



**USAID**  
FROM THE AMERICAN PEOPLE

**OFFICE OF INSPECTOR GENERAL**  
**Annual Plan**  
**2007**





# USAID

FROM THE AMERICAN PEOPLE

## **Mission**

The mission of the Office of Inspector General (OIG) is to contribute to and support integrity, efficiency, and effectiveness in all activities of the organizations for which it has oversight responsibilities.

## **Values**

In accomplishing our mission, OIG is committed to the following:

- Integrity
- Excellence
- Teamwork

## **Strategic Goals**

- Keep the U.S. Agency for International Development, the African Development Foundation, the Inter-American Foundation, and Congress fully informed on those agencies' programs and operations and the need for, and progress of, corrective actions.
- Promote improvements in the way that USAID advances sustainable development and global interests.
- Help USAID achieve management and organizational excellence.
- Promote better management of significant and unplanned matters.
- Preserve and protect USAID program and employee integrity.

# MESSAGE FROM THE INSPECTOR GENERAL

This plan describes the activities that the United States Agency for International Development (USAID), Office of Inspector General (OIG), will undertake in support of USAID, the Africa Development Foundation (ADF), and the Inter-American Foundation (IAF) in fiscal year (FY) 2007.

OIG established this plan in support of its five strategic goals. Each audit and activity planned is described briefly under the strategic goal it supports. The decision to perform the specific work of this plan was made by considering the risk associated with USAID, ADF, and

IAF programs and assessing potential vulnerabilities in internal controls.

During FY 2007, OIG will continue its review of USAID's most complex and vulnerable programs such as those in Iraq, Afghanistan, the Asian tsunami, and the President's Emergency Plan for AIDS Relief. OIG also will continue its oversight of USAID's programs around the world and its financial management and information technology systems and processes. OIG will prepare to do work in Lebanon should USAID receive funding for reconstruction activities there.

OIG will continue providing meaningful and actionable recommendations that will improve the effectiveness and accountability of the programs at USAID, IAF, and ADF. We will do this by working closely with the organizations to understand their program designs and objectives before implementation and by conducting our audits and investigations using the highest professional standards.

The results of this plan will be reported in future semiannual reports to Congress.

Donald A. Gambatesa  
Inspector General



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

**Office of Inspector General**

# **Annual Plan**

**Fiscal Year 2007**

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**USAID**  
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# IG AUTHORITY, RESPONSIBILITY, AND CHALLENGES

The U.S. Agency for International Development (USAID) Office of Inspector General (OIG) was established on December 16, 1980, by Public Law (P.L.) 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. OIG assumed audit and investigative oversight of the African Development Foundation (ADF) and the Inter-American Foundation (IAF) in 1999 in accordance with P.L. 106-113.

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, OIG (1) promotes economy, efficiency, and effectiveness and (2) detects and prevents fraud, waste, and abuse in USAID, ADF, and IAF programs and operations.

USAID's budget request for FY 2007 amounts to \$9.3 billion and focuses on key Administration priorities, such as humanitarian assistance (\$1.6 billion), economic growth (\$1.5 billion), HIV/AIDS (\$1.2 billion), and agriculture and environment (\$1.1 billion). Of this \$9.3 billion, \$1.3 billion is specified for programs in Iraq and Afghanistan. To assist USAID in meeting the objectives of these priorities, programs, and operations, OIG is focusing its FY 2007 efforts on Afghanistan; financial management; HIV/AIDS; humanitarian assistance, such as for the Asian tsunami; information technology; and Iraq. In addressing these priorities, OIG faces several challenges, including the following:

- USAID does not have timely, accurate, and reliable performance data and integrated information management systems. The inability to rely on USAID's information systems requires OIG auditors to increase the amount of

testing for audits, thereby increasing the cost and time required for them.

- USAID operates in more than 100 countries. Differences in language, law, and standards of accountability create very complex working environments, and USAID is faced with implementing programs in countries that are susceptible to corruption.

This annual plan was developed with input from OIG's clients and stakeholders, as well as through careful, thoughtful analysis of internal and external factors affecting OIG's efforts. The work it identifies is intended to address high-risk program areas and overcome the challenges inherent in operating in them.

**Strategic Goal 1: Keep the U.S. Agency for International Development, the African Development Foundation, the Inter-American Foundation, and Congress fully informed on those agencies' programs and operations and the need for, and progress of, corrective actions.**

The Inspector General is responsible for keeping the head of the respective agencies and Congress fully informed of the results of audits and investigations of those agencies' programs and operations and the need for, and progress of, corrective actions. This is accomplished by issuing audit reports and semiannual reports to Congress and by briefing agency personnel and congressional members and staff on an as-needed basis.

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

### **Survey and Pilot Audit of USAID's Anticorruption Efforts**

USAID has invested significant resources—\$184 million in FY 2001 and \$222 million in FY 2002, according to a 2003 survey—in programs specifically targeting corruption, as well as those broadly aimed at “governance” but with a significant anticorruption dimension. The same survey

showed that more than two-thirds of all USAID missions have some programs related to corruption and that most missions are interested in expanding those programs. This audit will determine whether a selected mission's anticorruption activities are achieving their intended results.

### **Audit of Provincial Reconstruction Teams in Iraq**

The Government of Iraq (GOI) has established elected provincial councils in Iraq's governorates, and the U.S. Government has established provincial reconstruction teams (PRTs) to assist the provincial councils. USAID/Iraq will work through the PRTs to support the GOI in defining the legal basis for local government and to help establish core competencies at various levels of local government. USAID/Iraq will support the delivery of basic services and assist civil society organizations and community groups to become effective advocates before local and national governments. This audit will determine if USAID-funded activities in the PRTs are awarded and monitored in ways that are consistent with USAID policies and procedures, if the activities are integrated with other USAID/Iraq programs, and if work in the PRTs and at USAID/Iraq is coordinated.

### **Audit of USAID/Iraq's Local-Governance Program Activities**

USAID/Iraq's local-governance program is designed to work with Iraqis to establish and strengthen the conditions, institutions, capacity, and legal and policy framework leading to a democratic local-

governance system in Iraq. Program assistance will be provided through PRTs. The focus of the program will be to create the capacity to govern at the provincial level and lower levels of government by supporting PRT and non-PRT efforts. This audit will determine if USAID/Iraq's local-governance activities are achieving their intended results.

### **Audit of USAID/Iraq's Focused Stabilization in Strategic Cities Initiatives**

USAID/Iraq will provide funding to organizations for developing consortiums, alliances, and partnerships to implement a social and economic stabilization program affecting 10 strategic cities identified as critical to Iraq's transition to a stable, democratic, and prosperous state. USAID/Iraq plans to provide approximately \$1.3 billion over 28 months to meet the objectives of the program. This audit will determine if USAID/Iraq's initiatives in targeted cities are achieving their intended results and if USAID/Iraq designed and implemented its program so that its activities are sustainable.

### **Audit of USAID/Iraq's Markets and Agribusiness Project**

USAID/Iraq's markets and agribusiness project is designed to promote stability and economic opportunity by benefiting everyone in Iraq regardless of religious or political affiliation. This \$264 million project is intended to build the capacity of farmers, agribusinesses, and small- and medium-size entrepreneurs to become more competitive and profitable in domestic and international markets.

The project will assist national and local government agencies in adapting to the policy, regulatory, and public service needs of a free-market economy. This audit will determine if USAID/Iraq's markets and agribusiness project is achieving its intended results.

### **Audit of the Sustainability of USAID/Iraq's Electrical Power Sector Activities**

Restoring and improving Iraq's electricity supply has been USAID/Iraq's biggest and most expensive challenge, with an estimated \$1.1 billion budgeted for the electrical power sector projects. USAID/Iraq has taken extensive steps to provide training, mentoring, and preparation for the Iraqi operation and maintenance staff and the facility operation/management staff. This audit will determine if USAID/Iraq's operation and maintenance activities in the electrical power sector have achieved their intended results and if the activities are sustainable after the transfer of ownership to the Iraqi government.

