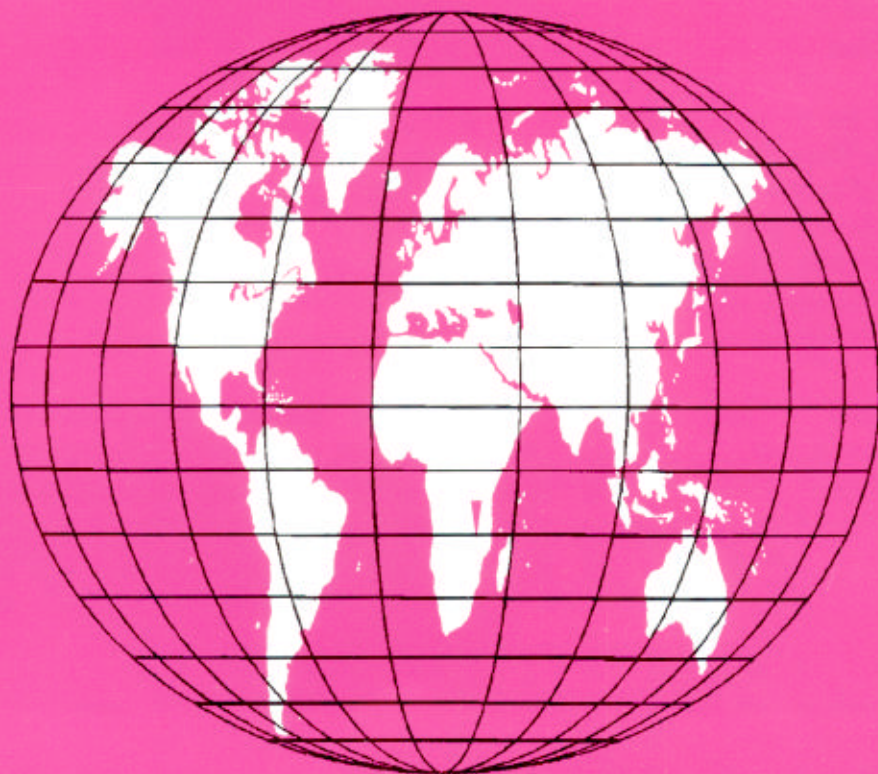


USAID

OFFICE OF INSPECTOR GENERAL

*Semiannual Report to the Congress
April 1, 1998 – September 30, 1998*



U.S. Agency for
International Development

History of the Inspector General at USAID

October 1998 marks the 20th anniversary of the Inspector General Act of 1978 (IG Act). The Office of Inspector General (OIG) at the U.S. Agency for International Development (USAID) was predated by the Office of Auditor General.

The Auditor General

When U.S. Government foreign assistance programs were consolidated into USAID from the International Cooperation Agency (ICA) and other departments and agencies, the audit function was performed by the Audit Division under the direction of the USAID Controller. In the 1960's, the need for greater independence for the audit function was identified throughout government. At USAID, there was pressure to have the audit function report directly to the Administrator and pressure to retain the function under the Controller. As change came to other departments and agencies, it also came to USAID.

When the Auditor General at USAID was established by administrative decision it was comprised of audit, inspection and investigation, and security branches. The first Auditor General was Edward Tennett. A statutory basis for the Auditor General of USAID was established in 1978 by an amendment (P.L. 95-424 of October 6, 1978) to the Foreign Assistance Act of 1961. Introduced by Senator Charles Percy (Illinois), the amendment ensured the permanency of the Auditor General in USAID. An annual report to the Congress was a requirement.

The President, by memorandum of December 13, 1978, extended significant features of the Inspector General program to all executive departments and agencies. The memorandum stated that the elimination of waste, fraud, and error should be as important as program objectives. As a result, the Auditor General assumed broader responsibilities for the promotion of economy and efficiency and the detection of fraud and abuse in USAID operations.

The Auditor General was authorized 210 positions in fiscal year 1978. Eighty U.S. direct hire positions and 36 foreign service national (FSN) positions were located overseas. The Auditor General maintained field offices in Karachi, Pakistan; Panama City, Panama; Manila, Philippines; Cairo, Egypt; and Nairobi, Kenya. The Auditor General budget was nearly \$9.5 million and the scope of the Auditor General oversight in fiscal year 78 was approximately \$12.5 billion. The first Auditor General annual report to Congress was issued for fiscal year 1978.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

October 30, 1998

Dear Mr. Atwood:

Enclosed is my Semiannual Report to the Congress for the period ending September 30, 1998.

