

USAID

OFFICE OF INSPECTOR GENERAL

*Semiannual Report to the Congress
April 1, 1997 - September 30, 1997*

U.S. Agency for
International Development



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INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

The Inspector General Act of 1978, as amended, requires each Inspector General to submit semiannual reports to the Congress summarizing the activities of the office during the preceding six-month period. The twelve required reporting areas, as prescribed under Section 5(a) of the Act, are:

Reporting Requirement	Page Reference(s)
(1) Significant Problems, Abuses and Deficiencies	10-36, 38-42
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EXECUTIVE SUMMARY

During the semiannual reporting period from April 1, 1997 through September 30, 1997, the OIG issued 302 audit reports with monetary findings of \$90.0 million. In addition, the OIG completed 43 investigations and achieved recoveries of \$2.6 million. Significant results from audit and investigation activities include the following:

- The approach used by USAID to develop its fiscal year 1996 financial statements—hiring an accounting firm to prepare the statements—did not produce auditable financial statements and produced only limited training and institutional development benefits for USAID. During fiscal year 1997, USAID has not been able to produce any interim financial statements, seriously impacting the OIG's ability to audit USAID's year-end financial statements when they are prepared.
- USAID has begun to implement previous audit recommendations concerning the NMS, but progress has been slow. In a separate audit, the OIG found that the NMS does not include a system of internal controls that meets the U.S. General Accounting Office's *Standards for Internal Controls in the Federal Government*. Because such controls are lacking, USAID does not have reasonable assurance that the system can adequately protect resources and sensitive information.
- USAID has taken additional steps to meet the requirements of the Government Performance and Results Act of 1993. USAID assigned overall responsibility for implementing the Results Act to a single official, prepared a draft plan for implementing the Results Act, and discussed its strategic plan with interested parties. The OIG's third status report on implementation of the Results Act makes several suggestions that USAID should consider in developing its strategic plan and its 1997 annual performance report.
- A settlement agreement and consent judgment were reached in a civil suit filed against a U.S. company and its president for making false claims to USAID. The civil suit charged that the company filed false claims when it submitted inaccurate invoices and shipping documents to obtain payments for materials that had not been shipped. The complaint further charged that the U.S. Government incurred damages from construction delays and from paying for equipment not delivered by the company. The settlement agreement required the company and its president to pay the U.S. Government \$50,000 and the defendants agreed to be debarred from government contracting for five years.
- A USAID personal services contractor in Moscow was terminated after an OIG investigation showed that, while employed by a USAID sub-grantee, he drafted part of the proposal for a health reform grant which he was later hired by USAID to oversee. In violation of ethics regulations, he had not disclosed this relationship.

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SUMMARY OF IG TESTIMONY

The USAID Inspector General testified before the House Committee on International Relations on July 17, 1997. The first part of the testimony covered OIG resources, organization, staffing, and accomplishments. The second part provided an overview on USAID's financial management, information technology and results management.

Part I: OIG Overview

The USAID Office of Inspector General (OIG) was established on December 29, 1981 by Public Law 97-113. The law extended the provisions of the Inspector General Act of 1978 to USAID and also added the responsibility to supervise, direct and control all security activities.

The USAID/OIG is currently organized into four units: (1) Legal Counsel and Management, (2) Security, (3) Investigations, and (4) Audit.

Legal Counsel and Management (IG/LCM)

The Office of Legal Counsel and Management has a staff with 32 full-time positions. LCM provides advice and assistance on legal, administrative, financial, and personnel matters. The Legal Counsel works closely with the USAID Office of the General Counsel to coordinate policy and practices relevant to the OIG operations. The Deputy Legal Counsel/Assistant IG for Management supervises personnel, budget, acquisition, and information resource management. The Management Office has three units: Personnel Services, Budget and Acquisition, and Information Management.

The Personnel Services staff provide a full range of support for both civil service and foreign service personnel. They have significantly improved the employee relations programs and have instituted a Drug-Free Workplace program.

The Budget and Acquisition staff manage the OIG operating budget including budget formulation, budget submission, and budget execution and provide a full range of procurement services. They process security equipment shipments to overseas missions, and award contracts for background investigations, general supplies and services.

The Information Management Staff was established to meet the requirements of the OIG Information Strategic Plan which was undertaken in 1995 and 1996. That staff has developed and focused

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resources on network reliability and user support.

LCM has assisted in efforts to improve our work environment and labor/management relations. While OIG staff are prohibited by law from being represented by unions, we have met with the officers of the American Foreign Service Association (AFSA) and the American Federation of Government Employees (AFGE). We have discussed labor/management concerns in an effort to improve understanding of our respective interests.

The OIG has made significant gains in workforce diversity by providing equal opportunity for women and minorities employed by the OIG. Three years ago, there was one minority and only two women in management or supervisory positions. Five of the ten senior OIG management positions are now held by women or minorities. Eight of the twenty-one middle management or supervisory positions are now held by women or minorities.

Security (IG/SEC)

The Assistant Inspector General for Security is responsible for supervising the performance of security activities relating to USAID programs and activities. The office has 35 full-time positions. IG/SEC works closely with the Department of State's Diplomatic Security Bureau and the President's Information Security Oversight Office to insure programs adhere to established policies and procedures.

Information and personnel security programs are administered worldwide in accordance with Executive Orders and uniform regulations. These programs involve the conduct and adjudication of background investigations, and the training of USAID employees in the proper handling and storage of classified information.

The physical security program supports USAID management in its worldwide responsibility for ensuring the protection of National Security information and provides state of the art physical countermeasures against terrorism, espionage, sabotage, and crimes directed against USAID employees, personal service contractors, and dependents. In compliance with standards established for the U.S. diplomatic community overseas, USAID residences are equipped with special exterior lighting, locks, alarms, window grills, radios and communications equipment. IG/SEC provides armored vehicles for USAID employees assigned to higher threat posts. Of particular note is the extensive interagency coordination and establishment of security requirements for USAID's ongoing move to the Ronald Reagan Building.

Investigations (IG/I)

The Assistant Inspector General for Investigations is responsible for supervising the performance of investigative activities relating to USAID programs and operations. Investigations of criminal, civil, and administrative violations cover all facets of USAID's worldwide operations. The investigations staff has 30 full-time positions.

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IG/I conducts investigations of apparent violations of laws, rules, and regulations. When the OIG has reason to believe there has been a violation of Federal criminal law, the OIG reports directly to the Department of Justice (DOJ). The OIG also works closely with USAID's Office of General Counsel and the DOJ in matters which may result in civil claims or other civil action.

Overseas investigations offer special challenges and differ from domestic investigations. OIG investigators working overseas must cope with language and cultural differences and comply with host government laws concerning the investigative process. Overseas criminal investigations are often complicated by the need to involve the host government foreign ministry and host country investigative agencies. OIG investigators are limited in their authority to question host country nationals. When this is permitted, the investigator must follow the particular steps found in legal assistance treaties or agreements.

The investigative organization has changed in three ways. First, the OIG consolidated the management team in Washington, cutting the number of management and supervisory positions by more than 50 percent, from nine to four. Second, the OIG ended the practice of contracting the services of foreign nationals to work as investigators to reduce the high cost of overseas operations. Third, the OIG has improved supervisory controls to ensure that resources are devoted to major cases. These controls permit the OIG to more carefully focus and concentrate its resources on contracts, grants, and cooperative agreements that are the most vulnerable to fraud, waste, and abuse.

Audit (IG/A)

The Assistant Inspector General for Audit is responsible for supervising the performance of audit activities relating to USAID's worldwide programs and agency operations. Regional Inspectors General are located in El Salvador, Egypt, Senegal, South Africa, Thailand (to be relocated to the Philippines) and Hungary. Most audit work is centrally planned and managed with field support provided by overseas offices. Auditing activities include both financial and performance audits.

The OIG devotes substantial resources to auditing USAID grantees and contractors. Improving accountability over non-U.S. grantees has led us to work more closely with a number of recipient government audit organizations commonly called Supreme Audit Institutions. These organizations not only improve accountability over foreign assistance, but help enhance their own audit capacity. The OIG is currently working with Supreme Audit Institutions in Ethiopia, Mali, Ghana, Tanzania, Bolivia, Honduras, Peru, Guatemala, Guyana, and Hungary. This program is a cost effective method of expanding our audit reach while helping developing countries improve their own capacities.

Part II: USAID Overview

OIG's oversight is principally driven by Congressionally-mandated audit assignments. Relevant legislation includes:

- Federal Managers' Financial Integrity Act of 1980 (FMFIA),

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- Chief Financial Officers Act of 1990 (CFO Act),
- Government Performance and Results Act of 1993 (Results Act),

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- Government Management Reform Act of 1994 (GMRA),
- Clinger-Cohen Act of 1996, and the
- Federal Financial Management Improvement Act of 1996 (FFMIA).

The areas of emphasis in our current audit program are: (1) financial management, (2) information technology management, and (3) implementation of the Results Act.

Financial Management

One of the purposes of the CFO Act is to provide for the production of complete, reliable, timely, and consistent financial information for use by the Executive Branch of the Government and the Congress in the financing, managing, and evaluating of Federal programs. The GMRA currently governs the preparation and audit of financial statements.

With regard to USAID's fiscal year 1996 GMRA financial statements, the OIG disclaimed an opinion on whether the statements were presented fairly because USAID had not prepared complete, reliable, timely and consistent financial information. The scope of the OIG's work was impaired. USAID's inability to produce complete, reliable, timely, and consistent interim and year-end financial statements precluded the OIG from performing necessary auditing procedures. USAID's inadequate and incomplete internal accounting controls and records precluded the OIG from obtaining timely and sufficient evidential matter. USAID management imposed restrictions that impaired the OIG's timely access to agency personnel and documents.

With respect to internal controls, USAID's financial systems do not generate the complete, reliable, timely and consistent financial information needed to bring about more effective financial management practices. Nor do they promote high-level decision-making or deter fraud, waste and abuse. The general ledger is prepared from many non-integrated systems. The systems do not contain sufficient discipline, effective internal controls, or reliable financial information.

USAID had reported these weaknesses in past reports under the Federal Managers' Financial Integrity Act. To date, little corrective action has been taken.

Information Technology Management

The Clinger-Cohen Act of 1996 makes each agency head responsible for implementing a process to maximize the return and manage the risks associated with information technology investments. The OIG has continued its efforts to identify opportunities for USAID to improve its management of information resources. In September 1996, the OIG reported that USAID planned to invest almost \$100 million by the end of fiscal year 1997 to complete development of the New Management System (NMS). The NMS was expected to replace outdated technology with an integrated system that corrects material noncompliance with Federal accounting and financial management requirements and provides managers with the information needed to make appropriate decisions and reliably report the

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status of agency activities. The OIG also pointed out that costs could be higher than estimated due to deficiencies in USAID accounting records and USAID contractor oversight practices.

NMS has encountered severe problems and significant additional funding may be required to correct defects that currently prevent the system from operating effectively. Reliable information about the costs needed to complete NMS development will not be known until USAID completes an analysis of the technical and implementation problems and decides on a course of action to correct the problems.

In September 1996, the OIG reported that USAID's plan to begin using the system worldwide on October 1, 1996 involved significant risks of operational disruptions; increased vulnerability to fraud, waste, and abuse and loss of trust by system users. The OIG reported that NMS, as an operational system, did not meet OMB criteria for continued funding. The OIG's audit concluded that USAID must act aggressively and recommended specific actions to correct the deficiencies and ensure that NMS achieves its potential.

USAID is at risk of encountering computer system problems at the turn-of-the-century that could disrupt operations. The OIG compared USAID's plan for correcting the Year 2000 problem to the best practices suggested by the GAO. We found that USAID's plan did not fully implement the suggested practices which may cause the agency to face serious systems problems.

Implementation of the Results Act

At the time of the OIG's testimony, the OIG had issued two reports on USAID's participation as a pilot agency under the Results Act. In the OIG's first agency-wide report, the OIG concluded that USAID accomplished what it had proposed to accomplish as a "pilot" agency, but those accomplishments were less than what would have been required for full compliance with the Results Act. For example, while USAID had progressed towards developing its strategic plan, it did not have the final plan completed by September 1996. Also, USAID did not prepare an annual performance plan based on the strategic plan, and its annual performance report did not contain the necessary information and comparison.

The OIG's second report found that USAID had made good progress in several areas. The OIG emphasized the following issues which would be critical for the strategic plan: (1) obtaining agreement from Congress on the strategic objective approach; (2) determining who should develop the strategies for programs in the New Independent States and Central and Eastern Europe; and (3) resolving attribution and aggregation of results issues with the U.S. Office of Management and Budget.

Congressional consultations are important to USAID because, according to Agency and GAO officials, not all members of oversight committees or their staff members have agreed to the Agency's new strategic objective approach. Some may still want information by project, rather than by strategic objective. Unless this issue is resolved, USAID might find it necessary to maintain parallel systems to report progress by both project and strategic objective.

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AUDIT ACTIVITIES

Audit activities include conducting and reviewing financial audits and performance audits. Following is a statistical summary of OIG audit activities from April 1, 1997 through September 30, 1997.

Type of Report	Number of Reports	Monetary Recommendations (millions)
Financial Audits:		
Audits of U.S.-based contractors performed by the Defense Contract Audit Agency (DCAA)	15	-
Audits of non-U.S.-based recipients performed by DCAA	9	-
Audits of U.S.-based recipients	112	\$1.6
Audits of non-U.S.-based recipients	137	\$6.2
Financial-related audits of USAID programs and operations	7	-
Performance audits:		
Economy and efficiency audits	22	\$82.2
Miscellaneous reports:		
Quality control reviews	17	-
Other reports	<u>7</u>	<u>-</u>
Totals for the current period	<u>326</u>	<u>\$90.0</u>

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FINANCIAL AUDIT PROGRAM

The OIG's financial audit program comprises financial statement and financial-related audits of USAID activities, as well as reviews of audits done by non-Federal auditors (independent public accounting firms).

Financial Statement Audits

Under a series of legislative initiatives beginning in 1990, the Federal Government has embarked on a course to increase the quality of the financial management information used to manage its activities. These legislative initiatives include the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Federal Financial Improvement Act of 1996. Each of these laws deals with the preparation and audit of annual financial statements by Federal agencies.

Chief Financial Officers Act of 1990

The Chief Financial Officers (CFO) Act of 1990 sought to: (1) bring more effective general and financial management practices to the Federal Government; (2) provide for improvement of systems of accounting, financial management, and internal controls to ensure the issuance of reliable financial information and to deter fraud, waste, and abuse of Government resources; and (3) provide for the production of complete, reliable, timely, and consistent financial information for use in the financing, management, and evaluation of Federal programs. The CFO Act required that Federal agencies have annual financial statement audits conducted on each of their revolving funds and trust funds. USAID has seven revolving funds and trust funds which were required to be audited under the CFO Act.

Government Management Reform Act of 1994

The Government Management Reform Act (GMRA) builds on the CFO Act by extending the requirement for financial audits from revolving funds and trust funds to Federal agency consolidated financial statements which cover the operations of each agency as a whole. These consolidated financial statements cover the revolving funds and trust funds which were previously audited under the CFO Act as well as other Federal agency operations for which financial statements were not previously required. Under the Government Management Reform Act, USAID is required to: (1) prepare consolidated financial statements each year for all USAID activities and accounts worldwide, beginning with fiscal year 1996, and (2) submit audited financial statements to the Office of Management and Budget.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 builds on and complements the CFO Act, the Government Performance and Results Act of 1993 (discussed in a later section of this report), and the GMRA. The purposes of this Act are to:

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- provide for consistency of accounting by an agency from one fiscal year to the next and uniform standards within the Federal Government,
- increase the accountability and credibility of Federal financial management, and
- improve the performance, productivity, and efficiency of Federal Government financial management.

Under the Federal Financial Management Improvement Act of 1996, USAID is required to implement and maintain financial management systems that comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government standard general ledger at the transaction level beginning in fiscal year 1997.

Scope of Financial Statement Audits

Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles or any of several other accepted bases of accounting.

An audit report on the financial statements renders an opinion which can be:

- Unqualified—issued when the auditor believes that the financial statements are presented fairly in all material respects.
- Disclaimed—issued when the auditor is unable to form or has not formed an opinion as to the fair presentation of the financial statements, generally because of significant weaknesses in internal controls or because of a lack of sufficient supporting documentation.
- Adverse—issued when the auditor believes that the financial statements, taken as a whole, are not presented fairly.
- Qualified—issued when (1) there are restrictions on the scope of the audit or (2) the auditor believes that the financial statements contain a material departure from the applicable accounting principles but the auditor has sufficient confidence in the internal controls and supporting documentation and the departures do not lead the auditor to conclude that the financial statements, taken as a whole, are not presented fairly.

Financial statement audits also test the entity's internal controls and compliance with laws and regulations. The auditors issue reports on these tests that present the reportable conditions in internal controls, irregularities, illegal acts and any other material noncompliance identified during the audit.

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Financial Statement Audits for Fiscal Year 1995

In fiscal year 1995, USAID had seven revolving funds and trust funds subject to audit under the CFO Act. These were the direct loan program, the housing guaranty program, the Israeli loan guaranty program, the micro and small enterprise development program, the foreign service national separation pay trust fund, the miscellaneous U.S. dollar trust fund, and the property management fund.

In its audit reports on the fiscal year 1995 financial statements for these funds, the OIG issued unqualified opinions on the financial statements for three funds—the Israeli loan guaranty program, the foreign service national separation pay trust fund, and the property management fund.

For the remaining four funds—the direct loan program, the housing guaranty program, the micro and small enterprise development program, and the miscellaneous U.S. dollar trust fund—the OIG issued disclaimers of opinion. The audit reports on these four funds also included recommendations to improve operations and internal controls. As of September 30, 1997, USAID had not made final management decisions on the recommendations in these reports.

In USAID's response to the audits of the direct loan program, the housing guaranty program, and the micro and small enterprise development program financial statements, USAID's chief financial officer stated that his office was beginning the process of contracting out the day-to-day accounting operations and financial statement preparation for these programs. Because these functions were due to be contracted out, he believed that the recommendations were not applicable and therefore he did not provide a plan for corrective actions. Although the audit recommendations were made over a year ago, the contracting-out of the day-to-day accounting functions has not been completed and some conditions found during the audits have not changed significantly. The OIG believes that the audit recommendations are still applicable and should be addressed.

The chief financial officer also responded to the recommendation contained in the audit of the financial statements for the miscellaneous U.S. dollar trust fund. However, the response was not complete and, in April 1997, the OIG requested additional clarification regarding proposed internal control improvements. To date, the chief financial officer has not provided the requested clarification.

Audit of USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Year 1996

In its GMRA audit report on USAID's consolidated financial statements for fiscal year 1996, the OIG issued a disclaimer of opinion because the scope of our audit was impaired due to (1) USAID's inability to produce complete, reliable, timely, and consistent interim and year-end financial statements which precluded the OIG from performing necessary auditing procedures; (2) USAID's inadequate and incomplete internal accounting controls and records which precluded the OIG from obtaining timely and sufficient evidential matter; and (3) restrictions imposed by USAID management that impaired the OIG's access to USAID records and personnel. USAID's financial systems required multiple reentry of data, maintenance of supplementary accounting records, and lengthy and burdensome reconciliation

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processes. Further, the systems did not incorporate effective internal controls and did not contain reliable financial information. USAID has reported these weaknesses in past reports under the Federal Managers' Financial Integrity Act. Accordingly, several serious and fundamental internal accounting control weaknesses, covering a wide range of USAID's accounting operations, adversely affected USAID's overall ability to prepare complete, reliable, timely, and consistent financial information.

The audit report included three recommendations that focused on improving the internal control environment used to produce the fiscal year 1996 consolidated financial statements. The chief financial officer said that it was difficult to respond to the recommendations because of the changing operating environment caused by using USAID's New Management System (NMS). He said that NMS, when fully implemented, would correct any deficiencies noted in the audit. To date, the NMS has not been fully implemented. Moreover, the deficiencies cited in the report were internal control-related, and the NMS would not necessarily correct them.

Audit of USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Year 1997

The OIG is currently in the planning phase of its audit of USAID's fiscal year 1997 financial statements to determine how to conduct the audit. USAID financial managers, together with the U.S. General Accounting Office (GAO) and the Office of Management and Budget (OMB), have been involved in the planning of the audit. It appears at this point that significant problems with NMS, as well as USAID's inability to produce interim financial statements requested by the OIG, will adversely affect the OIG's ability to conduct the audit.