### **Audit of the Sustainability of USAID/Iraq's Water and Sanitation Rehabilitation Activities**

Rehabilitating Iraq's water and sanitation system has been a challenging undertaking, with an estimated \$370 million budgeted for the related projects. To ensure the stability and sustainability of the projects as they are transferred to the Iraqi government, USAID/Iraq implemented a program for addressing operation and maintenance issues at approximately 22 water sites and 7 sanitation sites. This audit will determine if USAID/

Iraq's operation and maintenance activities in the water and sanitation rehabilitation sector have achieved their intended results and if the activities are sustainable after the transfer of ownership to the GOI.

### **Audit of the Office of Foreign Disaster Assistance Program in Iraq**

The Office of U.S. Foreign Disaster Assistance (OFDA) is responsible for providing nonfood humanitarian assistance in response to international crises and disasters. In the months after Saddam Hussein's regime was deposed, insecurity posed significant challenges for the Iraqi people. OFDA and the international community worked to restore the essential public infrastructure and to foster a stable environment for the return of internally displaced persons. OFDA's program in Iraq was one of the largest humanitarian responses in OFDA's history. This audit will determine if the OFDA's activities for internally displaced persons and vulnerable populations have achieved their intended results.

### **Audit of Critical USAID/Afghanistan's Alternative Livelihoods Activities by Contractor**

USAID/Afghanistan launched an Alternative Livelihoods program addressing an immediate need to provide local communities with labor-intensive work programs in the key poppy-producing provinces. USAID/Afghanistan directed this activity to give farmers economic incentives to reject poppy production. In addition, USAID designed a 3-year integrated

rural development program in priority provinces targeted under the Government of Afghanistan's counternarcotics program. This program included building new farm-to-market roads, making irrigation improvements, establishing tailoring and clothing businesses for people who stay at home to work, and capacity building for governments. This audit will determine if selected USAID/Afghanistan's Alternative Livelihoods activities are achieving their planned results.

### **Audit of Critical USAID/Afghanistan's Economic Program Follow-on Activities**

USAID/Afghanistan awarded a 3-year \$45 million contract to continue support of economic policy reform in the Islamic Republic of Afghanistan. Under this new award, USAID contracted (1) to strengthen economic governance by helping establish an environment for the private sector to expand production, jobs, and income and (2) to establish sustainable recruitment and training programs for meeting human-capital requirements in government. This new award builds on a 2002 USAID contract in Afghanistan, which OIG previously audited, under which the contractor was to provide initial support, training, policy, and process development to assist in rebuilding the country after years of conflict. This audit will determine if this follow-on effort is achieving its planned results.

### **Audit of Critical USAID/ Afghanistan's Urban Water and Sanitation Activities**

USAID/Afghanistan's strategy for supporting economic growth led by the private sector includes a program component for helping to increase access to safe drinking water in both rural and urban areas. Under this program, USAID/Afghanistan plans to assist the Afghan government and the private sector in increasing the supply of water, expanding sanitation services, and building a strong technical and institutional foundation for sustaining the water and sanitation programs. As of January 2006, USAID/Afghanistan awarded one contract and two grants with a cumulative value of approximately \$60 million to implement the activities under this program. This audit will determine whether selected activities under this program are achieving the planned results.

### **Audit of Critical USAID/ Afghanistan's Power Sector Activities Under the Rehabilita- tion of Economic Facilities and Services Program**

Under USAID/Afghanistan's Rehabilitation of Economic Facilities and Services reconstruction activity, the Mission included work to reconstruct power plants and turbines, as well as to conduct studies and assessments of power-generating plants. A USAID contractor identified seven power and energy construction projects and six assessment projects to be done to lay the groundwork for future work in Afghanistan. The estimated cost of this effort is \$33 million. This audit will determine

whether selected USAID/Afghanistan power sector activities under the Rehabilitation of Economic Facilities and Services Program have achieved the planned results.

### **Audit of USAID/Russia's Efforts to Reduce Trafficking in Persons**

USAID/Russia's program for reducing trafficking in persons is designed to combat trafficking of women in Russia by creating viable alternatives for at-risk women, empowering them with individual training and awareness that builds confidence and professional experience while creating new economic opportunities. The program develops a network of regional empowerment centers, based on existing nongovernmental antidomestic-violence crisis centers. Through these centers, vulnerable women in high-risk areas of Russia have access to education and professional training, which gives them practical economic alternatives. The activity also works to empower at-risk women and victim-returnees by building initiative and self-esteem through counseling and mentoring. This audit will determine if USAID/Russia's efforts to reduce trafficking in persons has achieved the planned results.

### **Audit of USAID-Financed Alter- native Development Activities in Colombia**

Annual funding for alternative development activities in Colombia has averaged \$53 million in recent years. Under the program, USAID/Colombia supports licit productive activities as an alternative to coca cultivation. This audit will examine whether USAID/Colombia's

Alternative Development Program activities have achieved planned results and whether USAID/Colombia has used performance-based contracting methods to the maximum extent possible.

### **Audit of USAID/Haiti's Human Rights and Justice Activities**

Between 2000 and 2004, USAID/Haiti spent approximately \$14 million on human rights and justice activities. Specific activities include providing training to human rights organizations, sponsoring advocacy campaigns, and documenting abuses. The Mission also is funding training for judges, prosecutors, and court clerks and implementation of a case-management system. This audit will determine whether USAID/Haiti's human rights and justice activities have achieved planned results and whether USAID/Haiti's reporting has provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

### **Audit of Selected Results of USAID's Women in Develop- ment Program**

The Women in Development program is one of USAID's initiatives that affect multiple USAID programs and provides leadership and technical support to integrate gender considerations into USAID's development, humanitarian, and transition programs. USAID implements its Women in Development program primarily through contracts, grants, and cooperative agreements. This audit will determine whether USAID's Women in Development program is achieving its planned results.

### **Worldwide Audit of USAID's Microenterprise Activities (Multicountry Audit)**

Microenterprises—small businesses owned and operated by poor entrepreneurs—have the potential to help the least advantaged populations in the developing world. Congress passed the Microenterprise Results and Accountability Act of 2004. This Act required, among other measures, that USAID place a priority on awarding grants to nongovernmental organizations (NGOs) that run microenterprise programs and required that an annual report be prepared demonstrating greater cost-effectiveness and efficiency as a result of the new law. Findings from a series of country-specific audits will be consolidated and will result in a summary report that will determine whether USAID's microenterprise activities have been cost-effective and are achieving their planned results.

The following five audits are part of the multicountry audit and, as such, will be centrally directed.

#### *Audit of USAID Mission's Microenterprise Activities in West/ Central Africa*

#### *Audit of USAID Mission's Microenterprise Activities in East/ Southern Africa*

#### *Audit of USAID Mission's Microenterprise Activities in Asia and Near East*

#### *Audit of USAID Mission's Microenterprise Activities in Europe and Eurasia*

#### *Audit of USAID Mission's Microenterprise Activities in Latin America/Caribbean*

### **Survey and Pilot Audit of USAID's Microenterprise Activi- ties**

This audit will determine if a selected mission's microenterprise activities have been cost-effective and have achieved their planned results.

### **Audit of USAID/Ghana's Program to Increase Private Sector Competitiveness**

An estimated 40 percent of Ghana's population of approximately 21 million has a per-capita income of less than \$1 per day, and unemployment remains high. USAID/Ghana's \$59 million Program to Increase Private Sector Competitiveness is directed at increasing competitiveness in the private sector and providing training and technical assistance to the private sector and the Government of Ghana for improving private sector development and for strengthening private sector competitiveness in selected industries and sectors involved in overseas, regional, and domestic markets. The audit will determine if USAID/Ghana's program is achieving its intended results.