The U.S. Agency for International Development (USAID) has three serious management problems. USAID financial management systems are not capable of producing complete, reliable, timely, and consistent financial information. USAID information systems have inadequate security and access controls, are not Year 2000 compliant, and contribute little to the decision-making processes of the agency. USAID's resource/results system is not a system; it is merely a means to collect and analyze resource and results information. It does not provide USAID with the ability to link resources to results.

USAID has faced many challenges in its efforts to provide economic support, development assistance, and humanitarian assistance around the world. The obstacles to success have generally been viewed as external to the agency. This report to Congress describes significant deficiencies in the agency's financial management, information management, and resource/results management systems. These internal management problems, if not corrected, may pose an even greater obstacle to the agency's success.

This year marks the 20th anniversary of the Inspector General Act of 1978. I am proud of the many contributions that the Office of Inspector General (OIG) has made to USAID. The staff of the OIG is committed to the agency's success.

Sincerely,

Jeffrey Rush, Jr.
Inspector General

Enclosure: a/s

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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:

<u>Reporting Requirement</u>	<u>Page Reference(s)</u>
(1) Significant Problems, Abuses and Deficiencies	6-25, 30-34
(2) Recommendations for Corrective Action	6-25
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EXECUTIVE SUMMARY

During the semiannual reporting period from April 1, 1998 through September 30, 1998, the OIG issued 217 audit reports with monetary recommendations valued at about \$5.1 million. In addition, the OIG completed 13 investigations and achieved recoveries of \$159,241. Significant results from audits and investigations are summarized in the following sections.

Audit Results

- Since 1993, USAID has not conducted regular post transaction reviews of \$225 million provided annually to developing countries under its Commodity Import Program (CIP), yet such reviews are required by Federal regulations. The reviews ensure that commodity prices under the program do not exceed the price prevailing in the U.S. The reviews in prior years identified, on average, \$2.6 million in annual overpayment, and case referrals to the OIG in investigations led to more than \$8 million in additional recoveries as well as numerous criminal prosecutions for fraudulent activities.
- The beginning of the Year 2000 could be accompanied by major disruptions in business operations unless computer systems are modified to handle Year 2000 dates. USAID has made some progress in preparing its computer systems for operational use in the Year 2000. However, it still must overcome major challenges if it is to avoid operational disruptions at the turn of the century, including: completing assessments of mission, bureau and program-funded systems; completing detailed schedules and resource estimates to repair mission-critical corporate systems; and, preparing contingency plans to ensure continuity of business operations in the event of disruptions from Year 2000 problems.
- The OIG has completed the first audits of a world-wide review on the quality of mission Results Review and Resource Request reports (R4) prepared in 1997, a USAID system for measuring program performance and resource allocation. The OIG audited R4s prepared by missions to determine if the results data reported in them were objectively verifiable, supported, accurate, complete and validated - characteristics of good management information and requirements of the Government Performance and Results Act (GPRA). To-date, the OIG has found that the reported data has not met the above characteristics.
- OIG review of USAID's Annual Performance Report for fiscal year 1997 found that USAID is not reporting performance data that is collected annually, long time lags exist between data collection and publication, and performance data goes to accomplishments beyond USAID's direct influence. The OIG reports that USAID's current approach to reporting results will prevent it from meeting the intended purposes of the Government Performance and Results Act's (GPRA) requirements for the first mandated March 2000 Annual Report.

- The OIG audit of fiscal year 1998 consolidated financial statements is currently underway. To-date, the OIG has determined that little has changed from the previous year regarding the maintenance of day-to-day financial information recording and preparation of financial statements. Several audits conducted pursuant to the Government Management Reform Act of 1994 found that USAID's general controls were ineffective for five of six General Accounting Office-established categories.