Based on decisions made at a meeting with USAID's chief financial officer, OMB, and GAO, the OIG's fiscal year 1997 audit coverage has focused primarily on USAID's fund balance with the Treasury Department, loan programs, accounts payable, and financial reporting activities which have the greatest impact on USAID's financial statements.

In the loan program area, progress has been made. USAID's Loan Management Division is taking actions to verify the balance of each loan in its portfolio with the borrower. This verification process includes reconciling the loan balances to the borrowers' recorded loan balances, ensuring that the loan files include all supporting documentation for the transactions, and correcting loan balances in USAID's accounting records.

USAID began implementation of the NMS just before the beginning of fiscal year 1997. However, USAID experienced significant problems in processing transactions and reconciling the data that was migrated from predecessor systems to the NMS. In response to an OIG recommendation, USAID instructed its field missions in April 1997 to discontinue the use of the NMS and resume recording transactions in the Mission Accounting and Control System. USAID/Washington continued to use the NMS but effective implementation was not successful at the Washington level. USAID/Washington was forced to conduct its accounting functions using a combination of existing legacy systems, manual non-integrated processes, and some parts of the NMS.

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USAID has not been able to produce any interim (quarterly) financial statements during fiscal year 1997. For the audit process, producing interim financial statements is an important step toward forming an opinion on the financial statements. By producing interim statements, USAID provides evidence during the accounting year that it has processes and controls in place to collect and summarize data in a timely and disciplined manner. The audit staff can review and analyze these processes and controls to draw conclusions about the levels of testing necessary to form an opinion on the year-end financial statements. The auditors can also use interim statements to conduct testing of account balances to develop sufficient audit evidence that the processes and controls are working. However, USAID has not yet been able to produce any interim (quarterly) financial statements. In addition, USAID financial management staff have not provided the audit staff with a fully developed plan on how the financial statements are going to be produced.

These circumstances are considered by the OIG to be indicative of very high audit risk and their impact on the fiscal year 1997 financial statements is viewed as considerable. It is likely that we will disclaim an opinion on USAID's financial statements this year.

Under Section 4 of the Federal Managers' Financial Integrity Act (Integrity Act), USAID is required to provide an annual statement on whether its financial management systems conform to the Federal financial management system requirements contained in OMB Circular No. A-127. In its next report under the Integrity Act, USAID will have to report that its financial management systems, including the NMS, do not meet these requirements and describe its plans for bringing its systems into compliance with the requirements.

Moreover, unless conditions change significantly, it is likely that the Administrator of USAID will have to make a determination that USAID's financial management systems do not comply with the standards established in the Federal Financial Management Improvement Act of 1996. Such a determination would lead to establishment of a remediation plan with resources, remedies, and intermediate target dates for bringing USAID's financial management systems into compliance with the standards.

USAID's Use of Public Accounting Firms to Prepare Financial Statements

Beginning September 30, 1996, USAID contracted with a public accounting firm to prepare its fiscal year 1996 financial statements and assist in preparing the fiscal year 1997 financial statements. For the 1996 financial statement preparation, USAID spent about \$332,600. An additional \$200,000 was obligated with the same accounting firm for work on financial policies and internal controls. This delivery order called for the accounting firm to provide assistance in the development of Agency-wide financial statements and financial policy. The delivery order expired in July 1997.¹ The OIG believes that this arrangement for preparing the financial statements has resulted in limited institutional benefits for USAID while raising questions about the appropriateness of the contracting mechanism used.

¹ A new delivery order was issued to a different public accounting firm in late September 1997. The amount of this delivery order was \$279,909 and the delivery order period runs from August 1, 1997 to March 15, 1998.

USAID awarded a delivery order under the GSA contract on September 30, 1996—the last day of the accounting period. Because of the lateness of the delivery order award and the lack of experience in the Agency, the complete financial statements were not made available to the OIG until mid-February 1997. Despite the efforts made by the accounting firm, which involved drawing information from several separate financial systems, the OIG was not able to render an opinion on whether the fiscal year 1996 financial statements were presented fairly. The OIG could not render an opinion because USAID's inability to produce complete, reliable, timely and consistent interim and year-end financial statements precluded the OIG from performing necessary auditing procedures and because USAID's inadequate internal accounting controls and records precluded the OIG from obtaining sufficient evidential matter to support an opinion on the financial statements. In addition, USAID management imposed restrictions that impaired the OIG's timely access to USAID personnel and documents.

For the 1996 financial statements, the OIG believes that due to the lateness of the delivery order award and the short period available to the accounting firm to prepare the statements, there was limited opportunity for USAID officials to develop an institutional benefit. The accounting firm prepared the financial statements with little or no knowledge transfer to USAID's financial management staff.

In August 1997, the accounting firm provided USAID financial management staff with a summary of its experiences and lessons learned while preparing the fiscal year 1996 statements. According to accounting firm representatives, the summary was intended to provide USAID with a blueprint that could be used to produce the fiscal year 1997 financial statements. However, the accounting firm representatives conceded that there would have to be some enhancements to the process because there were significant differences between the systems used by USAID to produce the fiscal year 1996 and 1997 financial statements. USAID has been considering the information provided and is developing a strategy to prepare the fiscal year 1997 financial statements.

The OIG has not yet drawn any conclusions as to the specific benefits of the \$200,000 obligated for the technical assistance provided by the accounting firm for preparing financial policies and internal controls. However, the OIG believes that USAID should re-evaluate its approach in light of limited increase in institutional capabilities resulting from use of an accounting firm to prepare the fiscal year 1996 financial statements.

The OIG also believes that USAID did not use an appropriate contracting mechanism for obtaining financial statement preparation services. USAID issued delivery orders under a General Services Administration supply schedule for multiple awards. The supply schedule was for *quality management implementation services and products*. This supply schedule was intended to provide a range of quality management implementation services in seven areas: top management, strategic planning, customer focus, employee training, employee empowerment, measurement/analysis, and quality assurance. Financial statement preparation services are at best tangentially related to these areas. The OIG believes that, instead of using the quality management supply schedule, USAID should competitively bid the requirement under a scope of work that clearly articulates USAID's needs.

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Financial-Related Audits

Financial-related audits are used to determine whether (1) financial information is presented in accordance with established or stated criteria, (2) an entity has adhered to specific financial compliance requirements, or (3) an entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

USAID is required by the Federal Acquisition Regulations, the Single Audit Act, OMB Circulars, and its own internal policies and procedures to obtain appropriate and timely audits of its contractors and grantees. To fulfill these requirements, USAID contracts with the Defense Contract Audit Agency (DCAA), or other Federal agencies, to audit its U.S.-based contractors and relies on non-Federal auditors (independent public accounting firms) to audit its U.S.-based grantees. USAID's foreign grantees and contractors are also audited by non-Federal auditors.

OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," requires periodic audits of U.S.-based recipients in order to test the fiscal integrity of financial transactions and compliance with agreement terms and conditions. USAID applies the same principles to audits of foreign-based grantees. Agency-contracted audits are generally grant/contract agreement-specific audits which are conducted in addition to the recipient-contracted audits mentioned above.

The OIG also provides assistance to Supreme Audit Institutions (SAIs) in countries receiving USAID assistance. SAIs are foreign national audit agencies which, if they are found to be qualified, may provide audit coverage of bilateral assistance agreements with foreign governments. Audits performed by SAIs, as with all other audits of USAID programs, are subject to quality assurance by the OIG.

Quality Control Reviews of Non-Federal Audits

Under the provisions of the Inspector General Act of 1978, as amended, the OIG is responsible for ensuring that audits of USAID funds are conducted in compliance with generally accepted government auditing standards. The OIG fulfills this responsibility, in part, by performing quality control reviews (QCRs) of selected audits conducted by non-Federal auditors on behalf of the OIG. QCRs consist of thorough reviews of final reports and audit working papers in order to determine compliance with generally accepted government auditing standards. During this reporting period, the OIG completed 17 QCRs to assess the quality of audits conducted by non-Federal auditors.

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Audits Performed by the Defense Contract Audit Agency (DCAA)

Many USAID-funded activities are carried out through U.S.-based contractors, subject to the Federal Acquisition Regulation. USAID's inventory of U.S.-based contractors, as of June 30, 1997, included 326 contractors, of which USAID was cognizant for 209. (The cognizant audit agency for a contractor arranges for audits of the contractor and provides copies of the audits to other Federal agencies who do business with the contractor.) Once audit submissions are received from contractors for which USAID is the cognizant audit agency, USAID contracts with the Defense Contract Audit Agency (DCAA) to conduct an audit. USAID pays DCAA for these services. For those contractors where USAID is not the cognizant agency, USAID is billed by the cognizant agency for a prorated share of the audit cost.

During this reporting period, the OIG transmitted to USAID officials 15 audit reports on U.S.-based contractors issued by DCAA. These audits reviewed approximately \$140 million in costs claimed by contractors.

The OIG has also been working with USAID offices in Europe and the New Independent States to arrange for DCAA preaward audits of indigenous organizations that USAID is considering for grant awards. During this semiannual reporting period, DCAA performed seven preaward audits. Also, DCAA conducted a limited scope review to verify costs related to a grantee's employees in Russia. This audit disclosed that some previously reported accounting system deficiencies had not been corrected and prompted the OIG to reopen a recommendation from a prior DCAA audit report.

Audits of U.S.-Based Grantees

As described previously, USAID relies on non-Federal auditors (independent public accounting firms) to perform annual audits of its U.S.-based grantees under the Single Audit Act and OMB Circular No. A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Under these requirements, one agency is designated as the cognizant agency for each nonprofit organization. In addition, Circular A-133 prescribes certain responsibilities for cognizant, oversight and awarding agencies. Some of the major responsibilities cited in the Circular are:

- issuing a management decision for findings that relate to Federal awards made to recipients;
- obtaining or conducting quality control reviews of selected audits made by non-Federal auditors;
- advising the auditor and, where appropriate, the auditee of any deficiencies found in the audit that require corrective action; and
- ensuring that audits are completed and reports are received in a timely manner.

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USAID currently has grants awarded to approximately 737 U.S.-based nonprofit organizations. USAID is the cognizant audit agency for 425 of these entities. During the current reporting period, the OIG reviewed 112 audit reports of U.S.-based grantees covering \$1.0 billion, resulting in 38 recommendations and questioned costs of \$1.3 million.

Audits of Enterprise Funds

Enterprise funds are U.S.-based nonprofit entities established under the Support for East European Democracy Act of 1989. According to the Act, these funds are subject to an annual financial statement audit performed in accordance with generally accepted auditing standards as published by the American Institute of Certified Public Accountants. USAID's grant agreements also require that the audits be performed in accordance with government auditing standards. The audits are conducted by non-Federal auditors who receive guidelines from the OIG regarding required reviews of the funds' internal controls and compliance with U.S. Government laws and regulations.

As of 1996, USAID had established eleven enterprise funds, of which ten funds focused investments in countries in Eastern Europe and the former Soviet Union and the eleventh fund invested in South Africa.

In October and November 1996, concerns over the prospective sale of the investments of the Czech & Slovak American Enterprise Fund for a small fraction of their original cost prompted a call for additional Federal oversight over the funds. Therefore, the OIG initiated a program of performing expanded desk reviews of enterprise fund audits which went beyond the usual desk reviews of non-Federal audit reports for compliance with applicable reporting requirements. The expanded reviews considered the importance of information in the audit report and provided to the responsible USAID office various matters for consideration which might affect the financial management, or even the performance management, of the enterprise funds. Consequently, the OIG developed a checklist for this expanded desk review, applicable only to the enterprise fund audit reports.

In September 1997, the House International Relations Committee requested that GAO undertake a comprehensive review of the enterprise funds in Eastern Europe and the New Independent States of the former Soviet Union. This review was requested as the result of a Committee hearing held June 26, 1997. The concerns expressed during that hearing included the degree of U.S. oversight of the funds, the ongoing "spin-off" of assets from some of the funds, and expenses incurred by the funds, including expenses incurred for legal counsel and defense. The OIG will coordinate its ongoing audits of enterprise funds with GAO to make sure that there is no duplication of effort.

Audits of Non-U.S.-Based Grantees and Contractors

OMB Circular A-133 does not apply to non-U.S. grant recipients. However, USAID, through standard provisions in individual grant agreements, has applied the standards of OMB Circular A-133 to foreign-based grantees. USAID's foreign-based grantees receiving a minimum threshold level of USAID funding undergo annual financial audits performed by either local auditing firms or host

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country SAIs. These audits, among other things, identify unallowable expenses charged to USAID grants.

During the reporting period, the OIG reviewed 137 audits of non-U.S.-based grantees and contractors covering \$527.8 million in expenditures (including \$339.1 million in local currency owned by foreign governments, which was not part of USAID's budget), resulting in questioned costs of \$4.1 million.

Coordination with Supreme Audit Institutions

To increase financial audit coverage of USAID programs, while strengthening local audit capabilities, the USAID OIG has assisted SAIs in several countries receiving U.S. development assistance. SAIs are national audit agencies, similar in many respects to the U.S. General Accounting Office. OIG auditors have worked closely with SAIs in Africa, Latin America, Asia, and Europe, providing training and oversight to help the SAIs perform audits of USAID funds in accordance with international auditing standards. OIG offices have participated in regional conferences bringing together SAIs, international donors, assistance delivery organizations (such as private voluntary organizations), and commercial auditing representatives to discuss accountability issues of mutual concern.

Following are examples of OIG assistance to SAIs during the current semiannual reporting period.

Africa - The OIG, USAID/Ghana, and the Government of Ghana Audit Service have entered into a memorandum of understanding that should result in improved audit coverage of USAID funds in Ghana. The memorandum of understanding, representing two years of effort involving all of the parties, includes the following provisions:

- The Government of Ghana Audit Service will provide reviews and certification of host country contribution reports as requested; perform audits of dollar cash transfers made to the Government of Ghana to ensure compliance with program agreements and related requirements; perform reviews and assessments of host country-owned, jointly programmed local currency counterpart funds to ensure appropriate application and accountability; perform internal control reviews and or pre-award assessments of Government of Ghana agencies implementing USAID/Ghana programs; and perform financial audits of USAID funds provided to Government of Ghana organizations.



In Africa, the OIG has agreements with SAIs in Ethiopia, Ghana, Mali, and Tanzania

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- USAID/Ghana will fund training services, computers, and software for the Government of Ghana Audit Service.
- The OIG will monitor, review, and process financial audits of USAID funds performed by the Government of Ghana Audit Service and provide technical expertise and guidance as needed.

In Tanzania, OIG representatives provided technical training to the Office of the Auditor General in September 1997. The OIG has been working with USAID/Tanzania's Controller and the Auditor General's Office for several years to help build the Office's capabilities. The Auditor General has performed several audits of USAID programs, in accordance with generally accepted government auditing standards, during this time frame.

The two-day training session was attended by 40 representatives from various Tanzanian government agencies including the Auditor General's Office, the Ministries of Finance and Health, Tanzania's Revenue Authority, and the Office of the Vice President. OIG representatives made presentations and answered questions on USAID audit requirements. Other topics covered were unallowable costs, indirect cost rates, and quality control reviews.

The OIG also carried out a quality control review of a recent audit done by the Auditor General of a USAID grant to Tanzania's Ministry of Health. The review confirmed that the audit work was done in accordance with generally accepted government auditing standards. This is due, in large part, to the OIG's and USAID/Tanzania's continued efforts in working with the Auditor General's Office.

Efforts to coordinate audit work with SAIs also met with success recently in Ethiopia, where the OIG, USAID/Ethiopia, and the Auditor General of Ethiopia signed a memorandum of understanding. The memorandum of understanding states that the Office of the Auditor General will perform audits in accordance with generally accepted government auditing standards (issued by the Comptroller General of the United States) or the auditing standards issued by the International Organization of Supreme Audit Institutions.

To assist the Office of the Auditor General, the OIG conducted an assessment of the Office's capability to perform audits of USAID grants. The OIG identified areas where the Office's capabilities could be strengthened and discussed these areas with the Auditor General and USAID/Ethiopia. USAID/Ethiopia plans to provide support to the Office of the Auditor General through a \$200,000 limited scope grant agreement which will finance computer equipment, training and technical assistance over the next two years. The OIG plans to augment these efforts by providing training and ongoing technical advice to the Office of the Auditor General.

The U.S. Ambassador to Ethiopia strongly supports this initiative. The Ambassador spoke on the need for transparency and accountability over U.S. Government funds at a reception attended by the Auditor General, the Minister of Justice, and other host government officials. The event was covered by broadcast and print journalists, giving a high degree of visibility to this effort to enhance accountability and develop host country audit capabilities.

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Latin America - The OIG met with the new Controller General in Honduras to discuss the audit agreement that the OIG had signed with the prior administration. The new Controller General is very supportive and assured the OIG that she would make every effort not only to complete the audit reports that were begun during the prior administration, but to schedule a number of new audits of USAID programs in the coming fiscal year. The Controller General has since followed through on that commitment by finalizing and forwarding four audit reports to the OIG. Two of the audits were performed by the Office of the Controller General and two others were performed by public accounting firms through contracts managed by the Office of the Controller General.



In Latin America, the OIG has agreements with SAIs in Bolivia, Honduras, Peru, and St. Lucia

In Peru, the OIG performed a review of the Office of the Controller General and found that the office is qualified to perform audits of USAID programs. The agreement between the OIG and the Office of the Controller General was completed at the closing ceremonies of the Twenty-Second Inter-American Accounting Conference, which was attended by over 2,000 delegates. The World Bank, the Inter-American Development Bank, and the United Nations Children's Fund will also sign the agreement, authorizing the Controller General of Peru to perform audits on their behalf. These organizations are signing as participants in the International Audit Quality Group, formed by the OIG in conjunction with other international donor organizations. The purpose of this group is to identify areas where donors have similar audit needs and to promote audit quality. For example, in this case, the other group members were able to rely on the quality control review by the OIG as a basis for certifying the Controller General of Peru to perform audits on their behalf.

In Guatemala, the OIG performed a preliminary review of the Office of the Controller General and authorized the Office to perform a pilot audit of local currency trust funds. The OIG will later use this audit as a basis for a full review of the Office's capabilities, with a view toward certifying the Office to perform audits of USAID assistance programs.

Europe - The OIG has continued to work closely with the Hungarian State Audit Office on several matters of joint interest. The OIG assisted the Hungarian State Audit Office in planning for the International Organization of Supreme Audit Institutions' Conference on Internal Controls held in Budapest during the period from September 22, 1997 through September 27, 1997. The OIG moderated one of the conference workshops and assisted the Hungarian State Audit Office in preparing a summary of the conference to present to the International Organization of Supreme Audit

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Institutions. The conference was attended by officials from over 45 countries.

The Hungarian State Audit Office also planned to send participants to the OIG's week-long continuing professional training course on statistical sampling scheduled to be held in Budapest in late October 1997. The OIG invited some neighboring SAIs (including SAIs from Slovenia, Croatia, and the Czech Republic) to also send participants.

Finally, the OIG has been working with the U.S. Department of State and Federal Bureau of Investigation officials to help arrange for the Hungarian State Audit Office to conduct an annual audit of the International Law Enforcement Academy located in Budapest and funded by the U.S. Government.

Financial-Related Audits of USAID Programs and Operations

The following section summarizes one of the financial-related audits of USAID programs and operations completed during this semiannual reporting period.

USAID/West Bank and Gaza's Payment Process

The OIG performed a financial-related audit of USAID/West Bank and Gaza's payment process, covering the six-month period from October 1, 1996 through March 31, 1997. During this period, USAID/West Bank and Gaza made 2,501 disbursements totaling \$11.4 million. These disbursements are subject to a system of controls designed to provide reasonable assurance that payments are correct and on time.