### **Audit of USAID/Sudan Field Office's Distribution of P.L. 480 Title II Assistance in Support of Its Direct Feeding Program**

The President's Management Agenda cites the need to ensure that food assistance shipped from the United States is, in fact, being properly received, stored, transported, and distributed to the intended beneficiaries. The effects of a lengthy civil war, dire poverty, and a large undereducated population have resulted in numerous challenges confronting USAID activities in southern Sudan. OIG's Survey of the USAID/Sudan Field Office (Report No. 4-650-05-001-S) found that these challenges and others have resulted in an environment that is a high risk for accountability problems. This audit will demonstrate whether the Title II program is achieving the President's objective of feeding the targeted recipients. The audit also will allow OIG to identify instances of waste or abuse within the distribution system that need to be addressed.

### **Audit of USAID Assistance for Agricultural Activities in Lebanon**

One of USAID/Lebanon's strategic objectives focuses on revitalizing Lebanon's economy and communities that suffer from social disruption and economic stagnation. The program aims at rebuilding the lives of rural Lebanese by targeting three key productive growth-oriented sectors that constitute 35 percent of Lebanon's Gross Domestic Product (GDP)—agro-industry, information and communication technology, and tourism. Planned funding for FY 2005 totaled \$22.7 million, of which \$10.7 million was planned for increased agricultural productivity. This audit will determine if USAID's investment in Lebanon's agro-industry achieved the planned results.

### **Audit of USAID Assistance for the Agriculture Support Program in Yemen**

USAID/Yemen's agriculture sector program focuses on strengthening the agriculture sector with the overall goal of supporting small farmers through increasing sustainable production of agricultural products and expanding the markets for these products in five remote, tribal, and underserved governorates. The program will address the reorientation of the Ministry of Agriculture, agriculture research and extension, horticulture marketing, integrated livestock activities, and women's services and extension. The program intends to leverage its funds with U.S. P.L. 480 funds. Our audit will determine if USAID's investment in Yemen's Agriculture Support Program is achieving the planned results.

### **Audit of USAID Assistance for the Customs and Trade Facilitation Project in Egypt**

Under the Technical Assistance Customs and Trade Facilitation Project, USAID and the Government of Egypt agreed to work together to achieve enhanced trade through improved modernization of customs and facilitation of trade services in Egypt. The project was designed to target trade services, standards, inspection, export and import procedures, and port services. As of the end of September 2005, USAID/Egypt had obligated \$30 million dollars approved for this activity. Our audit will determine if USAID/Egypt's investment in the project is achieving planned results toward reforming the customs and trade facilitation areas.

### **Audit of USAID/Albania's Economic Restructuring and Agriculture Development Program**

USAID/Albania's Economic Restructuring and Agriculture Development Program supports sustained economic growth and poverty reduction through private-enterprise development and competitiveness promotion. This program provides training and technical assistance to enhance the growth of micro-, small-, and medium-size enterprises through developing and strengthening the capacity of enterprises to compete in the open market; increasing access of enterprises to financial resources; and improving the business environment for private-enterprise development and trade competitiveness. This audit will determine if USAID/Albania's Economic

Restructuring and Agriculture Development program has achieved planned results.

### **Audit of USAID/Armenia's Energy and Water Sector Reform Program**

Armenian drinking water and wastewater infrastructure is deteriorated, irrigation systems are degraded, and Lake Sevan is overexploited. There is pollution of potable water sources, lack of rational allocation of water resources, and inadequate management of transboundary waters. USAID/Armenia's program for generating secure and sustained access to energy and water resources is a multifaceted effort that includes training, technical assistance, and limited commodity support to improve the performance of institutions for sustainable energy and water management; improve the delivery of heat and water supplies; and increase energy security. This audit will determine if USAID/Armenia's activities for promoting reliable and affordable access to essential utilities has achieved the planned results.

### **Audit of USAID/El Salvador's Economic Growth Programs**

Over the last 5 years, El Salvador's real per-capita GDP has been stagnant, and the country is heavily dependent on remittances from the United States and other countries to maintain its current living standard. In the last 2 years, USAID/El Salvador resources devoted to economic growth have exceeded \$30 million. This audit will (1) examine a subset of USAID/El Salvador's economic

growth activities focusing on trade, lending to small- and medium-size enterprises, economic governance, and economic infrastructure activities; (2) determine whether USAID/El Salvador's economic growth activities have achieved planned results; and (3) determine whether USAID/El Salvador's reporting has provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

### **Audit of USAID/Guatemala's Economic Growth Programs**

Over the last 5 years, Guatemala's real per-capita GDP has been stagnant. This audit will examine USAID/Guatemala's economic growth activities, with approximately \$7.9 million in obligations in the last 2 years, focusing on activities designed to increase private sector growth, improve economic governance, and increase participation in global trade. This audit will examine whether USAID/Guatemala's economic growth activities achieved planned results and whether USAID/Guatemala's reporting provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

### **Audit of USAID/Nicaragua's Economic Growth Programs**

Over the last 5 years, Nicaragua's real per-capita income has increased about 1 percent per

year, but Nicaragua still lacks the important economic, social, and legal elements required for a vibrant market-oriented economy to thrive. This audit will examine economic growth activities, with approximately \$21.7 million in obligations in the last 2 years. These activities focus on increasing private sector growth and increasing participation in global trade. This audit will examine whether USAID/Nicaragua's economic growth activities have achieved planned results and whether USAID/Nicaragua's reporting has provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

### **Worldwide Audit of USAID's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief (Multi-Country Audit)**

In response to the HIV/AIDS crisis, the Administration is implementing the President's Emergency Plan for AIDS Relief (the Emergency Plan). The \$15 billion 5-year program provides \$9 billion in new funding to speed up prevention, treatment, and care services in 15 focus countries.<sup>1</sup> The Plan also devotes \$5 billion over 5 years to bilateral programs in more than 100 countries and increases the U.S. pledge to the Global Fund<sup>2</sup> by \$1 billion over 5 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 summary report that will determine whether USAID is making adequate progress toward planned results in its grants, cooperative agreements, and contracts.

The following three audits are part of the multicountry audit and, as such, will be centrally directed.

#### *Audit of USAID Mission's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief in West/Central Africa*

#### *Audit of USAID Mission's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief in East/Southern Africa*

#### *Audit of USAID Mission's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief in Latin America and the Caribbean*

1. 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 in Asia.

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

### **Survey and Pilot Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief**

In P.L. 108-25, Congress has indicated that 55 percent of the \$15 billion in Emergency Plan 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 efficiently and effectively.

### **Survey and Pilot Audit of the Sustainability of USAID's Efforts to Transfer and Implement Clean Energy Technology in Recipient Countries**

As part of a congressional requirement, USAID must report fiscal-year obligations and expenditures in its efforts to promote the transfer and deployment of a wide range of United States clean energy technologies. USAID's FY 2004 worldwide obligations for this technology effort totaled approximately \$90 million and included 25 countries/regions. In addition, with "sustainability" now being one of USAID's "guiding principles for effective assistance," there is a heightened focus on this standard. This audit, which will be the initial pilot of a worldwide audit effort, will determine if clean energy technologies provided by USAID in earlier years have been sustainable.

### **Audit of USAID's Avian Influenza Efforts**

"Avian influenza", "H5N1", and "bird flu" are commonly used names for a highly contagious viral disease that occurs among birds. Despite eradication efforts, the virus threatens to become the next influenza pandemic. On November 1, 2005, the President outlined the national strategy for safeguarding against the dangers of avian and pandemic influenza<sup>3</sup> and requested from Congress \$7.1 billion in emergency funding to begin implementing the strategy. In particular, \$251 million of this request is to help the international community prevent and control the spread of avian influenza by training local medical personnel, expanding surveillance and testing capacity, creating preparedness plans, and conducting other vital actions for detecting and containing outbreaks. This audit will determine if USAID's avian influenza programs and activities are achieving the intended results.