Investigations Results

- In an ongoing investigation spanning from July 1995 to the present, a Federal Grand Jury returned a ten-count indictment against a U.S. supplier and its U.S.-based company. The company had contracted with a USAID grantee to procure \$151,800 in specifically identified medical equipment and supplies to outfit an education and rehabilitation center for disabled children in Poland. The indictment charged that the supplier devised a scheme to defraud the U.S. Government by making false representations to both the grantee and USAID and that the supplier falsely represented the value of the supplies and equipment sent to the center. Criminal action is currently pending in the U.S. District Court, Eastern District of Missouri.
- Based on an allegation that a forged check had been fraudulently negotiated on a USAID contractor's local currency bank account in Haiti, an OIG investigation led to the reimbursement of \$110,000 to the contractor's bank account. The Haitian bank acknowledged both its negligence in negotiating the forged check and its responsibility to reimburse the USAID contractor for the loss. Further, the bank realized it did not follow its own internal procedures regarding the verification and authentication of checks with such a large monetary value.
- Following numerous allegations of misconduct by senior management at an overseas Mission, an OIG investigation was conducted which led to a two month suspension without pay of a USAID Mission Director. The suspension was imposed for administrative violations which included extensive misuse of government vehicles and misuse of subordinates' time. The misuse included using government vehicles and employees to transport visiting non-dependent family members throughout the country, to conduct personal errands and attend personal appointments, and to frequent local restaurants when the dining was not official business. The investigation also uncovered evidence that the Mission Director did not make proper reimbursement to the U.S. Government for the personal use of the vehicles and employees.
- During the course of this reporting period, an investigation was initiated based on an allegation received at the USAID Mission in Bosnia that a Foreign Service National (FSN) employee offered the director of a publishing company help to obtain a loan under the USAID-financed loan program in return for a fee. The FSN had recently been designated as the Contracting Officer's Technical Representative for the company's contract. The publishing director made two cash payments to the FSN and was under pressure for a third payment. The investigation confirmed that the employee had agreed to assist the company in preparing its loan application, including its business plan, and that the FSN had solicited a bribe for this help. The FSN's contract with the Mission was immediately terminated.

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, 1998 through September 30, 1998.

Type of Report	Number of Reports	Monetary Recommendations (\$ thousands)
Financial Audits:		
USAID financial statement audits	1	0
Financial-related audits of USAID programs and operations	9	324
Audits of U.S.-based organizations	19	678
Audits of non-U.S.-based organizations	106	2,785
Audits of Enterprise Funds	0	0
Audits of U.S.-based contractors performed by the Defense Contract Audit Agency (DCAA)	25	507
Audits of non-U.S.-based organizations performed by DCAA	11	413
Performance audits:		
Economy and efficiency audits	19	421
Miscellaneous reports:		
Quality control reviews	9	0
Other reports	18	1
Totals for the current period	<u>217</u>	<u>5,129</u>

Financial Audit Program

The OIG's financial audit program comprises audits of financial statement and financial-related USAID activities, as well as reviews of audits of USAID activities 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 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 Management Improvement Act of 1996. Each of these laws concern 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 provisions are intended to: (1) bring more effective general and financial management practices to the Federal Government; (2) provide for improvements in 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 requires that Federal agencies have audited annual financial statement for each of their revolving funds and trust funds. USAID has seven revolving funds and trust funds which require audited financial statements under the CFO Act.

Government Management Reform Act of 1994

The Government Management Reform Act (GMRA) of 1994 builds on the CFO Act by extending the requirement for audited financial statements for revolving funds and trust funds to audited consolidated financial statements which cover the operations of each agency. 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 GMRA, 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:

- 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 Act, USAID must 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. The Act also requires, beginning with the fiscal year 1997 audit of agency financial statements, that auditors report whether the agency's financial management system complies with these system and accounting requirements.

Scope of Financial Statement Audits

Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the organization's 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 financial statements are presented fairly in all material respects.
- **Qualified**—issued when (1) there are restrictions on the scope of the audit or (2) the financial statements contain a material departure from the applicable accounting principles but there is sufficient confidence in the internal controls and supporting documentation and the departures do not lead to conclusions that the financial statements, taken as a whole, are not presented fairly.
- **Adverse**—issued when the financial statements, taken as a whole, are not presented fairly.
- **Disclaimed**—issued when an opinion cannot be formed or has not been formed as to the fair presentation of the financial statements because of scope limitations resulting from the inability to obtain sufficient, competent, evidential matter.

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.

Audit of USAID's Financial Statement, Internal Controls and Compliance for Fiscal Years 1997 and 1996

In March 1998, the OIG issued a disclaimer of opinion in its audit report on USAID's consolidated financial statements for fiscal years 1997 and 1996, because the scope of the audit was impaired due to (1) material weaknesses in USAID's internal controls, which precluded the OIG from obtaining sufficient evidential matter to complete the audit; (2) the lack of complete, reliable, timely, and consistent financial information, which precluded the OIG from performing necessary audit testing; (3) the lack of a USAID plan for compiling the financial statements, which prevented the OIG from adequately planning the nature, timing, and extent of audit testing; and (4) the lack of timely access to documents that were critical to the audit at the time the documents were requested. Also, during fiscal year 1997, USAID tried to establish a new integrated financial management system as part of its New Management System, but the system did not work as intended. As a result, USAID was relying on a combination of older legacy systems, informal records maintained by individual managers or organizational units, and the new system.