An examination of a statistical sample of 70 payments showed that, although the mission had performed many payment-related functions correctly, a significant proportion of USAID/West Bank and Gaza payments were not in full compliance with the terms of the obligating documents or applicable laws and regulations. For example, 22 payments subject to the Prompt Payment Act were made too early or too late, resulting in \$2,733 in unnecessary interest expense. Also, 15 payments were not in compliance with the underlying contract or agreement. In seven cases totaling about \$1.7 million, the reasons for non-compliance were procedural (for example, the mission accepted a facsimile invoice rather than an original invoice). In eight other cases totaling \$331,772, the reasons for non-compliance were more substantive (for example, the mission paid for services that were provided after the contract period expired, paid for salaries that exceeded maximum amounts established in the underlying contracts, or paid for goods that were not in accordance with the contract specifications).

The audit revealed significant differences of opinion between the OIG and mission officials concerning the respective roles of voucher examiners, contracting officer's technical representatives, and auditors in the payment process. In particular, these differences of opinion center around who is responsible for reasonably ensuring that payments are in compliance with the terms of the underlying contracts and grants. The audit report included one recommendation with six parts. A management decision has been reached on two parts of the recommendation and one part has been implemented; however, no

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management decision has been reached on the remaining three parts of the recommendation. (*Audit Report No. 6-294-97-006-P*)

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PERFORMANCE AUDIT PROGRAM

Performance audits are objective and systematic examinations of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function. Performance audits provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. The OIG's audit strategy seeks to increase collaboration between the OIG and USAID management to find solutions to performance problems, as well as to help USAID more efficiently and effectively manage for results.

The OIG issued 22 performance audit reports during the current semiannual reporting period. Following are summaries of significant audits.

Status of USAID's New Management System

Designed to replace aging and ineffective computer systems, USAID's New Management System (NMS) first began processing transactions in Washington in July 1996. After evaluating NMS capabilities, the OIG reported on September 27, 1996 that USAID's plan to deploy NMS worldwide on October 1, 1996 was premature and involved significant risks of operational disruptions; increased vulnerability to fraud, waste, and abuse; and loss of trust by system users. (Audit Report No. A-000-96-001-S) Nonetheless, USAID deployed the NMS worldwide on October 1, 1996.

On March 31, 1997, the OIG reported that NMS was not operating effectively. Six months after deployment, NMS was unable to process a large portion of USAID activities including generating basic financial and management information. Furthermore, NMS deployment had not met users' needs for more timely and efficient work processes and had disrupted USAID's operations and increased USAID's vulnerability to fraud and abuse. These problems existed because NMS was deployed before severe technical and implementation problems were corrected. USAID's high-risk acquisition approach deviated from guidelines calling for agencies to thoroughly test system performance and adequately plan for implementation before deployment. To a large extent, the failure to follow accepted system development practices was due to underlying organizational and management deficiencies that allowed substandard information resources management practices to continue despite high risks of adverse consequences. The report contained five recommendations focused on the need to: (1) improve organization and management processes, (2) prepare an implementation plan to address technical, management, and implementation problems, (3) develop a performance-based acquisition plan, (4) suspend contractor development activities, and (5) suspend operation of the core accounting system—called the AID Worldwide Accounting and Control System (AWACS)—until problems were resolved. (Audit Report No. A-000-97-004-P)

In its latest status report on the NMS, dated September 30, 1997, the OIG reported on USAID's actions to correct NMS deficiencies. The OIG reported that USAID had agreed to implement three of the five recommendations contained in our March report. Specifically, USAID committed itself to implement disciplined information resources management processes, identify and correct NMS technical and implementation problems, and develop a performance-based acquisition plan. USAID

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had also begun taking some actions to implement those decisions, but progress was limited.

In large part, this limited progress can be attributed to the fact that USAID decided not to implement two recommendations from our earlier report which dealt with suspending contractor development activities and suspending AWACS operations. Although USAID suspended AWACS operations at overseas missions on April 23, 1997, it continues to rely on AWACS to account for Washington funds. Thus, USAID is relying on NMS to account for, and provide financial and management information on, the use of resources and program operations even though AWACS does not operate effectively. In an attempt to correct AWACS deficiencies and to expand the types of transactions processed by AWACS, USAID has also continued contractor development activities, employing over 100 contractor personnel at a cost of about \$2 million per month. We believe these decisions have diverted limited resources and management's attention away from identifying and correcting the underlying design problems that are at the root of AWACS deficiencies. Because our March 1997 report recommended that USAID suspend contractor development efforts and suspend operation of AWACS, this report contained no additional recommendations.

Responding to this report, USAID officials stated that they plan to suspend new NMS development activities on October 31, 1997. The OIG believes that this is a significant step in the right direction. As we pointed out in our March 1997 report, the technical problems affecting AWACS need to be fully understood for corrective efforts to be effective. Until the technical problems are fully understood and a performance-based contracting mechanism is in place, USAID will not have reasonable assurance that funds spent to correct NMS deficiencies will be used effectively. (*Audit Report No. A-000-97-010-P*)

New Management System Internal Controls

USAID's system of internal controls for its operational NMS does not meet the GAO's *Standards for Internal Controls in the Federal Government*, because, among other things, internal control objectives have not been identified and internal control techniques have not been documented. As a result, USAID cannot reasonably ensure that the control techniques it has already implemented are effective.

Numerous internal control deficiencies affecting NMS have been reported by users. Although USAID takes action to correct the deficiencies when they are identified or to institute manual work-arounds when the problem cannot be corrected, these actions do not overcome the risks because they are not based on an analysis of control objectives and techniques. Because previously unknown problems continue to surface, USAID cannot have reasonable assurance that unknown deficiencies do not put resources at risk, or that USAID has the information it needs to efficiently manage its operations. This situation exists because USAID did not design adequate internal controls into NMS and because USAID's top financial managers did not demonstrate the supportive attitude for internal controls required of them.

The audit report recommends that USAID (1) direct the NMS program manager to design, implement, and test a system of internal controls for NMS which meets GAO standards for internal controls in the

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Federal Government, (2) minimize the volume of financial transactions and sensitive information processed by NMS until the existence of effective internal controls can be verified, and (3) identify computer security deficiencies as a material internal control weakness in USAID's annual Federal Managers' Financial Integrity Act report. All three recommendations are without a final management decision at this time. (*Audit Report No. A-000-97-009-P*)

USAID's Compliance with Federal Computer Security Requirements

The increasing complexity of technology and the proliferation of computers have resulted in a greater commitment of resources to computer operations and a wide range of computer applications. USAID makes extensive use of information technology in serving the public and managing resources while executing its programs. However, this increased dependence on computers has caused a corresponding increased vulnerability to fraud, waste, and abuse.

The OIG found that USAID has not implemented an effective security program that meets the requirements of the Computer Security Act of 1987 or OMB Circular A-130. Security requirements and practices that USAID has not implemented include: assigning security responsibilities, providing adequate security training to responsible officials, preparing security plans for sensitive systems, and conducting security reviews of systems to ensure that they are protected. These security weaknesses expose USAID to unacceptable risks that resources will not be adequately protected from fraud or misuse and that sensitive data and systems will not be adequately protected from loss or destruction.

The audit report recommended that USAID appoint a computer security program manager with adequate authority and resources to implement an effective computer security program, implement a disciplined process to bring USAID's sensitive security systems into compliance with computer security requirements, and identify computer security weaknesses as a material internal control weakness in USAID's annual Federal Manager's Financial Integrity Act report. (*Audit Report No. A-000-97-008-P*)

USAID's Plans To Address the Year 2000 Problem

The year 2000 problem is caused by the way dates are recorded and computed in many computer systems. For the past several decades, systems have typically used two digits to represent the year, such as using "97" to represent 1997, in order to save electronic data storage space and reduce operating costs. With this two-digit format, however, the year 2000 is indistinguishable from 1900, 2001 from 1901, and so on. As a result of this ambiguity, computer programs that use dates to perform calculations or comparisons may generate incorrect results when working with years after 1999. Many government computer systems that were designed and developed 20 to 25 years ago are poorly documented and use a wide variety of computer languages—many of which are obsolete. The systems consist of tens or hundreds of computer programs, each with thousands, tens of thousands, or even millions of lines of code, which must be examined for date problems. Moreover, computer systems have numerous components—hardware, software stored in read-only-memory, operating systems, communications applications, and database software—that are affected by the date problem. Correcting the problem and achieving year 2000 compliance—defined as the ability of information

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systems to accurately process data from, into, and between the twentieth and twenty-first centuries, including leap year calculations—will not be easy.

In February 1997, GAO issued an exposure draft entitled "Year 2000 Computing Crisis: An Assessment Guide." The assessment guide—while not yet issued in final—presents a useful framework and checklist for assessing the readiness of Federal agencies to achieve year 2000 compliance. The guide describes five key phases that a Federal agency should follow to achieve year 2000 compliance: (1) awareness; (2) assessment; (3) renovation; (4) validation; and (5) implementation.

The OIG's audit found that USAID's year 2000 plan did not implement the GAO's suggested practices for the awareness and assessment phases. Specifically, USAID's plan did not meet the Government-wide year 2000 schedule, excluded some vulnerable systems from the year 2000 assessment, and placed too much reliance on the implementation of the New Management System to resolve the year 2000 problem. Another difficulty is that the New Management System itself does not fully meet year 2000 requirements.

USAID has made some progress in implementing the GAO's suggested practices for its information resources management systems. However, problems identified in the audit report reflect the need to take aggressive action to forestall any adverse affects on crucial agency business as the year 2000 approaches. The report recommends that USAID attach a higher priority to the year 2000 program by issuing a year 2000 program charter and/or policy directive; ensure that contingency plans are prepared for systems scheduled to be replaced by the New Management System; and inventory and assess mission systems and information technology systems operating outside of the information resources management area for year 2000 compliance. (*Audit Report No. A-000-97-005-P*)

USAID's Implementation of the Government Performance and Results Act

The Government Performance and Results Act of 1993 calls on affected Federal agencies to improve program effectiveness and accountability by promoting a new focus on results, service quality, and customer satisfaction. The Act requires Federal agencies to develop a strategic plan no later than September 30, 1997, prepare annual plans setting performance goals beginning with fiscal year 1999, and report annually on actual performance compared to goals beginning in March 2000. USAID has volunteered to serve as a pilot agency under the Act, committing itself to early implementation of some of the Act's requirements.

In the third status report on USAID's implementation of the Results Act, the OIG noted that USAID has taken additional steps to comply with the Results Act. For example, USAID's Administrator has designated the Assistant Administrator for the Bureau for Policy and Program Coordination as the official responsible for implementing the Results Act, and has asked the Bureau to develop a plan for implementing the Act. USAID has also discussed its draft strategic plan with the Congress, the Department of State, the U.S. Information Agency, and the Arms Control and Disarmament Agency. USAID has continued to revise its draft strategic plan and has begun work on its first annual

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performance plan. The OIG's status report identified several issues which USAID needs to address in its strategic plan.

First, in the draft strategic plans prepared by USAID, it is not clear whether the goal areas enumerated in the draft plans (for example, democracy, economic growth, or population, as well as related objectives, performance goals, and performance indicators) are intended to have a worldwide focus or a country focus. An example of a performance goal which might have either a worldwide focus or a country focus is "fertility rate reduced by 20 percent." If USAID intends to reduce the worldwide fertility rate, it may need to devote resources to countries with large populations such as India. If, on the other hand, USAID intends only to reduce the fertility rate in specific countries, it might devote resources to smaller countries, such as Morocco.

Second, the draft strategic plans do not fully explain how USAID can achieve any but a relatively low level of accomplishment given the scarcity of available resources in relation to the magnitude of the problems that USAID intends to address. In this regard, the OIG's prior status report (Report No. 9-000-97-002-S) noted that OMB had identified two principal issues which USAID needed to address in its strategic plan—*attribution and aggregation*. The *attribution* issue concerns the extent to which USAID's programs—rather than external factors—caused specific outcomes. The *aggregation* issue concerns the consolidation of individual operating unit results into Agency-wide results. *Aggregation* requires standardization of performance measures and indicators at some level. USAID management, OMB, and OIG representatives met in June 1997 to discuss these issues.

As a result of this meeting, concerning the *attribution* issue, OMB agreed that in cases where USAID cannot conclusively demonstrate the causal relationship of its activities to reported results, USAID should at least show a plausible (i.e., reasonable, logical, credible) association between its activities and the reported results. However, when the OIG issued its status report, USAID had not yet demonstrated this plausible association. For example, although USAID's draft strategic plan includes a general discussion of USAID's role in relation to other donors and partners in development, the draft plan does not discuss the relative importance of USAID's efforts compared to the efforts of others in achieving specific planned results.

A recent GAO report ("The Results Act: Observations on USAID's November 1996 Draft Strategic Plan," Report No. GAO/NSIAD-97-197R dated July 11, 1997) made a similar point when it noted that USAID often relies on the contributions of other bilateral and multilateral donors to achieve its goals and objectives and that these donors may be more influential than USAID in promoting development in some countries. The OIG believes that a more explicit explanation of these relationships may go a long way toward allowing users of USAID's strategic plan to understand the magnitude of the influence (whether large or small) that USAID has on a country's development.

Concerning the *aggregation* issue, USAID is still working on developing common indicators which USAID believes will enable it to consolidate results achieved by individual operating units into results achieved by USAID as a whole. USAID expects to finalize these indicators by November 1997.

Given the difficulty of the issues that USAID is addressing, and the level of resources that USAID must

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bring to bear to successfully address them, the OIG status report recommended that the Bureau for Policy and Program Coordination develop a detailed work plan, including tasks, responsible offices/individuals, and time lines, for implementation of the Results Act. The status report made other suggestions that USAID should consider in developing its strategic plan and its 1997 annual performance report. (*Report No. 9-000-97-003-P*)

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USAID Bureaus' Role in Implementing the Results Act

The OIG performed work in five USAID bureaus—Africa; Europe and the New Independent States; Latin America and the Caribbean; Asia and the Near East; and Global Programs—to determine the bureaus' roles in supporting USAID's efforts to implement the Results Act.

Bureaus were generally meeting their responsibilities in supporting USAID's actions to implement the Results Act. The bureaus were making progress in ensuring that all operating units (field missions and Washington-based units) had strategic plans in place and that the plans were reviewed and approved. Moreover, the bureaus were meeting their responsibilities for reviewing operating units' annual performance reports (called Results Review and Resource Requests, or R4s). Bureau officials believed that their current year R4 reviews had improved over the initial review of 1996. In their view, the reviews were more consistent and comprehensive, were more focused on results rather than activities, and included more involvement by technical experts. However, there was considerable concern among many officials about the time needed to conduct the R4 reviews and the difficulty of relating results to resource allocations, particularly where funding allocations are affected by Congressional earmarks or are within the authority of another agency.

The audit report did not include any recommendations, but did include several suggestions concerning (1) identifying bureau "best practices" for streamlining the R4 process, (2) examining alternatives to the requirement for a full-fledged R4 review each year, (3) ensuring that operating units adhere to guidance on the extent of documentation submitted, (4) standardizing bureau assessments of performance, (5) making sure that guidance on attaining results under strategic support objectives is clear, and (6) ensuring that operating units do not accept accountability for achieving results which are outside of their control. (*Audit Report No. 9-000-97-002-P*)

Other Reports on USAID's Implementation of the Results Act

In addition to the two reports summarized above, the OIG issued seven other audit reports during this semiannual reporting period discussing efforts to implement Results Act requirements by USAID missions and offices in Romania, Ecuador, Guinea, Egypt, Morocco, Namibia and South Africa. The audits showed that the missions were making progress in implementing requirements related to the Results Act. In particular, missions were making good progress in developing strategic plans and annual plans. Missions had also developed performance indicators to measure results, but in some cases the performance indicators were not consistent with Agency policy. Another problem was that incorrect performance information was sometimes reported by the missions. In some cases, missions could easily show how they were using performance monitoring information to improve program performance, but in other cases it was too early to tell since the performance monitoring systems had only just been established. (*Audit Report Nos. B-186-97-007-P, 1-518-97-001-P, 7-675-97-004-P, 6-263-97-005-P, 7-608-97-009-P, 4-673-97-006-P and 4-674-97-005-P*)

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

U.S. Assistance to Bosnia-Herzegovina

USAID is the primary implementor of the U.S. assistance program in the Federation of Bosnia-Herzegovina. The OIG is conducting ongoing audits of USAID's two major programs in Bosnia Herzegovina: the 4½-year, \$182 million Municipal Infrastructure and Services Program and the 5-year, \$278 million Bosnian Reconstruction Finance Facility. During the current reporting period, the OIG issued two reports on these assistance activities.



Municipal Infrastructure and Services Program

The OIG reviewed 17 projects and 15 purchase orders financed by USAID/Bosnia-Herzegovina. For these projects and purchase orders, USAID/Bosnia-Herzegovina and the implementing contractor were using economic revitalization assistance funds for authorized purposes. As of March 31, 1997, the implementing contractor had issued 49 subcontracts to implement municipal infrastructure and services projects totaling \$12.6 million. The contractor had also issued 111 subcontracts to implement smaller community infrastructure rehabilitation projects and had issued 112 purchase orders for commodities valued at \$23.2 million. No major

problems were identified at the projects visited during the audit. However, at two projects visited, there were indications of weaknesses in project identification or coordination. Also, the contractor overbilled USAID for \$67,387 in salaries and post differential which exceeded the rates allowed under the contract. (*Audit Report No. B-168-97-005-P*)

Bosnian Reconstruction Finance Facility - For the 23 borrowers visited by the OIG since the beginning of the program, USAID/Bosnia-Herzegovina and the implementing contractors were using the economic revitalization assistance funds designated for the Bosnian Reconstruction Finance Facility program for the purposes authorized under the grant agreement and Public Law 104-122.

Under the loan program, as of March 31, 1997, USAID/Bosnia-Herzegovina had approved 61 loans totaling \$36.5 million and Bosnia-Herzegovina had disbursed \$34.6 million for 59 of these loans. Generally, borrowers are financing building reconstruction, equipment purchases, raw material acquisitions, and some operational expenses with the loan proceeds. The \$45 million in loans which the On-Lending Management Unit (OMU) recommended to USAID/Bosnia-Herzegovina since the beginning of the program fell short of the targeted amount of \$75 million. This loan volume shortfall also resulted in about 2,200 fewer estimated loan-generated jobs than planned.

During the quarter from January 1, 1997 through March 31, 1997, the OMU recommended 42 loans

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valued at \$20.9 million with a corresponding anticipated increase in employment of about 3,000. This fell short of the expected quarterly targets by approximately \$9 million and 1,500 jobs. According to the OMU, this shortfall resulted primarily from too few credit officers to analyze and process loan applications. The OIG plans to follow up on this issue during our next field visit to determine if measures under review by USAID/Bosnia-Herzegovina and the OMU have been implemented to achieve the loan volume targets.

In addition to loan assistance, the program finances training and technical assistance activities for bankers and prospective borrowers. The OMU stated in its March 31, 1997 report that its training division sponsored 53 seminars and workshops in Tuzla and Sarajevo with a total attendance of 876 bankers, prospective borrowers, and consultants since the beginning of the program. The Bosnia Business Assistance Center's March quarterly report stated that, since the beginning of the program, it assisted in the preparation of 86 loan applications and completed 13 company projects designed to help enterprises restart and strengthen operations and establish initial viability and direction.

No major internal control weaknesses or compliance problems were found during the audit. (*Audit Report No. B-168-97-006-P*)

USAID's Disaster Assistance Activities

Three USAID offices are involved in disaster assistance activities:

- The Office of Foreign Disaster Assistance in USAID's Bureau for Humanitarian Response takes the lead in responding to disasters when International Disaster Assistance funds are requested in conjunction with a disaster declared by a U.S. Ambassador. The Office's obligations for disaster assistance relief totaled approximately \$538 million during fiscal years 1993 to 1995—averaging in excess \$179 million annually. Obligations for fiscal year 1996 matched this average.
- The Office of Food for Peace in the Bureau for Humanitarian Response is responsible for administering emergency food aid pursuant to Title II of the Agricultural Trade and Development Act of 1954, as amended (Public Law 480). The Office's obligations for Title II emergency food aid totaled approximately \$1.4 billion during fiscal years 1993 to 1995—averaging in excess of \$463 million annually.
- USAID's Bureau for Europe and New Independent States, Emergency Humanitarian Assistance Division, is charged with responding to emergency and humanitarian assistance requirements in the New Independent States (NIS). The Bureau had obligated a total of approximately \$307 million for emergency humanitarian assistance through March 1996.