### **Survey and Pilot Audit of USAID's Child Survival and Maternal Health Program**

For more than 40 years, USAID has conducted child survival and maternal health programs in more than 100 developing countries around the world. In 1984, Congress enacted legislation for addressing child survival. Specifically, lawmakers envisioned that federal agencies would undertake activities designed to address the special health needs of children and

women. In response to the authorizing legislation, some of USAID's ongoing child health efforts were consolidated into a child survival program to address country-specific needs. As part of a worldwide audit effort, this initial pilot audit will determine if USAID's child survival and maternal health program activities are achieving the intended results.

### **Survey and Pilot Audit of USAID's Basic Education Programs**

USAID policy requires that every mission working in basic education assess the degree of educational disadvantage facing girls at the primary level. Where girls face significant educational disadvantage, the mission should seek to identify the major educational barriers for girls, both gender-specific and general, along with cost-effective remedies for removing them. Achieving equitable access to high-quality basic education requires that gender-related barriers to basic education be removed. For that purpose, USAID supports interventions aimed at creating a more equitable learning environment for girls and boys alike. Those interventions should be based on careful analysis of the social inequities that are the root of gender-related educational barriers and should be integrated into a coherent overall strategy of basic education reform. This audit, which will be the initial pilot of a worldwide audit effort, will seek to determine if USAID's basic education activities are achieving their planned results.

3. Avian influenza is caused by avian influenza viruses, which occur naturally among birds. Pandemic influenza is a flu that causes a global outbreak of influenza that spreads easily from person to person. Currently, there is no pandemic flu.



### **President's Malaria Initiative**

USAID is the lead agency for the President's \$1.2 billion 5-year initiative for controlling malaria in Africa. The goal of the initiative is to reduce malaria-related deaths by 50 percent in 15 countries by achieving 85 percent coverage with proven preventive and curative interventions. Activities already are under way in spraying and other high-impact interventions in the three first-year target countries of Angola, Uganda, and Tanzania. A minimum of 50 percent of this funding will be devoted to purchasing and distributing life-saving commodities. The audits will determine if USAID's activities are achieving their planned results. Anticipated benefits of the audits are to assist the missions in identifying problems or potential problems in the planning, implementation, and reporting of activities that, if corrected, could result in the missions better addressing this endemic disease.

The following two audits are part of the multicountry audit and, as such, will be centrally directed.

#### *Audit of USAID/Angola's Implementation of the President's Malaria Initiative*

#### *Audit of USAID/Tanzania's Implementation of the President's Malaria Initiative*

### **Audit of Critical USAID/Pakistan's Basic Health Activities**

The USAID/Pakistan health program began in 2003 and included activities for improving maternal and newborn health services, strengthening the fiscal and administrative management of service delivery at the provincial and district levels, preventing major infectious diseases, and increasing access to clean drinking water. The program is nationally focused, working in underserved rural and urban districts within the Sindh, Balochistan, Punjab, and North West Frontier provinces and in the Federally Administered Tribal Areas. Total estimated funding over USAID/Pakistan's current 6-year strategic plan period (2002-2007) is \$191 million. This audit will determine whether selected activities under USAID/Pakistan's Basic Health Program are achieving the planned results.

### **Audit of Critical USAID/Pakistan's Earthquake Reconstruction Activities**

On January 21, 2006, the United States Government, acting through USAID, and the Islamic Republic of Pakistan formalized U.S. support for Pakistan's earthquake reconstruction program with the signing of a 4-year \$200 million grant agreement. USAID/Pakistan made available \$15 million under this agreement, which marked the next phase of U.S. assistance for earthquake relief: helping communities rehabilitate, rebuild, and revive. Under a special-objective grant agreement, the parties agreed to work together to strengthen health systems, strengthen education systems, and restore livelihood

opportunities in earthquake-affected areas. This audit will determine whether selected USAID/Pakistan's earthquake reconstruction activities are achieving the planned results.

### **Audit of USAID/Kazakhstan's Infectious Disease Activities**

The population of Kazakhstan has experienced unprecedented declines in life expectancy and health because of a low level of investment in the health sector as well as an ineffective health delivery system. Rates of tuberculosis (TB) case notification in Kazakhstan are the highest in the world and threaten to grow even higher as multidrug-resistant TB becomes more difficult and expensive to cure. Although by global standards HIV prevalence in Kazakhstan remains low, there is an escalating trend (from 100 cases in 1996 to 3,730 today). USAID/Kazakhstan health funds were first obligated in FY 2001, and the program, which was due to end in FY 2007, has been extended for 5 more years. This audit will determine if USAID/Kazakhstan has developed, monitored, and evaluated its health program to ensure that the planned results were achieved.

### **Audit of Critical USAID/Sri Lanka Recovery and Reconstruction Program Activities Implemented by Development Alternatives, Inc.**

USAID provided approximately \$134.6 million of the tsunami-related assistance managed by USAID under the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, to Sri Lankan victims through USAID/Sri Lanka's Tsunami Recovery and Reconstruction Program. With this funding, USAID/Sri Lanka increased an existing contract with Development Alternatives, Inc. by \$20 million to provide assistance in the transition from camps to communities, good-governance support, and rebuilding of small-scale infrastructure. This audit will determine whether USAID/Sri Lanka's tsunami-related recovery and reconstruction program activities implemented by Development Alternatives, Inc. are achieving the planned results.

### **Audit of USAID/Indonesia's Banda Aceh-Meulaboh Road Reconstruction Activities Under Its Tsunami Recovery and Reconstruction Program**

USAID managed approximately \$400.1 million of the tsunami-related assistance funded under the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, which was provided for Indonesian victims through USAID/Indonesia's Tsunami Recovery and Reconstruction Program. Under this program, USAID/Indonesia committed to providing \$245 million

for an infrastructure road project in Indonesia—the reconstruction of the road from Banda Aceh to Meulaboh, a total length of approximately 240 kilometers. The road from Banda Aceh to Meulaboh is the economic backbone of the region and connects Aceh Province with the rest of North Sumatra and Indonesia. This audit will determine whether USAID/Indonesia Banda Aceh-Meulaboh road-reconstruction activities are achieving the planned targets within the cost estimates.

### **Audit of Critical USAID/Indonesia's Transition from Camps to Communities Activities Under Its Tsunami Recovery and Reconstruction Program**

Under the Tsunami Recovery and Reconstruction Program, USAID/Indonesia signed three cooperative agreements for approximately \$25.1 million with international nongovernmental organizations to implement activities for transitioning victims from camps to communities. The activities aim to improve the ability of the tsunami victims for rapidly restoring their communities and resuming economic activities in a sustainable manner. This audit will determine whether selected activities under USAID/Indonesia's program for transition from camps to communities are achieving the planned results.

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

### **Audit of Regionalization Efforts in Latin America and the Caribbean**

The Bureau for Latin America and the Caribbean has begun regionalizing certain support functions to achieve efficiencies without undermining the ability to achieve results and maintain adequate accountability. Certain support functions that may be regionalized include financial management, legal support, executive-office management, and contracting. This audit will follow up on a previous OIG audit (Audit Report No. 1-598-04-007-P, dated June 4, 2004) to examine whether the planned benefits of regionalization in the Latin America and Caribbean region have been realized.

### **Review of Management's Discussion and Analysis Section in USAID's FY 2007 Consolidated Financial Statements (Multicountry Audit)**

The Government Management and Reform Act (GMRA) of 1994 requires the annual preparation and audit of organizationwide financial statements (now called the *Performance and Accountability Report—PAR*) for certain federal departments and agencies. According to Office of Management and Budget (OMB) Bulletin No. A-136, 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 the design of internal controls related to the existence and completeness of assertions detailed in the MD&A section of the *PAR*. The purpose is to determine if those controls have been implemented to ensure reliable, valid, and complete performance data.

The following six audits are part of the multicountry audit and, as such, will be centrally directed.

