliance (E&E Mission TBD)

2.2.11: Audit of USAID/Caucasus' Economic Growth Program in Georgia

2.2.12: Audit of USAID/Central Asia Republic's Central Asia Microfinance Alliance (CAMFA) Project

3.4.5: GMRA Audit of Financial Systems of USAID/Regional Support Center (RSC) Budapest for FY 2005

3.6.4: Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (E&E Mission TBD)

3.7.6: Audit of USAID RSC/Budapest's Access Controls over Its Financial Management Systems for Fiscal Year 2005

5.2.6: Risk Assessment of USAID/Albania

BUREAU FOR LATIN AMERICA AND THE CARIBBEAN

2.1.4: Audit of USAID/Peru's Short-term Community Support Activities under Its Alternative Development Program

2.2.6: Audit of USAID/XX's Global Development Alliance (LAC Mission TBD)

2.2.13: Audit of the USAID Regional Quality Coffee Program in Latin America

2.3.5: Audit of USAID/XX's Implementation of the President's Emergency Plan for HIV/AIDS Relief – PEPFAR (LAC Mission TBD)

2.4.2: Audit of USAID/Columbia's Internally Displaced Persons Program

3.3.1: Audit of Management Activities Performed by USAID/Nicaragua's Cognizant Technical Officers

3.6.5: Audit of USAID/XX's Process for Deployment of USAID's Core Financial System Overseas (LAC Mission TBD)

5.2.7: Audit of USAID/El Salvador's Cashiering Operations

APPENDIX C
AFRICAN DEVELOPMENT FOUNDATION
INTER-AMERICAN FOUNDATION

AFRICAN DEVELOPMENT FOUNDATION

Audit of the African Development Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2005

Audit of the African Development Foundation's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

Audit of the African Development Foundation's Monitoring, Reporting, and Evaluation System

INTER-AMERICAN FOUNDATION

Audit of the Inter-American Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2005

Audit of the Inter-American Foundation's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2005

Audit of the Inter-American Foundation's Efforts to Meet the Government Performance Results Act

The Annual Plan is available on the internet at www.usaid.gov/oig