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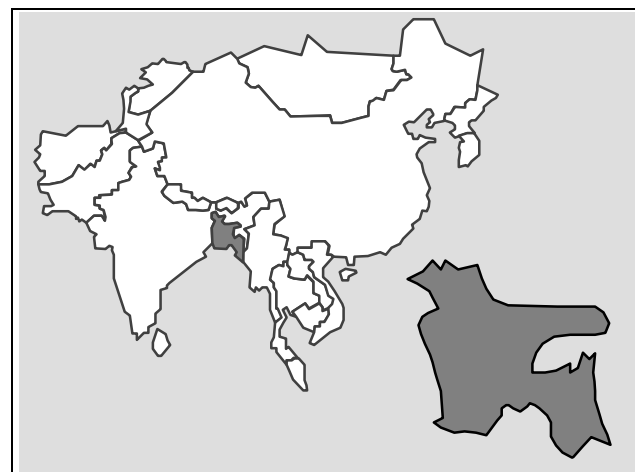
These offices generally made sure that disaster assistance was delivered to the intended beneficiaries in accordance with the relevant agreements. Nonetheless, the OIG found evidence of problems in three areas:

- Counts of intended beneficiaries of Title II emergency food aid were possibly inflated. For example, in southern Sudan, an estimate of 13,000 beneficiaries in one camp could not be verified and was thought to be inflated.
- Some USAID missions had inadequate systems for tracking Title II food losses and claims. For example, in Haiti, where the mission did not have an adequate tracking system, some cooperating sponsors were not filing loss reports on time and in some cases were not filing claims for food losses. One cooperating sponsor retained funds from collected claims rather than remitting the amounts recovered to USAID.
- Weaknesses existed in monitoring of relief and rehabilitation activities managed by the Office of Foreign Disaster Assistance and in monitoring emergency assistance activities financed by the Bureau for Europe and New Independent States. For example, in Rwanda, mission employees who were asked to monitor relief and rehabilitation activities had several other responsibilities and did not have basic documentation they needed to monitor relief efforts, such as copies of grant agreements, progress reports, and financial status reports.

The OIG's audit report recommended that the Office of Food for Peace insist on frequent head counts or registries to obtain reasonable estimates of the number of intended beneficiaries for Title II emergency food aid. It also recommended that the Office of Food for Peace clarify the responsibilities of cooperating sponsors and USAID missions for reporting food losses, filing claims, and tracking the loss reports and claims. Finally, the report recommended that the Office of Foreign Disaster Assistance make sure that USAID missions properly monitor relief and rehabilitation efforts. (*Audit Report No. 9-000-97-001-P*)

USAID/Bangladesh's Non-Emergency Title II Food Program

The Agricultural Trade Development and Assistance Act of 1954, as amended, Public Law 480, is the statutory authority for the Food for Peace Program. Public Law 480 Title II supports regular food aid programs sponsored by private voluntary organizations and cooperative development organizations. Under USAID/Bangladesh's Title II program, as of June 30, 1996, 161,976 metric tons of wheat had been delivered and sold for a total of \$28.8 million.



Bangladesh

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USAID/Bangladesh and its cooperating sponsor have an adequate management structure to ensure that food aid reaches intended beneficiaries and that the local currency derived from the monetization of wheat under the program is deposited in an interest bearing account and is used for authorized purposes. However, the OIG could not determine the progress USAID/Bangladesh and the cooperating sponsor were achieving toward the results intended in program planning documents because of delays in obtaining socio-economic data—such as increases in agricultural productivity, rural household income, and household nutrition—to measure the impact of the program.

Notwithstanding efforts already made by USAID/Bangladesh and its cooperating sponsor to develop a monitoring system, the audit report recommended actions to make sure that the cooperating sponsor reports accurate data on program results, make clear the relationship between the Title II program and the mission's strategic objectives, and help sustain benefits after USAID funding ends. (*Audit Report No. 5-388-97-002-P*)

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OIG Disagreements With Significant Management Decisions

The Inspector General Act of 1978, as amended, requires that each Inspector General's Semiannual Report to the Congress include information concerning any significant management decisions with which the Inspector General is in disagreement.

During this semiannual reporting period, there were two significant management decisions which the OIG is in disagreement with. The OIG's audit report on Worldwide Deployment of the New Management System (NMS) included five recommendations. (Audit Report No. A-000-97-004-P) USAID agreed to implement three of the recommendations, but decided not to implement the OIG's recommendations that USAID suspend contractor development activities and suspend operation of the core accounting system—called the AID Worldwide Accounting and Control System (AWACS)—until problems were resolved. Although USAID's Administrator has made final management decisions on these recommendations, the OIG continues to believe that the recommendations are appropriate and should be implemented for the reasons stated below:

- **Suspending Contractor Development Activities** - In response to the OIG's recommendation, USAID declined to suspend contractor development activities. The OIG does not agree with this decision because it allows USAID to continue employing more than 100 contractor personnel at a cost of about \$2 million per month, using essentially the same flawed contract vehicles that were used to develop NMS. In addition, continued development aimed at expanding AWACS functionality is inappropriate because USAID is currently operating AWACS in violation of the terms of a waiver it received from the General Services Administration (GSA). The waiver allowed USAID to develop a core accounting system, rather than using a GSA-approved off-the-shelf system, but required that USAID have the new system tested by GSA before deployment to ensure that it meets Federal financial management system requirements. Even though AWACS has been operational for a year, USAID has not had the system tested by GSA.

In a September 29, 1997 response to the OIG's draft report on the status of the NMS, USAID's Acting Assistant Administrator for Management stated that new development of NMS would stop on October 31, 1997. Although this is an encouraging step, it is not clear to what extent this decision will actually reduce current contractor efforts to correct AWACS defects and expand AWACS capabilities, or to what extent this decision will refocus efforts to identify and correct underlying problems affecting NMS. The OIG plans to work with USAID officials to clarify this issue.

- **Suspending AWACS Operations** - In response to the OIG's recommendation, USAID instructed its overseas missions to suspend AWACS operations but continued using AWACS in Washington. The analysis that supported USAID's decision to continue using AWACS in Washington did not compare the risks of reverting to the old systems with the risks associated with relying on AWACS—a system with unknown vulnerabilities. The analysis also did not

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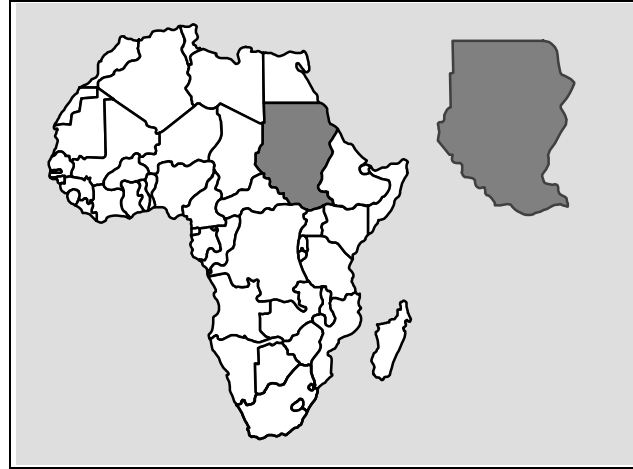
compare the cost of reverting to the old systems with the cost of continuing to operate and maintain AWACS. The OIG believes that by continuing to operate AWACS, implementing software patches to correct fundamental deficiencies, and expanding the types of transactions processed by AWACS, USAID is continuing the flawed approach that USAID followed to develop the system. The OIG believes that this approach also diverts limited resources and management attention from identifying and correcting underlying technical problems. Finally, the OIG is particularly concerned by USAID's efforts to add capabilities to AWACS without complying with the stipulations contained in the GSA waiver.

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OTHER SIGNIFICANT MATTERS

Assistance to USAID's Bureau of Humanitarian Response on Sudan Food Aid Diversions

The Agricultural Trade Development and Assistance Act of 1954, as amended, Public Law 480, authorizes USAID's Food for Peace Program. The objective of USAID's Food for Peace Program in Sudan is to provide famine relief food to the needy population of Sudan. For fiscal year 1996, USAID provided approximately \$23.5 million in emergency food aid assistance to Sudan.



Sudan

USAID's Bureau of Humanitarian Response, Office of Food for Peace received allegations of a long-term pattern of food aid diversions by southern Sudan rebels who are embroiled in a civil conflict with the Sudanese Government. The allegations were contained in reports from the Bureau's Sudan Field Office in Nairobi, Kenya and resulted in the Bureau's suspension of all vegetable oil distribution, for Public Law 480 Title II Emergency Programs, in the region. The suspension was intended to be indefinite and affected vegetable oil distribution in Southern Sudan, Northern Uganda, and Northern Kenya.

The Bureau requested support from the OIG to assist in conducting a field review of these and associated issues. The review was coordinated through the Bureau's Sudan Field Office in Nairobi, Kenya and was directed by a Bureau team leader. The OIG provided one auditor to assist the team leader in conducting the review. The review team traveled to Nairobi, Kenya and the Kakuma Refugee Camp in northwestern Kenya during the period July 18, 1997 through August 5, 1997 to perform the review.

The review team estimated the total tonnage and monetary value lost to diversions. The team also reviewed an allegation of widespread extortion of food aid commodities by the southern Sudan rebels after the food was distributed to the intended beneficiaries, and attempted to negotiate restitution to the U.S. Government for the value of the diverted commodities.

The review results will be finalized in an internal Bureau of Humanitarian Response report.

Mission Closures in the Bureau for Europe and the New Independent States

USAID's Bureau for Europe and the New Independent States will close several missions during the

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next several years. In January 1997, the OIG reviewed the adequacy of planning for closure of USAID operations in the Czech Republic—one of the first missions to be closed. The survey concluded that the Office of the USAID Representative in the Czech Republic had done a good job of planning for its closure. Nonetheless, the survey identified several potential problems that could affect closure of other missions. (Report No. B-180-97-001-S)

To determine whether these potential problems were significant and, if so, disclose them to bureau management before they affected closure of other missions in the region, the OIG conducted a second survey during this semiannual reporting period. The survey confirmed that managers will need to identify residual funds in the bureau's regional projects well in advance of a mission's closure so that there will be sufficient time to plan for their optimal use. Also, the bureau could facilitate future closures by clarifying the roles and responsibilities of project officers in the bureau and in field missions as they pertain to handling close-out matters. The survey results also indicated that management could better assure program sustainability by more closely monitoring cost-sharing contributions. Finally, the survey concluded that managers at the bureau and mission level would have difficulty disposing of USAID-funded equipment in the hands of grantees and contractors because of the lack of a comprehensive inventory showing what USAID had purchased. (*Report No. B-180-97-002-S*)

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AUDIT FOLLOW-UP AND RESOLUTION

The OIG periodically performs follow-up work to verify proper implementation of recommendations from prior audit reports. If this verification discloses that corrective action has not been fully implemented, the OIG can re-open the recommendation(s). Two such follow-up reviews conducted during the reporting period are summarized below.

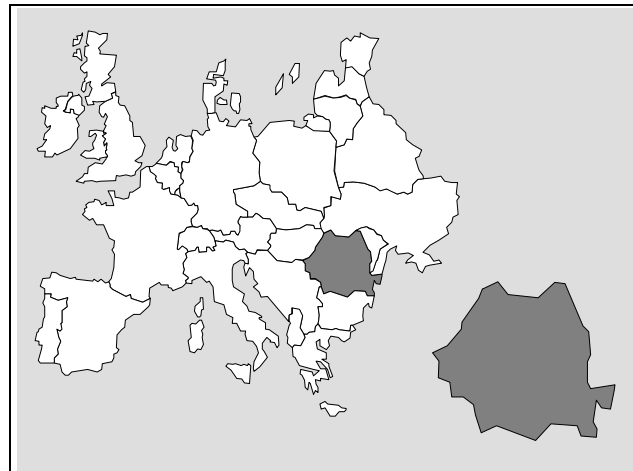
Bahamian Agricultural Credit Guarantee Fund

The OIG performed a follow-up review to determine the status of a 1991 audit recommendation. The OIG's 1991 audit (Audit Report No. 9-000-91-005) cited several problems which limited the effectiveness of a USAID-funded loan guarantee program in the Bahamas. Based on these findings, the 1991 audit recommended that USAID's Bureau for Science and Technology (now a part of the Global Bureau) negotiate the termination of the loan program.

USAID initially took action to implement the recommendation by requesting information on the current status of the fund from the U.S. Embassy in Nassau and by identifying alternatives for using the fund balance. However, these initial efforts were never completed. Consequently, the fund still exists at the Central Bank of the Bahamas, with a reported balance of \$668,000 as of March 31, 1997. As of the same date, uncollected and accrued interest payable to the U.S. Treasury totaled \$175,000. Since the 1991 recommendation was not implemented, the OIG has reopened its recommendation. (*Audit Report No. 1-000-97-002-P*)

Romanian Agriculture Sector Support Program

A 1995 OIG audit report (Audit Report No. 8-186-95-004) recommended that USAID's Bureau for Europe and the New Independent States, in consultation with the Government of Romania and other concerned donors, reassess the planned use of local currency to determine whether USAID-generated local currency would be best used in support of a cadastral process (that is, recording of land boundaries and ownership) or in support of other program goals. In response to this recommendation, the Office of the USAID Representative in Romania issued a letter which confirmed that USAID and the Government of Romania would proceed with the original plan for using the local currency in support of the cadastral process.



Romania

The OIG's follow-up review showed that the actions outlined in the letter were not taken and the local

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currency still remained unused. At the time of the follow-up review, it seemed unlikely that the original plan to use the local currency in support of the cadastral process was still possible or even desirable. Local currency originally worth about \$6.5 million had devalued until it was worth only about \$3 million, making it impractical to purchase all of the commodities described in the letter. Based on the results of the follow-up review, the OIG reopened and modified the original audit recommendation, calling on the Office of the USAID Representative in Romania to decide how to use the \$3 million in local currency and establish a time frame and oversight mechanism to ensure the prompt and efficient expenditure of the funds. (*Report No. B-186-97-004-P*)

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OTHER REPORTING REQUIREMENTS

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires that each Inspector General's Semiannual Report to the U.S. Congress include a description and explanation of significant revisions of management decisions. The Inspector General Act also requires the identification of any reports made to the head of the agency describing instances where information or assistance was unreasonably refused or not provided.

During this reporting period, there were no significant revisions of management decisions. Nor did the OIG make any reports to the Administrator of USAID describing instances where information or assistance was unreasonably refused or not provided.

The 1988 amendments to the Inspector General Act also require the reporting of statistical information which is presented in the following tables at the end of this report.

Table A: *Reports Issued (April 1, 1997 through September 30, 1997)*

Table B: *Audit Reports Over Six Months Old With No Management Decision as of September 30, 1997*

Table C: *Significant Audit Reports Described in Previous Semiannual Reports Without Final Action as of September 30, 1997*

Table D: *Reports Issued With Questioned and Unsupported Costs (April 1, 1997 through September 30, 1997)*

Table E: *Reports Issued With Recommendations That Funds Be Put to Better Use (April 1, 1997 through September 30, 1997)*

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INVESTIGATIONS ACTIVITIES

During the reporting period, investigative efforts resulted in one indictment, one conviction, \$2.6 million in monetary recoveries, two debarments, eight personnel terminations, three reprimands, and cancellation of two cooperative agreements.

OIG investigations have continued to focus on USAID programs and operations which are most vulnerable to fraudulent activities. Our investigative priorities specifically include:

- Procurement integrity.
 - Contract fraud.
 - Grant fraud.
 - Cooperative agreement fraud.
- Employee integrity.
 - Direct hire employee misconduct.
 - Personal services contractor misconduct.

OIG investigations may result in criminal, civil, or administrative action.

—Procurement Integrity—

Criminal Actions

Supplier Pleads Guilty to False Statements Charge

A U.S. supplier pled guilty in U.S. District Court in Maryland to one count of making a false statement to USAID by providing fictitious information that caused USAID to pay the supplier \$925,000 as part of the private sector commodity import program. The supplier illegally substituted an inferior grade of polyvinyl chloride resins shipped to an Egyptian company and falsely certified to USAID that the resins were grade one virgin prime. The supplier is awaiting sentencing which is scheduled for later this year.

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This case was reported in a previous OIG Semiannual Report to the Congress when, in April 1996, administrative action resulted in recovery of \$595,548.

Civil Actions

Settlement Yields \$240,000 for Violations of the Fly America Act

An investigation into allegations that a USAID contractor had submitted false claims resulted in the corporation and its freight forwarder agreeing to pay \$240,000 to settle Federal civil charges for false claims and violating the Fly America Act, which requires use of U.S. carriers when available. The investigation was initiated after USAID mission employees noticed that the contractor had used foreign-flag air carriers to ship USAID-financed consignments. The contractor consistently justified its use of foreign carriers by certifying that no U.S. carriers were available. Investigation disclosed that U.S. carriers were available and able to transport air freight shipments of the required weight and dimensions, and on the exact dates for which the subject contractor provided certifications of their unavailability.

Contractor Pays \$200,000 in Restitution and Penalties

A DCAA audit of a USAID contract with a firm providing services under a market reform project in the New Independent States revealed that approximately \$100,000 in labor and other direct costs were improperly applied to a contract which was already terminated. Investigation revealed that the firm intentionally charged the questioned costs to the terminated contract to prevent unused contract funds from being deobligated by USAID and therefore lost to the firm. After civil fraud proceedings were initiated against the contractor by the U.S. Attorney's Office in New Jersey, the firm agreed to pay \$200,000 in restitution and penalties.

U.S. Company and Its President are Debarred for a Period of Five Years and Agree to Pay \$50,000

A settlement agreement and consent judgment were reached in a civil suit filed against a U.S. company and its president for making false claims to USAID. A major railway in Africa had awarded the U.S. company three USAID-funded host country contracts totaling over \$1 million. The civil suit charged that the company filed false claims when it submitted inaccurate invoices and shipping documents to obtain payments for materials that had not been shipped. The complaint further charged that the U.S. Government incurred damages resulting from construction delays and from paying for equipment not delivered by the company. The settlement agreement required the company and its president to pay the U.S. Government \$50,000 and the defendants were debarred from government contracting for a period of five years. The settlement agreement was handled by the U.S. Attorney's Office, Northern District of Maryland.

Accounting Firm Agrees to \$20,000 Settlement

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An OIG investigation of a Salvadoran private voluntary organization determined that a major accounting firm's audit during 1993 and 1994 failed to conform to generally accepted auditing standards and may have contributed to the loss of grant funds in an embezzlement. The embezzled money was part of a \$10 million Micro-Enterprise Development Project sponsored by USAID to create local village banks in impoverished areas of El Salvador. In early September 1997, the accounting firm and the U.S. Attorney's Office, Civil Division, District of Columbia, agreed to a monetary settlement of \$20,000. OIG audit and investigation offices collaborated to bring this investigation to a satisfactory conclusion. This case was reported in a previous OIG Semiannual Report to the Congress when USAID issued a bill of collection which resulted in the recovery of \$123,572.

Civil Fraud Settlement Results in Restitution of \$17,000

During an audit of a grantee conducting business in Romania under an agriculture sector support program, an apparently excessive \$35,000 petty cash disbursement for a one-year lease on an apartment was discovered. Investigation showed that a false petty cash voucher and a corresponding false receipt for a one-year apartment lease had been submitted by a grantee staff member who had, in fact, used the money toward purchasing the apartment for himself. Civil fraud proceedings initiated against the grantee staff member in the U.S. District Court, Alabama, resulted in a settlement agreement for \$17,000 in restitution.

Administrative Actions

\$1.3 Million Recovered From an Engineering Firm

An investigation into procurement activities of an engineering firm revealed that the company had improperly received advances totaling millions of dollars for the procurement of energy-related equipment for Armenia and Georgia. Unclear language in the contract contributed to approval of the advances by USAID. Because of this, the company earned a large amount of interest on the advances, some of which were never spent by the company. USAID officials were not aware of the problem. The OIG initiated and monitored a USAID effort to recoup \$1,186,034 in unspent advances as well as \$208,698 in associated interest, resulting in a total recovery of \$1,394,732. The unclear contract language was eliminated from future use in USAID cost reimbursement contracts.