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/Senegal)*

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/South Africa)*

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/Iraq)*

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/Philippines)*

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/Egypt)*

*Review of Management’s Discussion and Analysis Section in USAID’s FY 2007 Consolidated Financial Statements (USAID/El Salvador)*

## **Audit of USAID’s Common Indicators**

USAID has implemented a new strategic management process that includes the development of 40 standard program components, one or more of which can be “packaged” into a mission strategic objective. These components will be standard across all operating units and will have associated with them a set of common indicators to facilitate Agency reporting. These common indicators will be used in agencywide performance reporting to measure program results rather than to monitor progress at the input or output levels. The intended purpose of the common indicators is to use these “rolled-up” results—results aggregated across countries and regions—to tell a story at the agency level to outside audiences, such as Congress and the general public. This audit will determine whether USAID’s common indicators are achieving their intended purpose.

## **Audit of Data Quality for USAID/West Africa Regional Program’s Regional Health Program**

USAID requires that its units use high-quality data to support management decisions. The USAID/West African Regional Program (WARP), headquartered in Accra, Ghana, functions as a USAID mission whose mandate is to tackle long-term development issues that are inherently regional in nature. The \$135 million Action for the West Africa Region Health Program was launched with the goal of increasing the adoption of sustainable reproductive health, sexually transmitted infections

(STI)/HIV/AIDS, and child survival policies and approaches in West Africa. The audit will determine if USAID/WARP complied with guidelines in confirming and assessing data quality in its Regional Health Program.

## **Audit of USAID’s Effectiveness in Obtaining the Benefits of Its Research and Development Efforts**

USAID spends approximately \$200 million per year on research and development efforts in health, malaria, HIV/AIDS, infant mortality, and other areas. These efforts have resulted in invented products and processes that USAID and other U.S. Government agencies now use. In its efforts, USAID is required to ensure that patents reflect the U.S. Government’s royalty-free right to use and license for use these U.S. Government-funded inventions. On the basis of requirements, USAID’s contract and grant agreements should include a reference to, and require the USAID-funded research recipient to disclose and include, the U.S. Government’s rights in its patent filings. In addition, in using the products or processes, USAID should ensure that it and its recipients are purchasing the product at a cost that excludes the royalty fee associated with most patented items. This audit will determine (1) if USAID has ensured that federal rights were included in patents developed with USAID funds and (2) if USAID has procured items developed with federal funds from an appropriate supplier at an appropriate price.

**Follow-up of USAID's Implementation of Recommendations Included in the Audit of USAID's Training, Use, and Accountability of Cognizant Technical Officers; Audit Report No. 9-000-04-003-P, dated March 31, 2004**

On September 22, 2003, OIG issued Audit Report No. 9-000-03-009-P, titled *Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers (CTO)*. This audit examined whether selected USAID bureaus provided adequate training and guidance to their CTOs and held them accountable for performing their critical acquisition and assistance responsibilities. The audit report contains five recommendations addressing training and accountability. This assignment will assess the adequacy of USAID's actions on those recommendations.

**Audit of the Effectiveness of USAID/Ethiopia's Award Close-out Program**

Closing out an award is the final phase of the award life cycle. Contract closeouts may vary from very simple in the case of a fixed-price supply order to very complex in the case of a multiple-year cost-reimbursement contract. Regardless of the type of award, timely closeout is imperative. It may result in recovering excess funds, identifying the need for additional funds, and/or minimizing administrative costs for both the recipient and the U. S. Government. In a related audit, OIG determined that the mission had not closed out 56 awards that had expired but included unliquidated balances totaling

more than \$1 million. The audit will determine if USAID/Ethiopia conducted closeout awards in a timely and effective manner.

**Audit of Host-Country Contracting for USAID-Financed Water Activities in Jordan**

Lack of water will be one of the most serious challenges to Jordan's future economic growth. The Government of Jordan and USAID/Jordan have aggressively implemented various water projects to address this issue. USAID/Jordan funded, through host-country contracting, numerous water sector contracts with an estimated value of more than \$500 million. Our audit will determine if USAID/Jordan (1) ensured that the Government of Jordan followed competitive procurement procedures in awarding contracts, (2) monitored host-country contracts in the water sector to ensure that selected activities achieved planned results on schedule, and (3) provided proper approval for change orders or deviations from the scope of work in the water sector activities.

**Audit of USAID's FY 2007 Consolidated Financial Statements (Multicountry Audit)**

The Government Management Reform Act requires OIGs to conduct audits of federal agency consolidated financial statements. In conducting the audit of USAID's FY 2007 consolidated financial statements, OIG will 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 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 Information. Regional Inspectors General in Baghdad, Cairo, Dakar, Frankfurt, Manila, Pretoria, and San Salvador will participate in this audit at locations in their respective regions. In addition, OIG-contracted auditors will perform the audit at several other missions.

**USAID's FY 2007 Consolidated Financial Statements**

The following five audits are part of the multicountry audit of USAID's FY 2007 consolidated financial statements led by OIG's Financial Audits Division in Washington.

*Audit of USAID's FY 2007 Consolidated Financial Statements (West/Central Africa Mission)*

*Audit of USAID's FY 2007 Consolidated Financial Statements (East/Southern Africa Mission)*

*Audit of USAID's FY 2007 Consolidated Financial Statements (Asia and Near East Missions)*

*Audit of USAID's FY 2007 Consolidated Financial Statements (Europe and Eurasia Missions)*

*Audit of USAID's FY 2007 Consolidated Financial Statements (Latin America and Caribbean Mission)*

### **Audit of USAID's Compliance with the Federal Financial Management Improvement Act of 1996 for FY 2007**

The Federal Financial Management Improvement Act of 1996 (FFMIA) was intended to ensure that federal financial management systems provide reliable, consistent disclosure of financial data and that they do so on a basis that is uniform across the federal government from year to year, consistently using professionally accepted accounting standards. FFMIA, among other things, requires that the Agency's Inspector General report on USAID's compliance as part of the annual financial statement audit process. Since 1997, OIG has reported that USAID's financial management systems do not substantially comply with FFMIA system requirements. In this regard, USAID initiated a project for incrementally implementing a single agencywide integrated core financial system known as Phoenix. In FY 2006, USAID made significant strides to overcome the longstanding FFMIA noncompliance conditions and modernize its financial management systems. Also in 2006, USAID expects to have Phoenix fully deployed agency-wide and, thus, become substantially compliant with FFMIA. This audit will determine if the Phoenix financial management system substantially complied with FFMIA.

### **Follow-up of the Agreed-Upon-Procedures Review of the Southern Africa Enterprise Development Fund; Audit Report No. 4-690-05-005-N, dated March 14, 2005**

In 1995, USAID entered into a Grant Agreement with the Southern Africa Enterprise Development Fund to encourage the creation and expansion of indigenous small- and medium-size enterprises in the region. Because of allegations of funds misuse by the Fund's Chief Executive Officer and the lack of acceptable OMB Circular A-133 audits for FYs 2001 and 2002, a USAID contractor performed an agreed-upon-procedures review for the period November 1, 1995, to September 30, 2003. The review covered \$64 million in USAID expenditures and identified questioned costs of \$9.6 million, 26 reportable internal-control weaknesses, and 30 instances of material noncompliance. This audit will determine if the Mission's actions in response to selected recommendations in the agreed-upon-procedures review were effective in correcting the identified problems.

### **West Bank and Gaza Agency-Contracted Audit Coordination**

The Consolidated Appropriations Resolution of 2003 and subsequent 2004-2006 appropriation acts required that audits of all contractors and grantees, and significant subcontractors and subgrantees, under the West Bank and Gaza Program be conducted at least annually. Congress authorized up to \$1 million for use by OIG for audits, inspections, and other

activities. OIG contracts with independent public accounting firms to conduct these West Bank and Gaza audits. The oversight activities will consist primarily of financial audits of locally incurred expenditures and agreed-upon procedures. The audits also will include procedures for ensuring compliance with applicable antiterrorism laws and regulations.

### **Status Report on Financial Audits of USAID/West Bank and Gaza Activities**

The USAID/West Bank and Gaza Mission has funded activities that have engendered intense congressional interest. Congress has mandated that independent audits of all USAID/West Bank and Gaza contractors and grantees, and significant subcontractors and subgrantees, be conducted at least annually. In this regard, as of March 31, 2006, OIG has initiated more than 110 financial audits and issued 58 final reports. OIG will issue a survey report that summarizes the status and results of the first 150 issued financial audit reports according to key variables, including amount audited, questioned costs, and internal-control deficiencies.

**Oversight of (1) OMB Circular A-133 Audit Program, (2) Services Provided to USAID by the 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**

Under the terms of OMB Circular A-133, the Support for Eastern European Democracy Act, 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 nonfederal auditors to audit the operations of nonprofit grantees and USAID Enterprise Funds and on federal auditors to audit the operations of its for-profit contractors. OIG conducts oversight activities on these audits to ensure that (1) nonfederal auditors have adequately assessed allowability of USAID awards expended, (2) federal audits meet USAID's needs, (3) bills are reviewed before being paid, (4) adequate internal-control assessments have been made, (5) nonfederal auditors are familiar with the compliance auditing requirements of USAID programs and Enterprise Fund programs, and (6) the independence of the nonfederal auditors has not been compromised in appearance or fact.

**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**

OIG conducts quality-control reviews to ensure that nonfederal 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.

**Audit of USAID's Development and Implementation of an Earned Value Management System**

OMB Memorandum M-05-23, *Improving Information Technology (IT) Project Planning and Execution*, outlined a number of steps that USAID and other federal agencies must take for all new major IT projects, ongoing major IT developmental projects, and high-risk projects in order to receive funding. One required step is fully implementing the "Earned Value Management System" (EVMS)<sup>4</sup> to improve execution and performance as well as promote effective oversight of IT projects. Consistent with the support found in the E-Gov President's Management Agenda (PMA), agencies are required to demonstrate the use of an effective EVMS for major IT projects and indicate how they have verified or will verify that the system complies

with standards. To achieve a "green" level for the E-Gov PMA, the agency's actual performance of the IT projects cannot vary from its cost, schedule, and performance goals by more than 10 percent. This audit will provide an independent assessment of how USAID analyzes and uses EVMS data to manage IT projects.

**Audit of USAID's Implementation of Internet Protocol Version 6**

Internet Protocol Version 6 (IPv6) is replacing the current standard, IPv4, as the Internet address protocol of choice. By June 30, 2008, all federal internet infrastructure must be IPv6-compatible. To guide the transition from IPv4 to IPv6, OMB established a transition strategy for agencies to follow. This audit will determine whether USAID is in a position to meet OMB's requirement to have all Agency infrastructures (network backbones) using IPv6 by June 30, 2008. In addition, it will determine whether USAID has adhered to OMB's guidance for transitioning from IPv4 to IPv6.

**Audit of USAID's Project Planning/Acquisition for Its Executive Information System**

Implementing the Executive Information System (EIS) is expected to provide an agencywide informational resource supporting management's oversight of program operations, business decisions, performance measurement, and

4. "Earned Value Management" is a technique that gives project managers and others visibility into the technical, cost, and schedule progress of their projects and contracts. More specifically, it integrates the investment's scope of work with schedule and cost elements for better investment planning and control.

impact analysis. The Clinger-Cohen Act of 1996 mandates that agencies manage information technology as a capital investment and implement a process for maximizing the value, assessing and managing risks involved in IT investments, and monitoring progress in terms of costs, system capabilities, timeliness, and quality. This audit will determine if the planning and acquisition of the EIS are being done in accordance with regulations and best practices.

### **Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act for FY 2007**

The Federal Information Security Management Act (FISMA) of 2002, P.L. 107-347, requires each agency to develop, document, and implement an agencywide information security program for providing information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, a contractor, or other source. This audit will contribute to the protection of data, 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 FISMA of 2002.

### **USAID's Security Controls Over Financial Management and General Support Systems for FY 2007**

USAID places extensive reliance on information systems to process data for its financial statements. Consequently, it is critical that USAID maintain controls over these systems. Security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of the system and its information. The National Institute of Standards and Technology (NIST) provides recommendations for minimum security controls and classifies the controls in 17 control families. The following six audits will concentrate on 7 of the 17 control families: (1) risk assessments; (2) planning; (3) system and service acquisition; (4) certification, accreditation, and security assessments; (5) identification and authentication; (6) audit and accountability; and (7) system and communication protection. These audits will support OIG's annual audit of USAID's financial statements.

#### *Audit of USAID/Washington's Security Controls Over Financial Management and General Support Systems for FY 2007 (Multicountry Audit)*

#### *Audit of USAID Mission's Security Controls Over Financial Management and General Support Systems for FY 2007 in West/Central Africa*

#### *Audit of USAID Mission's Security Controls Over Financial Management and General Support Systems for FY 2007 in East/Southern Africa*

#### *Audit of USAID Mission's Security Controls Over Financial Management and General Support Systems for FY 2007 in Asia and Near East*

#### *Audit of USAID Mission's Security Controls Over Financial Management and General Support Systems for FY 2007 in Europe and Eurasia*

#### *Audit of USAID Mission's Security Controls Over Financial Management and General Support Systems for FY 2007 in Latin America and the Caribbean*

### **Planning for FY 2008 Audit of USAID Missions' Security Controls Over Financial Management and General Support Systems**

OIG has initiated a 3-year cyclical approach for this annual audit. The FY 2008 audit represents the second year of the cycle and will include the testing of selected management and technical control families outlined in NIST Special Publication 800-53, *Recommended Security Controls for Federal Information System*. More specifically, the audit will concentrate on 10 control families: (1) personnel security, (2) physical and environmental protection, (3) contingency planning, (4) configuration management, (5) maintenance, (6) media protection, (7) security awareness and training, (8) identification

and authentication, (9) audit and accountability, and (10) system and communication protection. This audit will determine if USAID missions have implemented selected security controls over their financial management and general support systems and whether the controls are operating effectively. The Missions selected for this audit will be the same as the ones selected for supporting the FY 2008 financial statement audit.

### **Audit of USAID's Privacy and Data Protection Policies and Procedures**

The Consolidated Appropriations Act of 2005 (P.L. 108-447) requires that each agency designate a Chief Privacy Officer and implement comprehensive policies and procedures for privacy and data protection. The Act also requires each agency to prepare a written report of its use of private information in identifiable form and have an independent third-party review performed at least every 2 years. This audit will determine the Agency's compliance with the Act and help USAID address the reporting requirements outlined in the Act.

### **Audit of USAID's Progress for Implementing Personal-Identity Verification of Federal Employees and Contractors**

In August 2005, the President signed Homeland Security Presidential Directive 12, which requires the development and agency implementation of a mandatory, governmentwide standard for secure and reliable forms of identification for federal employees and contractors for gaining physical access to

federally controlled facilities and logical access to federally controlled information systems. In accordance with this directive, the Department of Commerce issued standards for *Personal Identity Verification (PIV) of Federal Employees and Contractors*. These standards consist of two major sections, *PIV* phases I and II. Both sections define requirements for the identity-proofing and registration processes. OMB issued implementing instructions for agencies to begin complying with *PIV* phase I by October 27, 2005. To be in compliance with *PIV* phase I, agencies should implement certified and accredited identity-proofing, registration, and issuance processes for *PIV* cards across their enterprise. Agency compliance with the *PIV* phase II component began on October 27, 2006. This audit will determine the extent and adequacy of USAID's implementation of *PIV* phase I and determine if USAID has adequately developed and submitted implementation plans for both phases.