\$729,000 Paid by Government of Kenya

In response to press reports alleging corrupt procurement practices in a Kenya telecommunications corporation, investigation found that USAID had financed approximately \$1.4 million for U.S. equipment that was never placed into service or paid for by the Kenyan government corporation. As a result of this investigation, the corporation repaid 40.5 million Kenya shillings (\$729,000) to USAID.

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—Employee Integrity—

Administrative Actions

Travel Fraud Investigation Results in Dismissal of Four Foreign Service National Employees

An investigation of travel voucher fraud involving foreign service national employees of an Eastern European USAID mission resulted in the termination of four employees for cause and issuance of twelve bills of collection totaling \$3,844. The investigation was opened after the mission's Controller's office noticed similar suspicious discrepancies in lodging receipts filed with travel vouchers by numerous mission employees. Investigation found that some employees had paid a hotel employee for inflated lodging receipts. Several employees admitted wrongdoing and were issued bills for collection. Four other employees provided explanations that were inconsistent with the evidence and were dismissed and required to make restitution.

Contractor Employee Dismissed and \$21,920 in Restitution Recovered

An investigation in Sri Lanka revealed that a foreign national accountant, employed by a USAID-funded contractor, had submitted vouchers seeking reimbursement for expenses for non-existent supplies and services. The accountant was fired by the contractor who made full restitution to USAID in the amount of \$21,920. A local prosecution of the accountant was initiated by host government authorities.

Foreign Service National Employee Reprimanded for Ethics Violations

A foreign service national employee of a USAID mission in West Africa was given a letter of reprimand and directed to take additional ethics counseling sessions. This action was taken after investigation disclosed that the employee, a member of a technical review panel, reviewed a firm's proposal which was submitted by a close personal friend. The friend was the president of the firm who submitted the proposal.

Personal Services Contract Terminated Due to Ethics Violation

A USAID personal services contractor in Moscow, who was hired to oversee health programs for USAID, was terminated due to the appearance of partiality in the management of a major grant. An investigation requested by USAID officials showed that, while employed by a USAID sub-grantee, the

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contractor drafted part of the proposal for a \$500,000 health reform grant which was submitted by the winning grantee. Later, after being hired by USAID/Moscow to oversee the aforementioned grant, the contractor was paid by the grantee for having prepared the winning proposal. The contractor had not disclosed this relationship to USAID officials in violation of ethics regulations. The contractor was employed by USAID for approximately one year before the violation was discovered.

OIG Hotline

The OIG Hotline is staffed from 9:00 a.m. to 5:00 p.m., Eastern time Monday through Friday. During non-duty hours, telephone calls are recorded. People contacting the OIG Hotline can do so anonymously or they can request confidentiality. The Hotline phone number is 800-230-6539 or 202-712-1023. The mailing address is: USAID/IG/I, P.O. Box 657, Washington, DC 20044-0657.

USAID employees, contractors, and the public can contact the Hotline to report any information involving suspected fraud, waste, abuse, bribery, conflict of interest, and violations of USAID rules and regulations. Matters that are not within the purview of the OIG, are referred to management and handled in accordance with USAID administrative procedures. During the reporting period, the OIG received six hotline referrals.

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REPORTS ISSUED

April 1, 1997 through September 30, 1997

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		<i>Financial-Related Audits of USAID Programs and Operations</i>		
1-520-97-003-P	09/12/97	Audit of USAID/Guatemala's Role in Obtaining Audits of Contracts, Grants, and Cooperative Agreements for Guatemala, Mexico, and the Central American Program		
6-294-97-006-P	09/23/97	Audit of USAID/West Bank and Gaza's Payment Process		
7-688-97-001-F	09/19/97	Audit of USAID/Mali's Review and Certification of Unliquidated Obligations for Project and Non-Project Assistance	3	BU
7-675-97-005-P	05/29/97	Audit of USAID/Guinea's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
7-688-97-006-P	06/06/97	Audit of USAID/Mali's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
7-685-97-007-P	08/22/97	Audit of USAID/Senegal's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
7-641-97-008-P	08/27/97	Audit of USAID/Ghana's Role in Obtaining Audits of Its Contracts, Grants, and Cooperative Agreements		
		<i>Audits of U.S.-Based Recipients</i>		
0-000-97-040-A	04/17/97	Audit of Financial Statement of University of Wisconsin for the Period July 1, 1993 through June 30, 1995		
0-000-97-080-A	06/12/97	Audited Financial Statements of the World Concern (CRISTA Ministries) for the Year Ended June 30, 1995	68 7	QC UN
0-000-97-094-A	04/09/97	Audited Financial Statements for Eastern European Real Property Foundation for the Year Ended September 30, 1994		
0-000-97-106-A	05/30/97	Audited Financial Statements of the National Council of Negro Women, Inc. for the Year Ended September 30, 1995	355	QC
0-000-97-118-A	04/09/97	Audited Financial Statements for Eastern European Real Property Foundation for the Year Ended September 30, 1995		
0-000-97-124-A	04/14/97	Audit of Financial Statement of Grant No. 4421-0110-A-5501-00 and 05001-05-05201 With the International Human Rights Group for the Period		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

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<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		September 1, 1994 through August 31, 1995		
0-000-97-125-A	04/18/97	Audit of Financial Statement of Grant No. 442-0110-A-5501-00 and 493-A-00-00002-00 With the International Human Rights Group for the Period September 1, 1995 through August 31, 1996		
0-000-97-126-A	09/08/97	Audit of Schedule of Expenditures of Johns Hopkins University Under Contract No. PDC0526A00618600 for the Period October 1, 1986 to October 31, 1993		
0-000-97-127-A	04/18/97	Audit of Financial Statement of Education Development Center, Inc. for the Period October 1, 1995 through September 30, 1996		
0-000-97-128-A	04/28/97	Audited Financial Statements of the Wildlife Conservation Society for the Year Ended June 30, 1995		
0-000-97-129-A	04/14/97	Audit of Financial Statement of Grant No. 263-0152-A-00-1074-00 and DAN-4161-A-00-0009-00 With the Oceanic Institute for the Period January 1, 1993 through December 31, 1995	31	QC
0-000-97-130-A	04/28/97	Audited Financial Statements of Winrock International Institute for Agricultural Development for the Year Ended December 31, 1995		
0-000-97-131-A	05/30/97	Audited Financial Statements of Air-Serve International, Inc. for the Year Ended December 31, 1993		
0-000-97-132-A	04/16/97	Audit of Financial Statement of Grant No. 512-0784-G-00-3007 With the Woods Hole Research Center, Inc. for the Period July 1, 1995 through June 30, 1996		
0-000-97-133-A	05/09/97	Audited Financial Statements of Overseas Development Council for the Period January 1, 1995 through December 31, 1995		
0-000-97-134-A	04/10/97	Audited Financial Statements of World Environment Center, Inc. for the Year Ended June 30, 1996		
0-000-97-135-A	05/16/97	Audited Financial Statements of World Share, Inc. for the Year Ended June 30, 1996		
0-000-97-136-A	09/22/97	Audit of the Financial Statements of the Christian Reformed World Relief Committee, Inc. for the Ten Months Period Ended June 30, 1994		
0-000-97-137-A	05/07/97	Audit of Financial Statements of American Council on Education for the Period October 1, 1995 through September 30, 1996		
0-000-97-138-A	04/10/97	Audited Financial Statements of the Lutheran World Relief, Inc. for the Year Ended September 30, 1994		
0-000-97-139-A	05/07/97	Audit of Financial Statements of National Center for State Courts for the Period January 1, 1995 through December 31, 1995		
0-000-97-140-A	04/30/97	Audit of Financial Statements of Grant No. 525-0312-A-00-5204-00 With the Consortium of Universities of the Washington Metropolitan Area for the Period July 1, 1995 through June 30, 1996		
0-000-97-141-A	07/03/97	Audit of Financial Statements of Project Concern International for the Period July 1, 1995 through June 30, 1996	7	QC

BU - Better use of funds
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<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
0-000-97-142-A	05/30/97	Audited Financial Statements of Opportunity International for the Year Ended December 31, 1992		
0-000-97-143-A	05/16/97	Audited Financial Statements of Save the Children for the Year Ended September 30, 1996		
0-000-97-144-A	05/06/97	Audit of Financial Statements of American University in Bulgaria for the Period July 1, 1995 through June 1996		
0-000-97-145-A	05/15/97	Audit of Financial Statements of American Institute for Free Labor Development for the Period January 1, 1995 through December 31, 1995	1	QC
0-000-97-146-A	04/28/97	Audited Financial Statements of World Wildlife Fund, Inc. for the Year Ended June 30, 1996		
0-000-97-147-A	05/16/97	Audited Financial Statements of World Concern for the Year Ended June 30, 1996	9 4	QC UN
0-000-97-148-A	04/18/97	Audited Financial Statements of the World Environment Center, Inc. for the Year Ended June 30, 1995		
0-000-97-149-A	04/28/97	Audit of Financial Statement of Grant No. EPE-0023-G-00-5082-00 With Aid to Artisans, Inc. for the Period October 1, 1995 through September 30, 1996		
0-000-97-150-A	08/22/97	Audit of Financial Statements of Adventist Development and Relief Agency International for the Period January 1, 1995 through December 31, 1996	51 47	QC UN
0-000-97-151-A	04/21/97	Audit of Financial Statement of Wellstart International for the Period October 1, 1995 through September 30, 1996		
0-000-97-152-A	05/07/97	Audit of Financial Statements of Relief International for the Period January 1, 1995 through December 31, 1995		
0-000-97-153-A	05/30/97	Audited Financial Statements of Opportunity International for the Year Ended December 31, 1993		
0-000-97-154-A	05/09/97	Audit of Financial Statements of National Council of Young Men's Christian Associates for the Period January 1, 1995 through December 31, 1995		
0-000-97-155-A	05/09/97	Audit of Financial Statements of International Center for Research on Women for the Period October 1, 1995 through September 30, 1996		
0-000-97-156-A	05/09/97	Audit of Consolidated Financial Statements of Hadassah, the Women's Zionist Organization of America, Inc. and Hadassah Medical Relief Association, Inc. for the Period June 1, 1995 through May 31, 1996		
0-000-97-157-A	05/16/97	Audit of Financial Statements of Fund for Democracy and Development for the Period January 1, 1995 through December 31, 1995	110	QC
0-000-97-158-A	06/18/97	Audited Financial Statements of the Consortium for International Development for the Year Ended June 30, 1995	271	QC
0-000-97-159-A	05/30/97	Audited Financial Statements of the Consultative Group on Biological Diversity, Inc. for the Year Ended December 31, 1993		
0-000-97-160-A	05/19/97	Audit of Financial Statements of Smithsonian Institution for the Period October		

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<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		1, 1994 through September 30, 1995		
0-000-97-161-A	05/15/97	Audit of Financial Statements of Boston University for the Period July 1, 1995 through June 30, 1996		
0-000-97-162-A	05/30/97	Audited Financial Statements of Family Health International for the Year Ended September 30, 1994		
0-000-97-163-A	05/30/97	Audit of Financial Statements of Ohio State University for the Year Ended June 30, 1996		
0-000-97-164-A	05/30/97	Audit of Financial Statements of Brown University for the Year Ended June 30, 1996		
0-000-97-165-A	05/30/97	Audited Financial Statements of the Armenian Assembly of America, Inc. for the Year Ended December 31, 1996		
0-000-97-166-A	09/11/97	Audit of Financial Statements of the National Center for State Courts for the Period January 1, 1996 to December 31, 1997		
0-000-97-167-A	06/11/97	Audit of Financial Statements of the Women's Research and Education Institute for the Year Ended December 31, 1994		
0-000-97-168-A	06/18/97	Audit of Financial Statements of the Women's Research and Education Institute for the Year Ended December 31, 1995		
0-000-97-169-A	06/11/97	Audit of Financial Statements of the Ohio State University Research Foundation for the Year Ended June 30, 1996		
0-000-97-170-A	06/19/97	Audited Financial Statements of the Cooperative Housing Foundation for the Year Ended September 30, 1996		
0-000-97-171-A	06/18/97	Audit of Financial Statements of Duke University for the Year Ended June 30, 1996		
0-000-97-172-A	06/18/97	Audit of Financial Statements of the University of Missouri System for the Year Ended June 30, 1996		
0-000-97-173-A	06/18/97	Audit of Financial Statements of the New York Botanical Gardens for the Year Ended June 30, 1996		
0-000-97-174-A	06/09/97	Audit of Financial Statements of Rutgers, the State University of New Jersey for the Year Ended June 30, 1996		
0-000-97-175-A	06/11/97	Audit of Financial Statements of the University of Alaska for the Year Ended June 30, 1996		
0-000-97-176-A	06/18/97	Audit of Financial Statements of the University of Maryland System for the Year Ended June 30, 1996		
0-000-97-177-A	06/18/97	Audit of Financial Statements of the Ohio State University for the Year Ended June 30, 1996		
0-000-97-178-A	08/18/97	Audit of Financial Statements of World Learning Inc. for the Period July 1, 1995 through June 30, 1996		

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Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
0-000-97-179-A	07/02/97	Audit of Financial Statements of Population Reference Bureau, Inc. for the Period October 1, 1995 through September 30, 1996		
0-000-97-180-A	07/07/97	Audit of Financial Statements of International Planned Parenthood Federation - Western Hemisphere Region, Inc. for the Period January 1, 1995 through December 31, 1995		
0-000-97-181-A	07/30/97	Audit of Financial Statements of United States Energy Association, Inc., and Subsidiary for the Period January 1, 1996 through December 31, 1996		
0-000-97-182-A	07/18/97	Audit of Consolidated Financial Statements of Joint Commission on Accreditation of Healthcare Organizations for the Period January 1, 1996 through December 31, 1996		
0-000-97-183-A	07/10/97	Audit of the Federal Awards of World Vision Relief & Development, Inc. for the Period October 1, 1995 through September 30, 1996		
0-000-97-184-A	07/18/97	Audit of Financial Statements of American University of Beirut for the Period July 1, 1995 through June 30, 1996		
0-000-97-185-A	07/18/97	Audit of the Financial Statements of World Education, Inc. for the Period July 1, 1994 through June 30, 1995		
0-000-97-186-A	08/18/97	Audit of Financial Statements of Emory University for the Period September 1, 1995 through August 31, 1996		
0-000-97-187-A	07/18/97	Audit of Combined Financial Statements of Family Health International for the Year Ended September 30, 1996		
0-000-97-188-A	07/18/97	Audit of Financial Statements of International City/County Management Association for the Period July 1, 1995 through June 30, 1996		
0-000-97-189-A	07/18/97	Audit of Financial Statements of Medical Benevolence Foundation for the Period January 1, 1996 through December 31, 1996		
0-000-97-190-A	08/15/97	Audit of Financial Statements of National Forum Foundation for the Period January 1, 1996 through December 31, 1996		
0-000-97-191-A	08/07/97	Audited Financial Statements of Catholic Relief Services-United States Catholic Conference, Inc. for the Year Ended December 31, 1995	243 206	QC UN
0-000-97-192-A	08/15/97	Audit of Financial Statements of the Urban Institute for the Period January 1, 1995 through December 31, 1996		
0-000-97-193-A	09/11/97	Audit of Financial Statements of the Vietnam Veterans of America Foundation for the Period May 1, 1995 through April 30, 1996		
0-000-97-194-A	08/01/97	Audit of Financial Statements of the Centre for Development and Population Activities for the Period January 1, 1995 through December 31, 1995		
0-000-97-195-A	08/12/97	Audit of Financial Statements of the Citizens Network for Foreign Affairs for the Period January 1, 1995 through December 31, 1996		
0-000-97-196-A	08/18/97	Audit of Financial Statements of the Conservation International Foundation for the Period July 1, 1995 through June 30, 1996		

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0-000-97-197-A	08/22/97	Audit of Financial Statements of Private Agencies Collaborating Together, Inc. for the Period October 1, 1994 through September 30, 1996	2	QC
0-000-97-198-A	08/18/97	Audit of Financial Statements of the Center for Human Services for the Period October 1, 1994 through September 30, 1996		
0-000-97-199-A	09/17/97	Audit of Financial Statements of Counterpart International, Inc. for the Period October 1, 1994 through September 30, 1996		
0-000-97-200-A	08/18/97	Audit of Financial Statements of the Population Council, Inc. for the Period January 1, 1995 through December 31, 1995		
0-000-97-201-A	08/12/97	Audit of Financial Statements of National Fish and Wildlife Foundation for the Period October 1, 1995 through September 30, 1996		
0-000-97-202-A	09/08/97	Audit of Financial Statements of the Foundation Francisco Marroquin for the Period April 1, 1996 through March 31, 1997		
0-000-97-203-A	08/27/97	Audit of Financial Statements of the International Republican Institute for the Period October 1, 1995 through September 30, 1996		
0-000-97-204-A	08/15/97	Audited Financial Statements of the George Washington University for the Year Ended June 30, 1996		
0-000-97-205-A	08/21/97	Audit of Financial Statements of the American Forum, Inc. for the Period July 1, 1995 through June 30, 1996		
0-000-97-206-A	09/18/97	Audit of Financial Statements of the Pennsylvania State University for the Period July 1, 1995 through June 30, 1996		
0-000-97-207-A	09/11/97	Audit of Financial Statements of University of Pittsburgh of the Commonwealth System of Higher Education for the Period July 1, 1995 through June 30, 1996		
0-000-97-208-A	08/18/97	Audit of Financial Statements of the International Republican Institute for the Period October 1, 1994 through September 30, 1995		
0-000-97-209-A	08/18/97	Audit of Financial Statements of International Eye Foundation for the Period July 30, 1995 through June 30, 1996	4	QC
0-000-97-210-A	09/05/97	Audit of Financial Statements of the State of Arizona for the Year Ended June 30, 1996		
0-000-97-211-A	08/11/97	Audited Financial Statements for AVSC International for the Year Ended March 31, 1994		
0-000-97-212-A	08/18/97	Audit of Financial Statements of the International Medical Corps for the Period July 1, 1995 through June 30, 1996		
0-000-97-213-A	08/15/97	Audit of Financial Statements of the World Environment Center for the Year Ended June 30, 1994		
0-000-97-214-A	08/18/97	Audit of Financial Statements of the Institute for Contemporary Studies for the Period July 1, 1995 through June 30, 1996	149 3	QC UN
0-000-97-215-A	09/05/97	Audit of Financial Statements of the Planned Parenthood of New York City, Inc. for the Period January 1, 1994 through December 31, 1994		

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0-000-97-216-A	09/05/97	Audited Financial Statements for Boston University for the Year Ended June 30, 1996		
0-000-97-217-A	08/22/97	Audited Financial Statements of the American Council for Voluntary International Action for the Fiscal Year Ended December 31, 1996		
0-000-97-218-A	08/27/97	Audit of Financial Statements of the Armenian Technology Group, Inc. for the Period May 1, 1995 through April 30, 1996		
0-000-97-219-A	09/22/97	Audit of Financial Statements of the Research Foundation of the City University of New York for the Period July 1, 1995 to June 30, 1996		
0-000-97-220-A	08/22/97	Audit of Financial Statements of University of Hawaii for the Period July 1, 1995 through June 30, 1996		
0-000-97-221-A	08/22/97	Audit of Financial Statements of the University of Toledo for the Year Ended June 30, 1996		
0-000-97-222-A	08/29/97	Audit of Financial Statements of American ORT, Inc. for the Period January 1, 1995 to December 31, 1995	14	QC
0-000-97-223-A	08/22/97	Audited Financial Statements of the African Wildlife Foundation, Inc. for the Fiscal Year Ended June 30, 1995		
0-000-97-224-A	09/05/97	Audited Financial Statements for International Research & Exchanges Board for the Year Ended June 30, 1996		
0-000-97-225-A	08/25/97	Audit of Financial Statements of the American Association for the Advancement of Science for the Fiscal Year Ended December 31, 1995		
0-000-97-226-A	09/05/97	Audit of the Financial Statements of the University of Minnesota for the Period July 1, 1995 to June 30, 1996		
0-000-97-227-A	09/05/97	Audit of Financial Statements of the State of North Dakota for the Fiscal Years Ended June 30, 1995 and 1996		
0-000-97-228-A	09/09/97	Audit of Financial Statements of Volunteers in Technical Assistance for the Year Ended December 31, 1996		
0-000-97-229-A	09/13/97	Audit of the Financial Statements of the Magee-Womens Hospital for the Period July 1, 1995 to June 30, 1996		
0-000-97-230-A	09/05/97	Audit of the Financial Statements of the Johns Hopkins University for the Period July 1, 1995 to June 30, 1996		
		<i>Audits of Non-U.S.-Based Recipients</i>		
		<i>Agency-Contracted Audits of Non-U.S.-Based Recipients</i>		