### **Audit of USAID's Security Controls Over Its Private Branch Exchange System**

A Private Branch Exchange (PBX) System is a sophisticated computer-based switch that operates as a small in-house telephone company for an organization. USAID's PBX uses digital technology in which digital signals are converted to analog for outside calls on the local loop, using traditional telephone services. Failure to secure a PBX can result in exposing the organization to (among other things) toll fraud, theft of proprietary information, denial of service, and traffic analysis. Protection of the PBX is thus a high

priority. This audit will contribute to the confidentiality, integrity, and availability of voice data, equipment, and resources. It also will seek to strengthen controls for preventing unauthorized use that results in fraudulent tolls charged to the Agency.

### **Audit of USAID's Implementation of Selected Security Controls Over the Electronic-Questionnaire for the Investigation Processing System**

eGovernment is a Federal Government endeavor that will enable agencies to align efforts, as needed, for significantly improving service and reducing operating costs. One project under eGovernment is the eClearance initiative, which is managed by the Office of Personnel Management. The purpose of the initiative is to streamline and improve the quality of the current security clearance process. A major component of eClearance is the electronic-Questionnaire for Investigation Processing (e-Qip), a Web-based system that collects and stores information for background investigations. eQip will collect and store extensive personal information about current and prospective USAID employees. This audit will ensure that USAID has implemented controls over the system to protect the information in the system.



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

#### **Assessment Update of USAID Programs in Afghanistan**

OIG's audit coverage of USAID/Afghanistan's program resulted from a March 2003 risk assessment and a comprehensive audit strategy of USAID/Afghanistan's activities. Since that time, USAID/Afghanistan's program has increased in the number of activities and funding by significant proportions. In May 2005, USAID/Afghanistan issued its first strategic plan outlining the strategic direction for FYs 2005-2010. This strategic plan covers three of the four essential tasks in Afghanistan's recovery that are outlined in the Joint USAID-State Department Strategic Plan: economic reconstruction, including the rules and institutions that enable establishment of a market economy; rebuilding of a legitimate and capable state governed by rule of law; and social reconstruction, including health and education services and the renewal of a strong civil society. This assessment will be used to gather updated information on a continuous basis throughout the year for use in planning future audits.

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

#### **Investigate allegations of fraud, waste, and abuse in USAID programs and operations.**

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

#### **Prioritize cases involving major fraud.**

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 investigations involving large dollar losses by USAID, ADF, and IAF.

#### **Track and report the results of OIG Investigations.**

OIG will report the number of allegations received; investigations conducted; cases referred for action; and the number of criminal, civil, and administrative actions taken. As needed, OIG will brief the appropriate members of Congress and the Executive Branch on investigations and their results.

#### **Present briefings on fraud awareness/cost principles to contractors, grantees, Supreme Audit Institutions, and nongovernmental organizations.**

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. OIG will continue developing and distributing fraud-awareness literature, audiovisual aids, and other material to USAID and its partners. In furtherance of these fraud-prevention efforts, OIG will offer advice and support to USAID and its partners on antifraud strategies through briefings, meetings, conferences, and other forums.

#### **Audit USAID's use of program funds for operating expenses.**

Congress created the operating-expense account in 1976 for the express purpose of consolidating USAID's cost of doing business. Congress appropriated \$630 million for operating expenses in FY 2006, which is about \$50 million less than the President's budget requested. USAID management is reviewing alternatives for offsetting the \$50 million shortfall, such as securing authorization to use program funds for operating expenses. This audit will determine if USAID used program funds for operating expenses in accordance with applicable laws, regulations, and congressional intent.

**Recommend systemic improvements.**

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.

**Promote the Hotline.**

OIG will use fraud-awareness presentations and other means to promote its Hotline as an effective tool for reporting fraud, waste, and abuse. OIG believes that the Hotline serves both as an effective medium for receiving allegations and as an active deterrent against fraud.

**Conduct proactive investigations.**

OIG will conduct two proactive investigations to identify vulnerabilities in multimillion-dollar USAID programs involving U.S. contractors and grantees, which could lead to criminal activity or civil or administrative violations.

**Investigate allegations of USAID personnel misconduct.**

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 appropriate U.S. Attorney for criminal/civil prosecution and/or to USAID for administrative action.

**Conduct and conclude investigations of employee integrity efficiently and expeditiously.**

OIG recognizes the effect that employee investigations have on USAID programs and operations. Accordingly, OIG will expeditiously complete investigations of employee integrity.

## **General Strategy for ADF and IAF**

ADF began field operations in 1984 and provides grants directly to community groups in Africa. Its budget for FY 2007 is expected to be approximately \$23 million. IAF was established in 1969. With a budget request of about \$19 million in FY 2007, it provides development grants directly to local organizations in Latin America and the Caribbean. Both foundations are U.S. Government corporations. OIG assumed audit and investigative oversight of the foundations in 1999.

The cornerstone of OIG's strategy for maintaining effective oversight of foundation operations lies in OIG's annual audit of each foundation's organizationwide financial statements. The audits will help to identify areas for more in-depth audits and investigations as circumstances warrant. OIG also will review the foundations' implementation of their financial audit programs for their grantees.

Further, 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, OIG will remain responsive to congressional concerns about the foundations' operations.

## **Audit of the ADF's FY 2007 Consolidated Financial Statements**

The Government Management Reform Act (GMRA) requires OIGs to conduct audits of federal agency consolidated financial statements. An independent audit firm contracting with OIG will conduct the audit of the ADF FY 2007 consolidated financial statements. The objective of the audit 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. The auditors will 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 Information.

## **Audit of the ADF's Compliance with the Provisions of the FISMA for FY 2007**

The FISMA of 2002, P.L. 107-347, requires each agency to develop, document, and implement an agencywide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, a contractor, or other source. This audit will contribute to the protection of data, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine if the ADF's information system security program meets the requirements of the FISMA of 2002.

## **Audit of the IAF's FY 2007 Consolidated Financial Statements**

GMRA requires OIGs to conduct audits of federal agency consolidated financial statements. An independent audit firm contracting with OIG will conduct the audit of IAF FY 2007 consolidated financial statements. The objective of the audit 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. The auditors will 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 Information.

## **Audit of the IAF's Compliance with the Provisions of the FISMA for FY 2007**

The FISMA of 2002, P.L. 107-347, requires each agency to develop, document, and implement an agencywide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, a contractor, or other source. This audit will contribute to the protection of data, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine if the IAF's information system security program meets the requirements of the FISMA of 2002.

## **Audit of the IAF's Implementation of the Government Performance and Results Act**

With an appropriation of \$18 million in FY 2005, IAF currently provides grants under 200 projects in 23 countries. To address some of the management challenges identified earlier by OIG and the Government Accountability Office (GAO), the IAF has implemented a number of initiatives, including several focusing on improving its 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 meet the requirements of the Government Performance and Results Act and enable IAF to measure its performance by comparing planned and actual results.

## **Consultations**

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

### ***Government Accountability Office***

The IG Act requires coordination with GAO to prevent duplication and ensure effective coordination and cooperation. OIG has assigned a liaison to serve as the principal contact with GAO. The liaison is responsible for keeping 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 DCAA performs audits, reviews, and preaward surveys as requested by USAID. OIG 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 FYs 2004-2009. The OIG strategic plan is aligned with the joint State-USAID strategic plan. 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 State Department, 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 State Department 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 activities for prevention, treatment, and palliative care. USAID OIG coordinates with each agency's OIG in planning and carrying out our annual audits and investigations. The USAID OIG also coordinates with other Inspectors General through the President's Council for Integrity and Efficiency (PCIE) and plays a leadership role on the PCIE Audit Committee.

**APPENDIX:**

**USAID OIG  
AUDIT ACTIVITIES BY BUREAU**

## AUDIT ACTIVITIES OF USAID OFFICE OF INSPECTOR GENERAL FOR FISCAL YEAR 2007

Following is a list of planned OIG audit activities for fiscal year 2007 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 audit recommendations that have received Final Action.