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4-615-97-005-N	04/17/97	Audit of the Grant to the Ministry of Finance Under the Kenya Market Development Program Project No. 615-0242	3 3	QC UN
4-621-97-006-N	04/29/97	Pre-award Audit of the Uzazi Na Malezi Bora Tanzania		
6-263-97-018-N	04/30/97	Financial Audit of the Ministry of Health's Teaching Hospital Organization, Expenditures Incurred Under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)	1 2	BU QC
6-263-97-019-N	05/13/97	Financial Audit of the National Population Council, Expenditures Incurred Under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)	25	QC
6-263-97-020-N	05/19/97	Financial Audit of the USAID/Egypt Special Accounts (Grant Agreement Nos. 263-0201, 263-K-632, 263-K-0624, 263-K-0625, 263-K-0627, 263-K-0628A and 263-K-629/630 and Memorandum of Understanding Nos. 16 and 17)		
6-263-97-021-N	05/26/97	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Project Preparation Department Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	1	QC
6-263-97-022-N	06/17/97	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Planning, Studies and Models Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	1 1	QC UN
6-263-97-023-N	06/19/97	Financial Audit of the Ministry of Education's General Department for In-Service Training, Expenditures Incurred Under the USAID/Egypt Development Training Grant No. 263-0125		
6-263-97-024-N	06/19/97	Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	7 2	QC UN
6-263-97-025-N	07/07/97	Financial Audit of the Federation of Egyptian Industries, Expenditures Incurred Under the USAID/Egypt Energy Conservation and Environment Project No. 263-0140		
6-263-97-026-N	07/14/97	Financial Audit of the American Chamber of Commerce in Cairo, Resources Provided Under USAID/Egypt Grant Agreement No. 263-0225-G-00-4086-00		
6-263-97-027-N	07/21/97	Financial Audit of the Academy of Scientific Research and Technology, Expenditures Incurred Under the Science and Technology Cooperation Project (USAID/Egypt Project No. 263-0140.1)		
6-263-97-028-N	07/21/97	Financial Audit of the Tabbin Institute for Metallurgical Studies, Expenditures Incurred Under the USAID/Egypt Energy Conservation and Environment Project No. 263-0140		
6-263-97-029-N	07/21/97	Financial Audit of Arthur Andersen & Co., Expenditures Incurred Under Contract No. 263-0238-C-00-5061-00 (USAID/Egypt Privatization Project No. 260-0238)	73	QC
6-263-97-030-N	07/30/97	Financial Audit of the Ministry of Public Works and Water Resources,	27	QC

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		Expenditures Incurred Under the Water Research Center Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	6	UN
6-263-97-031-N	07/31/97	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Irrigation Improvement Project Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	1 1	QC UN
6-263-97-032-N	07/31/97	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Main Systems Management Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	6 2	QC UN
6-263-97-033-N	08/04/97	Financial Audit of the Ministry of Economy and International Cooperation's Monitoring Unit, Expenditures Incurred Under the Technical Support for Sector Policy Reform Project (USAID/Egypt Project No. 263-0233)		
6-263-97-034-N	08/20/97	Financial Audit of the Ministry of Health, Expenditures Incurred Under the Child Survival Project (USAID/Egypt Project No. 263-0203)	13	QC
6-263-97-035-N	08/26/97	Financial Audit of the Egyptian Center for Economic Studies for the Period January 1, 1996 to December 31, 1996 (USAID/Egypt Project No. 263-0230)	14	QC
6-263-97-036-N	08/31/97	Financial Audit of Allied Corporation, Expenditures Incurred Under Contract No. 263-0000-C-00-5113-00 and Subcontract Nos. 263-0182-C-00-9005-00 and 263-0152-C-00-1016-00	8	QC
6-263-97-037-N	08/31/97	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Miscellaneous Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	10 1	QC UN
6-263-97-038-N	09/10/97	Financial Audit of the Egyptian National Scientific and Technical Information Network, Expenditures Incurred Under the Science and Technology Cooperation Component of the Science and Technology for Development Project (USAID/Egypt Project No. 263-0140.1)	10	QC
7-608-97-001-N	04/30/97	Audit of the Local Expenditures Incurred by Amideast/Morocco Under the Training for Development Project (No. 608-0208), from October 1, 1994 to September 30, 1996	188 34	BU QC
		<i>Recipient-Contracted Audits of Non-U.S.-Based Recipients</i>		
B-161-97-001-R	09/26/97	Audit of the Estonian Law Center Project Nos. 180-020.61 and 161-0020.61 for the Period September 1, 1995 to December 31, 1996		
0-623-97-027-R	04/18/97	Audit of the International Union for Conservation of Nature/Regional Office for Southern Africa for the Period March 1, 1994 to April 30, 1996, Cooperative Agreement No. 623-0251		
0-632-97-033-R	04/16/97	Audit of the Primary Education Program in Lesotho for the Period April 1, 1995 to March 31, 1996, Project No. 632-0230		
0-663-97-034-R	05/09/97	Audit of the Christian Relief and Development Association for the Period		

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		October 1, 1994 to December 31, 1995, Grant Agreement No. 663-0004-SS-00-0001		
0-386-97-035-R	04/18/97	Audit of the National Bureau of Plant Genetic Resources for the Period April 1, 1995 to March 31, 1996, Project No. 386-0513		
0-386-97-036-R	04/18/97	Audit of the Industrial Credit and Investment Corporation of India ACE Project for the Period April 1, 1995 to March 31, 1996, Project No. 386-0521		
0-386-97-037-R	04/28/97	Audit of the Industrial Credit and Investment Corporation of India Limited PACER Project for the Period April 1, 1995 to March 31, 1996, Project No. 396-0494		
0-386-97-038-R	04/29/97	Audit of the Industrial Credit and Investment Corporation of India (TEST Project) for the Period April 1, 1995 to March 31, 1996, Project No. 386-0530		
0-497-97-039-R	09/09/97	Audit of Yayasan Wahana Lingkungan Hidup Indonesia, Grant No. 497-0385-G-SS-5015 for the Period March 1, 1996 to December 31, 1996		
0-690-97-040-R	05/15/97	Audit of Radio Bridge Overseas Trust for the Period January 24, 1994 to May 31, 1995, Grant No. 690-0280-G-4007-00	17	QC
0-492-97-041-R	07/03/97	Audit of the Philippine Exporters Confederation, Inc. for the Period January 1, 1994 to December 31, 1994, Cooperative Agreement No. 492-0449-A-00-0149-00	45 36	QC UN
0-492-97-042-R	05/16/97	Audit of Economic Development Foundation Involving Grant No. 492-0452-A-SS-0024 for the Period of January 1, 1994 to July 31, 1995; and Grant No. 492-0396-G-SS-1087-00 for the Period of January 1, 1994 to September 30, 1995	287 131	QC UN
0-497-97-043-R	09/17/97	Audit of Yayasan Agribisnis - Pusat Pengembangan Sumberdaya Wanita, Grant No. 497-0364-G-SS-3242-00 for the Period July 30, 1993 to October 30, 1996, and Grant No. 497-0364-G-00-4074-00 for the Period October 1, 1994 to October 30, 1996	12 12	QC UN
0-367-97-044-R	05/16/97	Audit of Global Resources Institute for the Period December 16, 1994 through September 19, 1996, Grant No. 367-0167-G-00-5040-00	6	QC
0-492-97-045-R	05/02/97	Audit of Victorias Milling Company for the Period September 1, 1994 to December 26, 1995, Grant No. 492-0395-G-SS-1101-00		
0-388-97-046-R	05/16/97	Audit of Business Advisory Services Center for the Period October 1, 1994 to September 30, 1995, Grant No. 388-0076-A-00-4062		
0-492-97-047-R	05/19/97	Audit of Aboitiz & Company, Inc. for the Period January 1, 1995 to July 11, 1996, Grant No. AID-492-0395-G-SS-0105-00		
0-492-97-048-R	05/15/97	Audit of Development of People's Foundation, Inc. for the Period January 1, 1994 to December 31, 1994, Grant Nos. 492-0419-G-SS-0030-00 and 492-0470-G-SS-3035-00		
0-492-97-049-R	05/27/97	Audit of the Kauswagan Sa Timogang Mindanaw Foundation, Inc. for the Period January 1, 1995 to December 31, 1995, Grant No. 492-0419-G-SS-0102-00		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
0-492-97-050-R	05/16/97	Audit of Foundation for Resource Linkage and Development for the Period January 1, 1995 to March 31, 1996, Cooperative Agreement No. 492-0445-A-00-2065-00		
0-492-97-051-R	05/22/97	Audit of Philippine Business for Social Progress, Inc. for the Year Ended September 30, 1995, Grant Nos. 492-0388-G-SS-2015-00 and 492-0470-G-SS-5131-00		
0-492-97-052-R	05/27/97	Audit of Tulay sa Pag-unlad, Inc. for the Period Ended June 30, 1995, Grant Nos. USAID 492-0419-G-SS-0029 and 492-0470-G-SS-3074		
0-492-97-053-R	06/30/97	Audit of Philippine Business for Social Progress, Inc. for the Periods October 1, 1994 to September 30, 1995 and April 5, 1995 to November 15, 1995		
0-492-97-054-R	05/23/97	Audit of Development of People's Foundation, Inc. for the Period January 1, 1995 to December 31, 1995, Grant Nos. 492-0419-G-SS-0030-00 and 492-0470-G-SS-3035-00		
0-181-97-055-R	09/05/97	Audit of OIC Poland Foundation, Grant No. 181-0023-A-00-5218 for the Period October 1, 1995 to December 31, 1996	15	QC
0-621-97-056-R	06/12/97	Audit of the Family Planning Unit of the Ministry of Health of Tanzania for the Period July 1, 1994 to June 30, 1995	17 15	QC UN
0-497-97-057-R	05/27/97	Audit of Yayasan Keanekaragaman Hayati Indonesia for the Period March 30, 1995 to December 31, 1995, Cooperative Agreement No. 497-0384-A-00-5011-00		
0-386-97-058-R	06/30/97	Audit of Power Finance Corporation Limited for the Period April 1, 1995 to March 31, 1996, Grant No. 386-0517	66	QC
0-497-97-059-R	05/30/97	Audit of the Institute for Social and Economic Research, Education and Information for the Period January 1, 1995 to December 31, 1995, Grant Nos. 497-0364-G-SS-3247-00 and 497-0364-G-SS-3243-00	4	QC
0-497-97-060-R	04/30/97	Audit of Yayasan Duta Bina Bhuana for the Period September 1, 1994 through February 29, 1996, Grant No. 497-0364-G-00-4063-00		
0-492-97-061-R	05/21/97	Audit of the University of the Philippines at Los Banos Foundation, Inc. for the Period January 1, 1995 to December 31, 1995, Grant No. 492-0045-A-00-2064-00		
0-492-97-062-R	05/28/97	Audit of the Evelio B. Javier Foundation, Inc. for the Period August 20, 1993 to August 31, 1994, Grant No. 492-0436-A-00-3100-00	9	QC
0-492-97-063-R	05/22/97	Audit of Bacnotan Consolidated Industries, Inc. for the Period July 1, 1994 to December 31, 1995, Grant No. 492-0395-G-SS-2056-00		
0-492-97-064-R	05/30/97	Audit of the Kapwa Upliftment Foundation, Inc. for the Period January 1, 1995 to December 31, 1995, Grant Nos. 492-0419-G-SS-2068-00 and 492-0470-G-SS-3087-00		
0-492-97-065-R	06/09/97	Audit of the Ayala Foundation, Inc., Grant Nos. 492-0419-G-SS-1180-00 for the Period January 1, 1995 to August 31, 1995; 492-0395-G-SS-3102-00 for the Period January 1, 1995 to December 31, 1995; and 492-0470-G-SS-4089-		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

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<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		00 for the Period August 30, 1994 to December 31, 1995		
0-492-97-066-R	06/09/97	Audit of the Philippine Statistical Association, Inc., Grant No. 492-0432-G-SS-2071-00 and Cooperative Agreement No. 492-0445-A-00-2066-00 for the Period January 1, 1995 to December 31, 1995		
0-492-97-067-R	06/06/97	Audit of the Philippine Center for Population and Development, Inc., Grant Nos. 492-0419-G-SS-1061, 492-0470-G-SS-3113 for the Period January 1, 1995 to March 31, 1996 and Grant Nos. 492-0470-G-SS-4090 and 492-0480-G-SS-5025 for the Period January 1, 1995 to December 31, 1995		
0-690-97-068-R	06/20/97	Audit of the Southern African Centre for Cooperation in Agricultural Research Project No. 690-0225 for the Period April 1, 1991 to March 31, 1992		
0-690-97-069-R	06/23/97	Audit of the Southern African Centre for Cooperation in Agricultural Research Project No. 690-0225 for the Period April 1, 1992 to March 31, 1993	84 3	QC UN
0-690-97-070-R	06/20/97	Audit of the Southern African Centre for Cooperation in Agricultural Research Project No. 690-0225-SG-001 for the Period April 1, 1993 to March 31, 1994		
0-690-97-071-R	06/23/97	Audit of the Southern African Centre for Cooperation in Agricultural Research Project No. 690-0225 for the Period April 1, 1994 to March 31, 1995	6 3	QC UN
0-623-97-072-R	07/02/97	Audit of the Center for Agricultural Research and Policy Analysis Cooperative Agreement No. 623-0478.23-A-00-4092-00 for the Period April 1, 1995 to March 31, 1996	52 51	QC UN
0-181-97-073-R	06/30/97	Audit of Caresbac-Polska S.A., Grant No. 181-0023-G-00-5208 for Expenditures Incurred During 1995		
0-492-97-074-R	06/20/97	Audit of the Daughters of Mary Help of Christians Grant Agreement No. 492-0470-G-SS-3078-00 for the Period January 1, 1995 to July 20, 1996		
0-386-97-075-R	07/03/97	Audit of the Industrial Credit and Investment Corporation of India, Ltd.-Child and Reproductive Health Component, Project No. 386-0496 for the Period August 1, 1995 to March 31, 1996		
0-492-97-076-R	06/30/97	Audit of the Cagayan de Oro Chamber of Commerce and Industry Foundation, Inc. Grant No. 492-0445-A-00-2085-00 for the Period April 1, 1992 to December 31, 1995	31	QC
0-386-97-077-R	06/30/97	Audit of the Centre for Technology Development Project No. 386-0507 for the Period April 1, 1995 to March 31, 1996	5	QC
0-497-97-078-R	07/02/97	Audit of Yayasan Lembaga Konsumen Indonesia Grant No. 497-0364-G-00-4066-00 for the Period October 1, 1995 to September 30, 1996	7	QC
0-386-97-079-R	07/01/97	Audit of the National Bureau of Plant Genetic Resources for the Period April 1, 1995 to March 31, 1996, Project No. 386-0513	1,060 951	QC UN
0-497-97-080-R	07/03/97	Audit of the National Family Planning Coordination Board for the Period April 1, 1993 to March 31, 1995, Project No. 497-0355	35 14	QC UN
0-367-97-081-R	07/07/97	Audit of Nepal CRS Company Pvt. Ltd. for the Period January 1, 1995 to December 31, 1995, Cooperative Agreement No. 367-0157-A-00-1002-00	3	QC

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
0-492-97-082-R	07/18/97	Audit of the Social Sciences and Philosophy Research Foundation, Inc. Grant No. 492-0432-A-00-6026-00 for the Period February 12, 1996 to October 31, 1996		
0-388-97-083-R	07/18/97	Audit of CARE's Management of PL-480 Title II Monetized Local Currency Under the Bangladesh Integrated Food for Development Project, Project No. 388-0081 for the Period October 1, 1993 to June 30, 1995	137	QC
0-388-97-084-R	07/18/97	Audit of CARE's Management of PL-480 Title II Monetized Local Currency Under the Bangladesh Integrated Food for Development Project, Project No. 388-0081 for the Period July 1, 1995 to June 30, 1996	873 135	QC UN
0-497-97-085-R	07/18/97	Audit of the Institute for Studies on Free Flow of Information for the Period August 11, 1995 to August 31, 1996, Grant No. 497-0385-G-00-5027-00	47	QC
0-497-97-086-R	08/01/97	Audit of the East Timor Association for Development and Progress (Yayasan Etadep) for the Period January 1, 1994 to December 31, 1995, Grant No. 497-0364-G-SS-1104-00	9 9	QC UN
0-492-97-087-R	08/29/97	Audit of Silliman University, Grant No. 492-0444-A-00-05110-00 for the Period October 1995 to May 31, 1996		
1-522-97-004-R	07/23/97	Audit of Health Sector II Project, USAID/Honduras Project No. 522-0216, Managed by the Ministry of Health for the Period from June 30, 1988 to December 31, 1993	161 161	QC UN
1-522-97-005-R	07/23/97	Audit of Health Sector II Project, USAID/Honduras Project No. 522-0216, Managed by the Servicio Autonomo Nacional de Acueductos y Alcantarillados for the Period from June 30, 1988 to December 31, 1993	9 9	QC UN
1-522-97-006-R	08/08/97	Audit of the USAID/H Resources Managed by the Honduran Forestry Development Corporation Under Project No. 522-0246, Forestry Development from March 1, 1992 to December 31, 1994		
1-522-97-007-R	08/08/97	Audit of the USAID/H Resources Managed by the Secretariat for Natural Resources Under Project No. 522-0292, Land Use and Productivity Enhancement Project from October 1, 1991 to December 31, 1993	41 36	QC UN
4-674-97-130-R	06/18/97	Audit of Phambili National Womens Organisation's Grant No. 674-0301-6-55-3016 for the Period April 1, 1993 to March 31, 1995	38 38	QC UN
4-674-97-131-R	06/19/97	Audit of Tembaletu Trust's Grant Numbers 674-0301-G-SS-0024-05 and 674-0301-G-SS-4169-00 for the Year Ended December 31, 1995		
4-674-97-132-R	06/19/97	Audit of Social Change Assistance Trust's Grant No. 674-0301-G-SS-4135 for the Year Ended December 31, 1995		
4-674-97-133-R	06/20/97	Audit of Development Law Services Trust's Grant No. 674-0312-G-SS-3030 for the Period June 5, 1993 to February 28, 1995		
4-674-97-134-R	06/26/97	Audit of Cooperative for Research and Education's Grant No. 674-0301-G-SS-4151 for the Year Ended December 31, 1995		
4-674-97-135-R	06/24/97	Audit of the Community Dispute Resolution Trust for the Period January 1,	153	QC