### USAID-GENERAL

Survey and Pilot Audit of USAID's Anticorruption Efforts

Audit of Selected Output of USAID's Women in Development Program

Survey and Pilot Audit of USAID's Microenterprise Activities

Worldwide Audit of USAID's Microenterprise Activities (Multicountry Audit)

Worldwide Audit of USAID's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief (Multicountry Audit)

Survey and Pilot Audit of the Sustainability of USAID's Efforts to Transfer and Implement Clean Energy Technology in Recipient Countries

Audit of USAID's Avian Influenza Efforts

Survey and Pilot Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief

Survey and Pilot Audit of USAID's Child Survival and Maternal Health Program

Survey and Pilot Audit of USAID's Basic Education Programs

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (Multicountry Audit)

Audit of USAID's Common Indicators

Audit of USAID's Effectiveness in Obtaining the Benefits of Its Research and Development Efforts

Follow-up of USAID's Implementation of Recommendations Included in the Audit of USAID's Training, Use, and Accountability of Cognizant Technical Officers; Audit Report No. 9-000-04-003-P, dated March 31, 2004

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (Multicountry Audit)

Audit of USAID's Compliance with the Federal Financial Management Improvement Act for Fiscal Year 2007

Oversight of (1) OMB Circular A-133 Audit Program, (2) Services Provided to USAID by the 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

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

Audit of USAID's Development and Implementation of an Earned Value Management System

Audit of USAID's Implementation of Internet Protocol Version 6

Audit of USAID's Project Planning/Acquisition for Its Executive Information System

Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act for Fiscal Year 2007

Audit of USAID/Washington's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (Multicountry Audit)

Audit of USAID/Mission's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2008

Audit of USAID's Privacy and Data Protection Policies and Procedures

Audit of USAID's Progress for Implementing Personal-Identity Verification of Federal Employees and Contractors

Audit of USAID's Security Controls Over Its Private Branch Exchange System

Audit of USAID's Implementation of Selected Security Controls Over the Electronic-Questionnaire for the Investigation Processing System

Fraud Awareness/Cost Principles Briefings to Contractors, Grantees, Supreme Audit Institutions, and Nongovernmental Organizations

Audit of USAID's Use of Program Funds for Operating Expenses

## **BUREAU FOR AFRICA**

Audit of USAID/XX's Microenterprise Activities (West/Central Africa Mission TBD)

Audit of USAID/XX's Microenterprise Activities (East/Southern Africa Mission TBD)

Audit of USAID/Ghana's Program to Increase Private Sector Competitiveness

Audit of USAID/Sudan Field Office's Distribution of P.L. 480 Title II Assistance in Support of Its Direct Feeding Program

Audit of USAIDXX's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief (West/Central Africa Mission TBD)

Audit of USAIDXX's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief (East/Southern Africa Missions TBD)

Audit of USAID/Angola's Implementation of the President's Malaria Initiative

Audit of USAID/Tanzania's Implementation of the President's Malaria Initiative

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/Senegal)

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/South Africa)

Audit of Data Quality for USAID/West Africa Regional Program's Regional Health Program

Audit of the Effectiveness of USAID/Ethiopia's Award Closeout Program

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (West/Central Africa Mission TBD)

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (East/Southern Africa Mission TBD)

Follow-up of the Agreed-Upon-Procedures Review of the Southern Africa Enterprise Development Fund; Audit Report No. 4-690-05-005-N, dated March 14, 2005

Audit of USAID/XX's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (West/Central Africa Mission TBD)

Audit of USAID/XX's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (East/Southern Africa Mission TBD)

## **BUREAU FOR ASIA AND THE NEAR EAST**

Audit of Provincial Reconstruction Teams in Iraq

Audit of USAID/Iraq's Local Governance Activities

Audit of Critical USAID/Afghanistan's Alternative Livelihoods Activities by Contractor

Audit of USAID/XX's Microenterprise Activities (Asia and Near East Mission TBD)

Audit of USAID/Iraq's Focused Stabilization in Strategic Cities Initiatives

Audit of USAID/Iraq's Markets and Agribusiness Project

Audit of Critical USAID/Afghanistan's Economic Program Follow-on Activities

Audit of USAID Assistance for Agricultural Activities in Lebanon

Audit of USAID Assistance for the Agricultural Support Program in Yemen

Audit of USAID Assistance for the Customs and Trade Facilitation Project in Egypt

Audit of the Sustainability of USAID/Iraq's Electrical Power Sector Activities

Audit of the Sustainability of USAID/Iraq's Water and Sanitation Rehabilitation Activities

Audit of Critical USAID/Afghanistan's Urban Water and Sanitation Activities

Audit of Critical USAID/Afghanistan's Power Sector Activities Under the Rehabilitation of Economic Facilities and Services Program

Audit of Critical USAID/Pakistan's Basic Health Activities

Audit of the Foreign Disaster Assistance Program in Iraq

Audit of Critical USAID/Sri Lanka Recovery and Reconstruction Program Activities Implemented by Development Alternatives, Inc.

Audit of USAID/Indonesia's Banda Aceh-Meulaboh Road Reconstruction Activities Under Its Tsunami Recovery and Reconstruction Program

Audit of USAID/Indonesia's Transition from Camps to Communities Activities Under Its Tsunami Recovery and Reconstruction Program

Audit of Critical USAID/Pakistan's Earthquake Reconstruction Activities

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/Iraq)

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/Philippines)

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/Egypt)

Audit of Host Country Contracting for USAID-Financed Water Activities in Jordan`

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (Asia and Near East Missions TBD)

West Bank and Gaza Agency-Contracted Audit Coordination

Information Status Report on Financial Audits of USAID/West Bank and Gaza Activities

Audit of USAID/XX's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (Asia and Near East Missions TBD)

Assessment Update of USAID Programs in Afghanistan

## **BUREAU FOR EUROPE AND EURASIA**

Audit of USAID/Russia's Efforts to Reduce Trafficking in Persons

Audit of USAID/XX's Microenterprise Activities (Europe and Eurasia Mission TBD)

Audit of USAID/Albania's Economic Restructuring and Agriculture Development Program

Audit of USAID/Armenia's Energy and Water Sector's Reform Program

Audit of USAID/Kazakhstan's Infectious Disease Activities

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (Europe and Eurasia Mission TBD)

Audit of USAID/XX's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (Europe and Eurasia Mission TBD)

## **BUREAU FOR LATIN AMERICA AND THE CARIBBEAN**

Audit of USAID-Financed Alternative Development Activities in Colombia

Audit of USAID/Haiti's Human Rights and Justice Activities

Audit of USAID/XX's Microenterprise Activities (Latin America/Caribbean Mission TBD)

Audit of USAID/El Salvador's Economic Growth Programs

Audit of USAID/Guatemala's Economic Growth Programs

Audit of USAID/Nicaragua's Economic Growth Programs

Audit of USAIDXX's Ongoing Progress in Implementing the President's Emergency Plan for AIDS Relief (Latin America/Caribbean Mission TBD)

Audit of Regionalization Efforts in Latin America and the Caribbean

Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2007 Consolidated Financial Statements (USAID/El Salvador)

Audit of USAID's Fiscal Year 2007 Consolidated Financial Statements (Latin America/Caribbean Mission TBD)

Audit of USAID/XX's Security Controls Over Financial Management and General Support Systems for Fiscal Year 2007 (Latin America/Caribbean Mission TBD)









# Inspector General HOTLINE

OIG's Hotline makes it easy to report allegations of fraud, waste, abuse, mismanagement, or misconduct in programs and operations of USAID, IAF, ADF, and MCC. Employees, contractors, program participants, and the general public may report allegations directly by e-mail, telephone, or mail to:

Phone 1-202-712-1023  
1-800-230-6539

E-mail [ig.hotline@usaid.gov](mailto:ig.hotline@usaid.gov)

Mail USAID OIG HOTLINE  
P.O. Box 657  
Washington, DC 20044-0657



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The USAID Annual Plan is available on the Internet at  
[www.usaid.gov/oig/public/ann\\_report.htm](http://www.usaid.gov/oig/public/ann_report.htm)