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		1995 to December 31, 1995		
4-674-97-136-R	06/26/97	Audit of Early Learning Resource Unit's Grant No. 674-0302-G-SS-3038 and 0031 for the Year Ended March 31, 1995		
4-674-97-137-R	06/26/97	Audit of Early Learning Resource Unit's Grant No. 674-0302-G-SS-0031 for the Year Ended March 31, 1996		
4-674-97-138-R	06/25/97	Audit of the Housing Consumer Protection Trust for the Period September 1, 1993 to March 31, 1996		
4-674-97-139-R	06/26/97	Audit of Centre for Applied Legal Studies' Grant No. 674-0301-G-SS-3017 for the Year Ended December 31, 1995		
4-674-97-140-R	06/26/97	Audit of the Educational Support Services Trust for the Period January 1, 1995 to December 31, 1995	7	QC
4-674-97-141-R	07/01/97	Audit of the South African Community Development Agency for the Period August 17, 1995 to March 31, 1996	31	QC
4-674-97-142-R	07/01/97	Audit of Deal Trust's Grant No. 674-0302-G-SS-2082 for the Period October 1, 1994 to May 31, 1996		
4-674-97-143-R	07/02/97	Audit of Handspring Trust for Puppetry in Education's Grant No. 674-0314-G-SS-3090 for the Year Ended February 29, 1996		
4-674-97-144-R	07/02/97	Audit of Natal Youth Publishing Project Grant Nos. 674-0305-G-SS-3024 and 674-0301-G-SS-5058 for the Period March 1, 1994 to February 29, 1996		
4-674-97-145-R	07/03/97	Audit of Western Cape Community Based Housing Trust's Grant No. 674-0213-G-SS-4164 for the Year Ended December 31, 1996		
4-674-97-146-R	07/03/97	Audit of the New Housing Company's Grant No. 674-0312-G-SS-3078 for the Period July 1, 1995 to August 31, 1996		
4-674-97-147-R	07/07/97	Audit of Ntataise Trust's Grant No. 674-0314-G-SS-4038 for the Period January 1, 1995 to December 31, 1995		
4-674-97-148-R	07/07/97	Audit of Bellville Community Health Aids for the Period August 1, 1995 to May 31, 1996	3 2	QC UN
4-674-97-149-R	07/10/97	Audit of National Welfare, Social Service and Development Forum's Grant No. 674-0301-G-SS-4153 for the Period September 6, 1994 to March 31, 1995	1	QC
4-674-97-150-R	07/10/97	Audit of South Africa Institute of Race Relations for the Year Ended March 31, 1996	202 201	QC UN
4-674-97-151-R	07/11/97	Audit of Savings and Credit Co-Operative League of South Africa's Grant No. 674-0312-G-SS-4114 for the Year Ended March 31, 1996		
4-674-97-152-R	07/11/97	Audit of Tembuletu Trust's Grant No. 674-0301-G-SS-0024 and 4169 for the Year Ended December 31, 1996		
4-674-97-153-R	07/14/97	Audit of Warmbaths Advice Centre's Grant No. 674-0301-G-SS-4043 for the Period March 1, 1994 to November 30, 1994		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
4-674-97-154-R	07/14/97	Audit of the Informal Business Training Trust's Grant No. 674-0303-G-SS-2048 for the Year Ended March 31, 1995		
4-674-97-155-R	07/15/97	Audit of Joint Enrichment Project for the Year Ended December 31, 1995	5	QC
4-674-97-156-R	07/15/97	Audit of the Molteno Project's Grant No. 674-0314-G-SS-4084 for the Years Ended December 31, 1995 and December 31, 1996	2	QC
4-674-97-157-R	07/22/97	Audit of South African Student Internship Foundation for the Period October 1, 1995 to March 31, 1996	19	QC
4-674-97-158-R	07/28/97	Audit of Entrepreneurial Development Southern Africa's Grant No. 674-0312-G-SS-3060 for the Period January 1, 1994 to December 31, 1994		
4-674-97-159-R	07/24/97	Audit of Prism for the Year Ended December 31, 1996		
4-674-97-160-R	07/28/97	Audit of Forum for the Advancement of Adult Education for the Period April 1, 1994 to September 30, 1995	9	QC
4-674-97-161-R	07/31/97	Audit of Project Literacy for the Period August 1, 1993 to March 31, 1996	36 10	QC UN
4-674-97-162-R	08/06/97	Audit of National Housing Forum Secretariat Trust for the Period January 1, 1993 to March 31, 1996	59 59	QC UN
4-674-97-163-R	08/05/97	Audit of the Centre for Socio-Legal Studies, the National Street Law Program Grant No. 674-0301-G-SS-2089 for the Period January 1, 1994 to December 31, 1995 and Youth for Democracy Grant No. 674-0301-G-SS-3048 for the Period January 1, 1994 to April 30, 1994	118 50	QC UN
4-674-97-164-R	08/07/97	Audit of Institute of Urban Primary Health Care's Grant No. 674-0301-G-SS-4008 for the Period April 1, 1995 to September 30, 1996		
4-674-97-165-R	08/08/97	Audit of Institute of Urban Primary Health Care's Grant No. 674-0301-G-SS-4008 for the Year Ended March 31, 1996		
4-674-97-166-R	08/12/97	Audit of Institute of Urban Primary Health Care's Grant No. 674-0301-G-SS-4008 for the Year Ended March 31, 1995		
4-674-97-167-R	08/14/97	Audit of Institute of Urban Primary Health Care's Grant No. 674-0301-G-SS-4008 for the Period December 15, 1993 to March 31, 1994		
4-674-97-168-R	08/11/97	Audit of Black Lawyers Association - Legal Education Centre's Grant No. 674-0305-G-SS-8030 for the Period April 1, 1995 to March 31, 1996		
4-674-97-169-R	08/11/97	Audit of the Co-operative Organization for the Upgrade of Numeracy Training's Grant No. 674-0302-G-SS-3141 for the Period September 30, 1993 to March 31, 1996	11	QC
4-674-97-170-R	08/12/97	Audit of Co-operative for Research and Education's Grant No. 674-0301-G-SS-4154 for the Year Ended December 31, 1996		
4-674-97-171-R	08/12/97	Audit of Primary Science Programme Trust's Grant No. 674-0314-G-SS-4109 for the Period August 1, 1994 to December 31, 1995	5 1	QC UN
4-674-97-172-R	08/27/97	Audit of Rural Development Services Network Grant No. 674-0301-G-SS-		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		9025-05 for the Period from March 1, 1995 to February 29, 1996		
4-674-97-173-R	08/28/97	Audit of Rural Development Services Network Grant No. 674-0301-G-SS-9025-05 for the Period from March 1, 1994 to February 28, 1995	18 18	QC UN
6-263-97-001-R	05/21/97	Financial Audit of the American University in Cairo for the Year Ended August 31, 1996		
6-278-97-002-R	09/09/97	Financial Audit of USAID Resources Managed by the Jordan Environment Society for the Awareness-Project-in-Water (Grant Agreement No. 278-0288-G-SS-4071-00)		
6-278-97-003-R	09/16/97	Financial Audit of the Young Muslim Women's Association's Management of USAID Resources Provided Under Grant Agreement No. 278-0277-A-00-5620		
6-278-97-004-R	09/16/97	Financial Audit of USAID Resources Managed by the Queen Alia Fund for Social Development		
6-278-97-005-R	09/18/97	Financial Audit of USAID Resources Managed by the Noor Al-Hussein Foundation for the Al-Hwietat Weaving Project (Grant Agreement No. 278-0277-G-00-5550-00)	69	QC
6-278-97-006-R	09/21/97	Financial Audit of USAID Resources Managed by the Noor Al-Hussein Foundation's Jubilee School		
7-641-97-007-R	05/30/97	Audit of Ghana Social Marketing Foundation Expenditures for the Year Ended June 30, 1996 Funded Under USAID/Ghana's Population and AIDS Program (641-0131)		
7-641-97-008-R	07/01/97	Audit of USAID's Grant to the Noguchi Memorial Institute for Medical Research Under the Family Planning and Health Project (641-0118) in Ghana for the Period from February 1, 1995 to September 30, 1996		
		<i>Audits of U.S.-Based Contractors by DCAA</i>		
0-000-97-015-D	04/01/97	Audit of Indirect Rates for the Calendar Years 1994 and 1995, for the Planning and Development Collaborative International		
0-000-97-016-D	04/01/97	Audit of Other Direct Cost for Stanford University for the Fiscal Year Ended August 31, 1994		
0-000-97-017-D	05/16/97	Audit of Costs Incurred for Fiscal Years Ended June 30, 1990 and 1991 at KPMG Peat Marwick, LLP		
0-000-97-018-D	05/15/97	Audit of Incurred Costs for the Morrison Knudsen Corporation Environmental/Government Intermediate Home Office for Fiscal Year Ended December 31, 1993		
0-000-97-019-D	09/11/97	Audit of Incurred Costs at the Morrison Knudsen Corporation's Environmental/Government Intermediate Home Office for the Fiscal Year Ended December 31, 1994		
0-000-97-020-D	05/28/97	Audit of Incurred Costs at PaL-Tech Inc. for the Fiscal Years Ended		

BU - Better use of funds
 QC - Questioned Costs
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 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		September 30, 1991 and 1992, December 31, 1993, 1994 and 1995		
0-000-97-021-D	05/22/97	Audit of Direct and Indirect Costs Incurred at Upham International Corporation for the Fiscal Years Ended 31 December 1992 and 1993		
0-000-97-022-D	07/03/97	Audit of Direct and Indirect Costs Incurred at New Mexico State University for the Fiscal Year Ended June 30, 1996		
0-000-97-023-D	07/02/97	Audit of Overhead Proposal to Establish Negotiated Indirect Rates Submitted by New Mexico State University for Fiscal Year Ended June 30, 1998		
0-000-97-024-D	06/30/97	Audit of John Snow, Incorporated's Compliance with Cost Accounting Standard 412 - Composition and Measurement of Pension Costs		
0-000-97-025-D	07/02/97	Audit of Fluor Daniel, Inc. - Irvine Business Unit's Incurred Cost Submission for Fiscal Year Ended October 31, 1993		
0-000-97-026-D	07/02/97	Audit on John Snow, Incorporated's Compliance with Cost Accounting Standard 404 - Capitalization of Tangible Assets		
0-000-97-027-D	08/22/97	Audit of Institute for International Research, Inc.'s Incurred Costs for Fiscal Year Ended September 30, 1995	4	QC
0-000-97-028-D	08/22/97	Audit of John Snow, Incorporated's Compliance with Cost Accounting Standard 409 - Depreciation of Tangible Assets		
0-000-97-029-D	09/11/97	Audit of Chemonics International, Inc.'s Incurred Costs Submissions for Fiscal Years 1994 and 1995		
		<i>Audits of Non-U.S. Organizations by DCAA</i>		
B-118-97-003-D	04/04/97	Report on Audit of Floor Check of Grantee Employees		
B-118-97-004-D	04/08/97	Audit of Costs Incurred Under USAID Grants, Russian Privatization Center, Audit Report No. 8-TR-96-005, dated May 3, 1996, Recommendation No. 4		
B-183-97-005-D	05/28/97	Report on Preaward Accounting System Survey, Foundation for Local Government Reform		
B-183-97-006-D	05/28/97	Report on Preaward Accounting System Survey, Union of Bulgarian Black Sea Local Authorities		
B-183-97-007-D	05/28/97	Report on Preaward Accounting System Survey, Regional Municipal Association "Maritza"		
B-183-97-008-D	05/28/97	Report on Preaward Accounting System Survey, Association of Danube River Municipalities		
B-183-97-009-D	05/28/97	Report on Preaward Accounting System Survey, Association of Rhodope Municipalities		
B-183-97-010-D	05/28/97	Report on Preaward Accounting System Survey, National Association of Municipalities in Republic of Bulgaria		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Financial Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
B-163-97-011-D	09/26/97	Report on Preaward Accounting System Survey, Kaunas Technological University/Management Training Center, Panavezys, Lithuania		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Performance Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		<i>Economy and Efficiency Audits</i>		
A-000-97-005-P	07/11/97	Audit of USAID's Efforts to Resolve the Year 2000 Problem		
A-000-97-006-P	08/27/97	Audit Report on Allegations Concerning Improper Award of a Contract and Poor Contract Performance by the Bancroft Group		
A-000-97-007-P	09/19/97	Audit to Determine if Federal Funds Under a USAID/EI Salvador Cooperative Agreement No. 519-0391-A-00-3254-00 with Southwest Voter Research Institute Were Misused		
A-000-97-008-P	09/30/97	Audit of USAID's Compliance with Federal Computer Security Requirements		
A-000-97-009-P	09/30/97	Audit of the Internal Controls for the Operational New Mangement System		
A-000-97-010-P	09/30/97	Audit of the Status of USAID's New Mangement System		
B-186-97-004-P	05/14/97	Follow-up of Recommendation No. 1, Audit of the Romanian Agriculture Sector Support Program-Audit Report No. 8-186-95-004, dated January 31, 1995	3,007	BU
B-168-97-005-P	06/27/97	Audit of USAID/Bosnia-Herzegovina's Municipal Infrastructure and Services Program for the Period January 1 through March 31, 1997		
B-168-97-006-P	06/27/97	Audit of USAID/Bosnia-Herzegovina's Bosnian Reconstruction Finance Facility Program for the Period January 1 through March 31, 1997		
B-186-97-007-P	08/15/97	Audit of OAR/Romania's Implementation of the Government Performance and Results Act for Its Civil Society Activities	1,094	BU
1-518-97-001-P	07/23/97	Audit of USAID/Ecuador's Implementation of the Government Performance and Results Act for Environment--Natural Resources Management and Biodiversity Activities		
1-000-97-002-P	07/28/97	Follow-up on USAID's Implementation of Recommendation No. 1, Audit of the Activities of the Bahamian Agricultural Credit Guarantee Fund (Audit Report No. 9-000-91-005, dated March 29, 1991)	97	BU
4-674-97-005-P	09/11/97	Audit of USAID/South Africa's Implementation of GPRA for Democracy-Civil Society Activities	78,000	BU
4-674-97-006-P	09/12/97	Audit of USAID/Namibia's Implementation of GPRA for Environment-Natural Resources Management and Biodiversity Activities		
5-388-97-002-P	05/30/97	Audit of USAID/Bangladesh's Title II Non-Emergency Food Aid Program		
5-388-97-003-P	08/19/97	Audit of USAID/Bangladesh's Role in Obtaining Audits of Its Contracts, Grants and Cooperative Agreements		
6-263-97-005-P	06/30/97	Audit of the USAID/Egypt's Water and Wastewater Activities		
7-675-97-004-P	05/27/97	Audit of USAID/Guinea's Growth in Agricultural Markets Strategic Objective		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Performance Audit Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
7-608-97-009-P	09/16/97	Audit of USAID/Morocco's Implementation of the Government Performance and Results Act for Environment-Natural Resources Management Activities		
9-000-97-001-P	09/10/97	Audit of USAID's Disaster Assistance Activities		
9-000-97-002-P	09/30/97	Audit on the Bureaus' Role in Support of USAID's Actions to Implement the Government Performance and Results Act of 1993		
9-000-97-003-P	09/30/97	Audit of USAID's Status in Implementing the Government Performance and Results Act of 1993		

BU - Better use of funds
 QC - Questioned Costs
 UN - Unsupported Costs
 Note: UN is part of QC

Miscellaneous Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		Quality Control Reviews		
0-000-97-002-Q	06/19/97	Quality Control Review of the A-133 Audit of the Association for Voluntary Surgical Contraception, Inc. for the Year Ended March 31, 1995		
1-517-97-006-Q	06/18/97	Quality Control Review of Campusano & Asociados' Audit of Asociacion Para El Desarrollo de la Provincia Esppailat, Inc. (Donation Covenant #517-0247-G-00-4145-00 with U.S. Agency for International Development) for the Period from August 1, 1995 to July 31, 1996		
1-520-97-007-Q	09/12/97	Quality Control Review of the Guatemalan Contraloria General de Cuentas		
1-527-97-008-Q	09/26/97	Quality Control Review of the Contraloria General de la Republica del Peru		
4-674-97-001-Q	04/08/97	Quality Control Review of the Recipient-Contracted Audit Report No. 4-674-97-001-Q, Audit of the President's Award - Youth Empowerment Trust's Grant No. 674-0301-G-SS-4136 for the Period November 2, 1994 to December 31, 1995		
4-674-97-002-Q	09/12/97	Quality Control Review of the Recipient-Contracted Audit of Ikemeleng Remedial Education Centre for the Period April 1, 1994 to May 31, 1996		
4-674-97-003-Q	09/17/97	Quality Control Review of the Recipient-Contracted Audit of the Centre for Applied Legal Studies for the Year Ended December 31, 1994		
4-674-97-004-Q	09/18/97	Quality Control Review of the Recipient-Contracted Audit of the National Children's Rights Committee for Thirteen Months Ended January 31, 1996		
4-674-97-005-Q	09/26/97	Quality Control Review of the Recipient-Contracted Audit of the Institute for Multi-Party Democracy for the Period April 1, 1994 through March 31, 1995		
4-674-97-006-Q	09/26/97	Quality Control Review of the Recipient-Contracted Audit of the Griseldis-Crowhurst Bond Trust - Science Foundation Trust for the Period January 1, through December 31, 1995		
6-263-97-004-Q	04/01/97	Quality Control Review of Arthur Andersen's Financial Audit of the Ministry of Health's Teaching Hospital Organization, for the Periods July 1, 1993 to March 31, 1994 for PIL No. 26 and April 1, 1994 to April 30, 1996 for PIL No. 8B and July 1, 1993 to April 30, 1996 for the Revenue Agreement (USAID/Egypt Project Nos. 263-0144 and 263-0227)		
6-263-97-005-Q	4/15/97	Quality Control Review of Price Waterhouse's Financial Audit of the National Population Council, for the Periods July 1, 1992 to June 30, 1995 for PIL No. 18, and July 1, 1994 to June 30, 1995 for PIL No. 6B (USAID/Egypt Project Nos. 263-0144 and 263-0227)		
6-263-97-006-Q	04/21/97	Quality Control Review of Coopers & Lybrand's Financial Audit of the Egyptian Survey Authority for the Period April 1, 1995 to September 21, 1995 (USAID/Egypt Project No. 263-0132)		
6-263-97-007-Q	05/20/97	Quality Control Review of Arthur Andersen's Financial Audit of the American		

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Miscellaneous Reports

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		University in Cairo for the Year Ended August 31, 1996		
6-263-97-008-Q	06/05/97	Quality Control Review of Audit Report on Allied Accountants, Indefinite Quantity Contract Nos. 263-0000-I-00-3057-00 and 263-0000-I-00-3123-00 for the Period from February 18, 1993 to September 30, 1996		
6-263-97-009-Q	06/09/97	Quality Control Review of the Whinney Murray & Co. Audit Report on Price Waterhouse, Indefinite Quantity Contract Nos. 263-0000-I-00-3058-00 and 263-0000-I-00-3121-00 for the Periods February 18, 1993 to September 30, 1996 and September 22, 1993 to September 30, 1996, and the Fixed Multiplier for the Period July 1, 1995 to June 30, 1996		
7-608-97-001-Q	04/23/97	Quality Control Review of Price Waterhouse/Casablanca's Audit of USAID's Cooperative Agreement with Centre de l'Entreprise du Maroc Under the New Enterprise Development Project (No. 608-0204) for the Period April 1, 1994 through January 31, 1996		
		Other Reports		
B-180-97-002-S	09/26/97	Survey Report on Potential Problems Relating to Mission Closures in the ENI Bureau		
6-263-97-001-S	07/13/97	Follow-up Review on Recommendation Nos. 1 and 2 from Audit of USAID/Egypt's Economic Support Fund Cash Transfer Program, Report No. 6-263-96-003		
7-608-97-003-S	04/23/97	Follow-up Review on Recommendation No. 4 from the Audit of USAID's Management of Project-Funded Commodities in Morocco, Audit Report No. 7-608-94-009		
7-675-97-004-S	05/29/97	Survey Report on Lack of Adequate Audit Coverage of P.L. 480 Title III Program Found During the Audit of USAID/Guinea's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
7-688-97-005-S	06/06/97	Survey Report on the Lack of Adequate Audit Coverage for Local Currencies Generated Under the P.L. 480 Program Found During the Audit of USAID/Mali's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
7-688-97-006-S	09/19/97	Survey Report on Excess Fiscal Year 1997 Self-Help Obligations and an Internal Control Weakness Found During the Audit of USAID/Mali's Review and Certification of Unliquidated Obligations for Project and Non-Project Assistance		
9-000-97-003-S	06/20/97	Survey Report on USAID Activities in Countries Without Resident USAID Direct Hires		

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**Audit Reports Over Six Months Old
With No Management Decision
As of September 30, 1997**

<i>REPORT NUMBER</i>	<i>AUDITEE</i>	<i>ISSUE DATE</i>	<i>CURRENT RECOMMENDATION STATUS</i>	<i>DESIRED DECISION TARGET DATE</i>
0-000-94-001-N	Development Alternatives, Inc.	10/29/93	Recommended that USAID/Rwanda resolve the \$14,422 in unsupported costs. OIG issued a follow-up memorandum on June 30, 1997 and has not yet received a response.	12/31/97
0-000-94-028-R	U.S. Export Council for Renewable Energy	05/12/94	Recommended that USAID's Office of Procurement resolve the \$66,175 of unallowable costs. The Office of Procurement is working on a response and expects to make a management decision during the first quarter of fiscal year 1998.	12/31/97
0-000-94-004	Direct Loan Program	06/30/94	Recommended that the Assistant Administrator for the Bureau of Management, within 60 days, develop and implement a plan and timetable to address the deficiencies in the internal control structure for the Direct Loan Program. The Chief Financial Officer (CFO) responded that this recommendation did not apply because the day-to-day operations will be contracted out. The contracting out of day-to-day operations has not been completed and some conditions found in the audit have not changed significantly. OIG issued a follow-up memorandum in April 1997 and has not received a response.	12/31/97
0-000-94-421-R	American University of the Caribbean	09/13/94	Recommended that ASHA review and determine the allowability of construction costs totaling \$1,447,806. ASHA submitted a proposed management decision, the OIG has requested additional information.	12/31/97
0-000-95-402-R	Ludhiana Christian Medical College Board	01/04/95	Recommended that ASHA obtain a refund of \$86,000 and determine the allowability of \$200,000. ASHA submitted a proposed management decision; the OIG has requested additional information.	12/31/97
0-000-95-037	Housing Guaranty Program	06/30/95	Recommended that USAID's Chief Financial Officer fully develop and implement adequate claims and receivable controls which address the concerns raised. The CFO responded that this recommendation did not apply because the day-to-day operations will be contracted out. The contracting out of day-to-day operations has not been completed and some conditions found in the audit have not changed significantly. OIG issued a follow-up memorandum in April 1997 and has not received a response.	12/31/97
0-000-96-013	Miscellaneous U.S. Dollar Trust Funds	04/01/96	Recommended that USAID's Chief Financial Officer establish procedures to assure that receipts, expenditures and balances of U.S.	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
			Dollar Advances from Foreign Governments Trust Fund are periodically verified with the participating host government. The response provided was not complete and additional clarification of the proposed internal control improvements was requested in April 1997. To date, the CFO has not provided that clarification.	
0-000-96-017	Direct Loan Program	07/01/96	Recommended that the Direct Loan Program Division Chief establish internal controls, with the proper segregation of duties; reconcile applicable subsidiary ledger balance to the general ledger; and train direct loan personnel to properly execute day-to-day transactions. The CFO responded that this recommendation did not apply because the day-to-day operations will be contracted out. OIG issued a follow-up memorandum in April 1997 and has not received a response.	12/31/97
0-000-96-018	Micro and Small Enterprise Development	07/01/96	Recommended that USAID's Chief Financial Officer ensure that financial management staff receive adequate training and sufficient supervisory oversight. The CFO responded that this recommendation did not apply because the day-to-day operations will be contracted out. OIG issued a follow-up memorandum in April 1997 and has not received a response.	12/31/97
0-000-96-019	Housing Guaranty Program	07/18/96	Recommended that USAID's Chief Financial Officer ensure that continuous and adequate supervision be incorporated into the Office of Financial Management/Loan Management Division's daily operations and address the question of USAID's labor charging practices; and that the Office of Financial Management/Loan Management Division continue its efforts toward improving and more clearly defining the Division's responsibilities and operations. To date, no response has been received.	12/31/97
0-000-97-004-D	Morrison-Maierle, Inc.	11/15/96	Recommended that USAID's Office of Procurement make a management decision on \$1,136,666 in questioned costs. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-045-A	Population Services International	12/03/96	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$1,750. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-007-A	Adventist Development and Relief Agency, International	12/12/96	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$63,972. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-019-A	IRI Research Institute, Inc.	12/13/96	Recommended that USAID's Office of	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
			Procurement make a management decision on the adequacy of the recipient's plan to improve its financial position, as detailed in the audit report. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	
0-000-97-036-A	Midwest Consortium for International Action	12/18/96	Recommended that USAID's Office of Procurement make a management decision on total questioned costs of \$833,795. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-052-A	Volunteers in Overseas Cooperative Assistance	12/18/96	Recommended that USAID's Office of Procurement ensure that the grantee not charge the cost of its unoccupied office space to USAID. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-070-A	Institute for Contemporary Studies	12/19/96	Recommended that USAID's Office of Procurement make a management decision on the questioned costs of \$146,452. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-051-A	Catholic Relief Services	12/26/96	Recommended that various USAID Offices make a management decision on internal control weakness and \$775,349 in questioned costs. OIG sent a follow-up memorandum on July 14, 1997 and has not yet received a response.	12/31/97
0-000-97-078-A	International City/County Management Association	12/26/96	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$19,572. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-093-A	National Cooperative Business Association	12/30/96	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$14,663. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-092-A	Citizens' Democracy Corps, Inc.	01/03/97	Recommended that USAID's Office of Procurement make a management decision on material internal control weaknesses. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-117-A	CSLA, Inc.	01/03/97	Recommended that USAID's Office of Procurement make a management decision on internal control weakness and followup on the action(s) of CSLA to correct the deficiency in the internal controls. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-046-A	Population Council, Inc.	01/13/97	Recommended that USAID's Office of	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
			Procurement make a management decision on the adequacy of the grantee's actions to correct the findings and respond to the recommendations in the report. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	
0-000-97-091-A	Carter Center, Inc.	01/14/97	Recommended that USAID's Office of Procurement make a management decision on the three material noncompliance issues. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-043-A	Pathfinder International	01/17/97	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$24,204. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-065-A	Africare	01/17/97	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$4,872. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-100-A	Internews Network	01/29/97	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$345,203 incurred and recover amounts determined to be unallowable. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-009-D	Abt Associates, Inc.	02/14/97	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$45,662. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-001-C	USAID's Financial Statements	02/24/97	Recommended that USAID's Chief Financial Officer develop and implement procedures to ensure that journal vouchers for the general ledger are properly prepared by accounting staff and reviewed by supervisors; require that journal vouchers be adequately supported prior to entering the financial data into the general ledger; provide adequate supervision to ensure that all adjusting entries entered into the general ledger system are supported and authorized; identify and reconcile all suspended and unapplied balances; develop and implement detailed written procedures which provide adequate guidance to the financial management staff for properly recording transactions as they occur and which ensure that personnel perform timely reconciliation and the identified differences are resolved; provide qualified and continuous supervision to ensure that personnel properly perform reconciliations; and require documentation of the second party reviews to ensure that personnel properly perform	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
			reconciliations and resolve the differences. The OIG is awaiting a response.	
0-000-97-103-A	Management Sciences for Health, Inc.	03/24/97	Recommended that USAID's Office of Procurement make a management decision on questioned costs of \$12,051. USAID's Office of Procurement has not responded to the audit report or subsequent follow-up memorandums.	12/31/97
0-000-97-010-D	Black and Veatch, International	03/26/97	Recommended that USAID's Office of Procurement make a management decision on the allowability of questioned indirect costs. USAID's Office of Procurement has not responded to the audit report or subsequent memorandums.	12/31/97
0-000-97-011-D	Black and Veatch International	03/31/97	Recommended that USAID's Office of Procurement make a management decision on the allowability of questioned indirect costs. USAID's Office of Procurement has not responded to the audit report or subsequent memorandums.	12/31/97
0-000-97-107-A	Nature Conservancy	03/31/97	Recommended that USAID's Office of Procurement make a management decision on the material internal control weakness. USAID's Office of Procurement has not responded to the audit report or subsequent memorandums.	12/31/97
0-000-97-122-A	National Council of Negro Women, Inc.	03/31/97	Recommended that USAID's Office of Procurement make a management decision on the suitability of the National Council of Negro Women, Inc.'s internal control weakness corrective action plan. USAID's Office of Procurement has not responded to the audit report or subsequent memorandums.	12/31/97
1-521-95-001-N	International Lifeline, Inc.	10/06/94	Recommended that USAID/Haiti resolve \$722,893 in questioned costs. Responsibility has been transferred to the Bureau for Humanitarian response.	Unknown
4-615-97-064-R	Christian Health Association	11/12/96	Recommended that USAID/Kenya determine the allowability and collect, as appropriate, questioned unsupported costs of \$9,789 identified in the audit report. OIG sent a follow-up memorandum on June 25, 1997; no response has been received by USAID/Kenya.	12/31/97
4-000-96-001	Disaster Assistance Program	09/26/96	Recommended that the Bureau for Humanitarian Assistance collect \$325,760 in questioned costs from Save the Children Foundation and recover, as appropriate, payments to non-governmental organizations for customs taxes and duties. The Bureau is reviewing documentation.	10/15/97
6-294-96-018-N	America-Mideast Education and Training Services/Jerusalem	04/11/96	Recommended that USAID/West Bank and Gaza resolve \$635,426 in questioned costs. AMIDEAST has requested several extensions to respond to the audit recommendation.	12/31/97
8-TR-96-006	Action Internationale Contre La Faim	07/17/96	The Grant Officer is resolving indirect rates.	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
8-TR-96-007	Medecins Sans Frontieres	07/25/96	Recommended that the Grant Officer resolve the \$22,663 in questioned costs. The OIG sent a follow-up memorandum on July 14, 1997 and no response was received. When the OIG contacted M/OP/A, they indicated they could not locate the report. OIG will supply another copy.	12/31/97
8-TR-96-008	Medecins Du Monde	08/02/96	Recommended that the Grant Officer resolve the FF 385,313 in unsupported costs and FF 5,960. M//OP/A is currently working on these recommendations and a management decision is forthcoming.	12/31/97
8-TR-96-009	Feed the Children	08/14/96	Recommended that the Grant Officer resolve the questioned costs of (40,327) in 1994 and 244,554 in 1995. The OIG sent a follow-up memorandum on July 14, 1997. M/OP/A is currently working on these recommendations; however they have requested another audit from DCAA and will not reach any management decision prior to completion of the next DCAA audit.	12/31/97
8-000-96-001-R	International Committee for Economic Reform and Coop.	09/13/96	Recommended that the grant officer needs ensure the recipient meet its cost sharing requirements under the grant. The OIG sent a follow-up memorandum on July 14, 1997. When the OIG contacted M/OP/A, they indicated they could not locate the report. The OIG will supply another copy.	12/31/97
8-TR-97-002	Mines Advisory Group	10/01/96	Recommended that the grant officer require the Mines Advisory Group to correct the weakness in its accounting system. The OIG sent a follow-up memorandum on July 14, 1997 and no response was received. When we contacted M/OP/A they indicated they could not locate the report, OIG will supply another copy.	12/31/97
8-TR-97-004	Medecins Sans Frontieres	10/28/96	Recommended that the Grant Officer resolve the \$8,254 in questioned costs. In its response dated October 10, 1997 M/OP/A has collected \$5,307 from the recipient and determined the balance to be allowable."	10/31/97
8-000-97-005-D	Medecins Sans Frontieres	12/06/96	Recommended that the grant officer require the recipient to correct the weaknesses in its accounting system. In its response dated October 10, 1997 M/OP/A states its has received an action plan from the weaknesses in its accounting system and internal controls.	12/31/97
8-000-97-006-D	Norwegian People's Aid	02/19/97	Recommended that the Grant Officer require Norwegian People's Aid to refund to USAID the excess amount of \$681,754 under the completed grants and resolve questioned costs of \$38,918 arising from exchange rate difference for the audited years, 1994 and 1995. The OIG sent a fellow-up memorandum on July 14, 1997 and no response has been received.	12/31/97

Table B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
9-000-94-011	Family Health International	07/29/94	The audit identified questioned costs of \$1.6 million of which the grant officer sustained and issued a bill of collection for \$1.2 million. The OIG agreed with the management decision to collect this amount. Subsequently, the grant officer reversed his decision and negotiated with Family Health International to sustain only \$540,105. The OIG is reviewing the grant officer's basis for negotiating the lower amount.	12/31/97
9-000-96-001	Patent Reporting, Disclosure, and Procurement	12/05/95	The recommendation requires correcting internal control weaknesses. The OIG and the Agency Research Council differ on the corrective action needed. The recommendation will be discussed by the Management Review Control Committee in December 1997.	12/31/97
A-000-97-001-P	Review and Certification of Funds Obligated for Operating Expenses	02/07/97	Recommended that the Office of Financial Management ensure (a) adequate staffing and supervision of the 1311 review process and (b) that the Accounting Division completes its management control and risk assessment of the Operating Expense Branch. The OIG is waiting for an FM response which clarifies their position on the impact of the New Management System in making the corrective actions.	12/31/97

**Significant Audit Recommendations Described In
Previous Semiannual Reports Without Final Action
As of September 30, 1997**

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
3-000-95-010	Management of Host Country-Owned Local Currency	03/30/95	1.1	03/30/95	03/98
			2.1	03/30/95	03/98
3-615-96-006	USAID/Kenya's Population Activities	05/31/96	3.1	11/21/96	TBD
			3.2	11/21/96	TBD
4-000-96-001	USAID's Disaster Assistance Program in Angola	09/20/96	2.1	No Decision	01/98
			2.2	09/20/96	01/98
			4	09/20/96	01/98
			5	No Decision	01/98
4-674-97-003-P	USAID/South Africa's Role in Obtaining Audits of Its Contracts, Grants, and Cooperative Agreements	02/07/97	1.1	02/07/97	TBD
			1.2	02/07/97	TBD
			1.3	02/07/97	TBD
5-497-97-001-P	USAID/Indonesia's Monitoring of Technical Assistance Contracts and Grants	01/27/97	1.1	04/24/97	TBD
			1.2	04/24/97	TBD
			2.1	04/24/97	TBD
			2.2	04/24/97	TBD
6-294-96-006-N	Society for the Care of the Handicapped in Gaza	11/28/95	1	06/16/96	TBD
6-294-96-018-N	AMIDEAST/Jerusalem	04/11/96	1	No Decision	01/98
6-294-96-001	Gaza Housing Project	11/21/95	2	11/21/95	03/98
6-263-97-002-P	USAID/Egypt's Democracy Activities	02/19/97	2	02/19/97	10/97
7-683-96-005	USAID/Niger Cash Transfers	05/31/96	1.1	05/31/96	TBD
7-624-97-001-P	REDSO/West and Central Africa's P.L. 480 Title II Non-Emergency Food Aid Program in Burkina Faso	11/29/96	2	01/03/97	TBD

Table C

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
			6	01/28/97	01/98
			7.1	11/29/96	01/98
			7.2	11/29/96	01/98
			8	11/29/96	TBD
7-641-97-002-P	USAID/Ghana Non-Emergency Title II Food Aid Programs Implemented Through PVOs/CDOs	11/29/96	2	11/29/96	11/97
			3	11/29/96	11/97
			4	11/29/96	11/97
			6.1	11/29/96	11/97
			6.2	11/29/96	11/97
			6.3	11/29/96	11/97
7-685-97-003-P	USAID/Senegal's Implementation of the Govt. Performance and Results Act for Environment - Natural Resources Management and Biodiversity Activities	02/21/97	1	02/21/97	TBD
			2	02/21/97	TBD
			4	03/25/97	TBD
			5.1	03/25/97	TBD
			5.2	02/21/97	TBD
			5.3	02/21/97	TBD
7-688-97-006-R	Road Reinforcement Service Under the Upper Valley Development Project (Mali)	02/13/97	1	05/19/97	TBD
8-180-95-015	Economy & Efficiency of Central & Eastern Europe Enterprise Funds	08/25/95	1	09/25/97	03/98
8-000-97-008-P	The Bureau for Europe and the New Independent State's Implementation of the Govt. Performance and Results Act for Democracy - Civil Society Activities	03/18/97	1	03/18/97	10/97/
			2	03/18/97	10/97
9-000-93-006	Audit of A.I.D.'s Accounts Receivable	08/31/93	2	03/23/94	TBD
			4.2	03/23/94	TBD
			6	08/31/93	03/98

Table C

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
9-000-95-005	USAID/Washington's Management of Cash Advances to Recipient Organizations	12/15/94	2	12/15/94	10/97
			3	12/15/94	10/97
			8	12/15/94	10/97
9-000-96-001	Patent Reporting, Disclosure and Procurement	12/05/95	1.1	12/05/95	12/98
			1.2	12/05/95	12/98
			2.1	12/05/95	12/98
			2.2	02/05/97	04/98
			3	02/05/97	04/98
			4	No Decision	12/97
			5.1	12/05/95	04/98
			5.2	12/05/95	12/98
			6	12/05/95	12/98
9-000-96-002	Accountability for USAID Funds with Non-U.S. Grantees	12/29/95	1.2	12/29/95	TBD
			1.3	12/29/95	TBD
			1.4	12/29/95	TBD
9-000-96-005	Controls Over the Quality of Financial Management Data	07/11/96	1	07/11/96	03/98
9-527-96-007	USAID/Peru's Management of Non-Emergency Food Aid Programs	09/20/96	9.1	02/14/97	02/98
			12.1	02/14/97	02/98
			12.2	02/14/97	02/98
A-000-97-001-P	USAID/Washington's Review and Certification of Funds Obligated for Operating Expenses	02/07/97	1.2	No Decision	09/98
			1.3	No Decision	09/98
A-000-97-004-P	Worldwide Deployment of the New Mangement System	03/31/97	1	08/18/97	TBD
			2	08/18/97	TBD
			3	08/18/97	TBD

Table D

REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS

April 1, 1997 through September 30, 1997

(Dollars in Thousands)

<i>REPORTS . . .</i>	<i>NUMBER OF AUDIT REPORTS</i>	<i>QUESTIONED COSTS</i>	<i>UNSUPPORTED COSTS¹</i>
For which no management decision had been made as of April 1, 1997	91	\$15,478 ^{2,3}	\$7,024 ²
Add: Reports issued April 1, 1997 through September 30, 1997	78	\$5,380 ⁴	\$2,227
Subtotal	169	\$20,858	\$9,251
Less: Reports with a management decision made April 1, 1997 through September 30, 1997	91	\$8,558 ^{5,6}	\$4,982 ^{5,6}
For which no management decision had been made as of September 30, 1997	81	\$12,300 ⁷	\$4,270 ⁷
For which no management decision was made within six months of issuance	26	\$9,270	\$3,144

¹ Unsupported Costs are included in Questioned Costs, but are provided as additional information as required by the Inspector General Act Amendments of 1988 (P.L. 100-504).

² Amounts include \$2,908,756 in Questioned Costs and \$75,693 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

³ The ending balance at March 31, 1997 (\$15,438,352), was increased by \$39,870 in Questioned Costs to reflect increases in the amount of recommendations contained in one report.

⁴ Amounts include \$4,294 in Questioned Costs for audits performed for the IG by other federal audit agencies.

⁵ Agency Officials disallowed \$1,101,538 in Questioned Costs (\$444,507 in Unsupported Costs) cited in 55 reports. Agency Officials did not sustain \$7,456,776 in Questioned Costs (\$4,537,087 in Unsupported Costs) cited in 65 reports.

⁶ Amounts include \$123,037 in Questioned Costs and \$3,290 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

⁷ Amounts include \$2,790,013 in Questioned Costs and \$72,403 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

**REPORTS ISSUED WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**
April 1, 1997 through September 30, 1997

(Dollars in Thousands)

<i>REPORTS . . .</i>	<i>NUMBER OF AUDIT REPORTS</i>	<i>DOLLAR VALUES</i>
For which no management decision had been made as of April 1, 1997	5	\$4,138 ¹
Add: Reports issued April 1, 1997 through September 30, 1997	7	\$82,390
Subtotal	12	\$86,528
Less: Reports with a management decision made April 1, 1997 through September 30, 1997	10	\$8,431 ²
For which no management decision had been made as of September 30, 1997	2	\$78,097
For which no management decision was made within six months of issuance	0	\$0

¹ The ending balance at March 31, 1997 (\$2,599,875), was increased by \$1,538,283 to reflect increases in the amount of recommendations contained in two reports.

² Agency Officials agreed with \$4,429,636 in actions cited in seven reports, and Agency Officials did not agree with \$4,001,810 in actions cited in six reports.

OIG STATISTICAL SUMMARY

Investigative Actions

Workload

Cases Pending (4/1/97)	106
Cases Opened	24
Cases Closed	43
Cases Pending (9/30/97)	87

Civil

Civil Referrals
Complaints
Judgements/Recoveries
Settlements

Criminal

Prosecutive Referrals	6
Prosecutive Declinations	10
Indictments	1
Convictions	1
Terminations	2
Fines	0
Restitutions	0

Administrative

Reprimands
Personnel Suspensions
Resignations/Terminations
Contract/Grant/CoAgr
Recoveries
Suspensions/Debarments
Savings

1

Investigative Recoveries

Settlements	\$527,000
Administrative Recoveries	<u>\$2,149,497</u>
Total Investigative Recoveries	<u>\$2,676,497</u>