The OIG report found many internal control weaknesses that have existed for years, as identified in prior audit reports and USAID reports on internal controls. The most significant weaknesses reported in USAID's report for fiscal year 1997 under the Federal Managers' Financial Integrity Act related to (1) the primary accounting system, (2) data reconciliation, (3) accounts receivable, (4) financial management procedures, and (5) the direct loan program. In attempting to audit USAID's financial statements for fiscal year 1997, the OIG identified additional material internal control weaknesses. Some of the additional weaknesses related to:

- reviewing obligated and unobligated balances,
- processing letters of credit, and
- accruing expenditures for advances and prepayments

The material weaknesses in internal controls impair the Office of Financial Management from providing complete, reliable, timely, and consistent financial information. These weaknesses are due primarily to the lack of an effective integrated financial management system.

As a result of the material weaknesses in USAID's internal controls during fiscal year 1997 and the consequential risk of material misstatements in its financial statements, the amount of substantive testing required to express an opinion on the presentation of the financial statements was prohibitive and unattainable.

Although the OIG could not fully report on USAID's compliance with applicable laws and regulations because of scope impairments, several instances of noncompliance were reported. First, USAID's financial management systems do not comply with (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. Other instances of material noncompliance came to the OIG's attention with respect to the requirements of the Computer Security Act of 1987, the Budget and Accounting Procedures Act of 1950, the Antideficiency

Act, the Chief Financial Officers Act of 1990, the Supplemental Appropriations Act of 1955, the Prompt Payment Act of 1982, the Debt Collection Act of 1982, the Debt Collection Improvement Act of 1996, the Foreign Assistance Act of 1961 as amended in 1968, and the Federal Managers' Financial Integrity Act of 1982.

The audit report included 10 new recommendations that focused on improving internal controls and compliance with laws and regulations. USAID management agreed with 7 of the recommendations, partially agreed with 1 recommendation, and disagreed with 2 recommendations. The OIG plans to seek clarification of USAID management's position during the audit follow-up process.

Audit of USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Year 1998

The OIG audit of USAID's fiscal year 1998 consolidated financial statements is currently underway. To date, the OIG has determined that little has changed from the previous year regarding the maintenance of day-to-day financial information recording and preparation of financial statements. USAID still relies extensively on existing legacy systems and the New Management System to maintain its records and produce financial statements. While the OIG has observed some improvements in the Loan Management area, material internal control weaknesses still exist in USAID's (1) primary accounting system, (2) data reconciliation, (3) accounts receivable, (4) financial management procedures, and (5) the direct loan program.

Because USAID relies heavily upon computerized information systems to record, process, and report financial transactions and events, an integral part of our internal control evaluation is the assessment of general controls for the automated systems and manual processes. General controls are the policies and procedures that apply to all or a large segment of an entity's information systems and help ensure their operation.

In several audits conducted in Washington, the OIG found that USAID's general controls were ineffective for five of the six categories established by the General Accounting Office.¹ The OIG also found that general controls in USAID missions over local operations of the Mission Accounting and Control System were ineffective. Under General Accounting Office financial statement auditing standards, these weaknesses in general controls require the OIG to assess the risk associated with auditing the financial statements at the maximum level because the automated systems to produce reliable information cannot be relied upon. Therefore, maximum substantive testing would be required to express an opinion on the fairness of the financial statements.

The OIG is focusing its resources to analyze currently known problems and issues. By focusing on these issues it can better assist USAID in making necessary improvements and ultimately remove these longstanding issues. The OIG will focus its audit resources on the following areas:

¹The General Accounting Office established the following six major categories of general controls that auditors should consider: the entity-wide security program, access controls limits, application software development and change controls, segregation of duties, system software controls and service continuity controls.

- analyzing USAID's Fund Balance with the U.S. Treasury reconciliation process to identify areas for improvement
- verifying credit program balances with debtors
- assessing USAID's migration plan of loan balance to Riggs National Bank for loan servicing
- performing Office of Personnel Management agreed upon procedures regarding payroll as required by OMB Bulletin No. 98-08
- assessing USAID's compliance with the Debit Collection Improvement Act of 1996
- analyzing USAID's internal controls and processes over advances and Letters of Credit
- analyzing USAID's internal controls over year end accruals
- assessing USAID's financial reporting process
- reviewing Mission general controls over the Mission Accounting and Controls System
- reviewing general controls over USAID's mainframe
- reviewing general controls over USAID's client/server
- assessing USAID's financial management systems at selected Missions, and
- assessing the accuracy of financial data reported to USAID/Washington by selected Missions

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. Additionally, special purpose financial-related audits may be performed by the OIG upon request by USAID officials.

USAID is required by the Federal Acquisition Regulation, the Single Audit Act, Office of Management and Budget (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.

Audits of U.S.-Based Contractors

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 July 31, 1998, consisted of 331 contractors, of which USAID was cognizant for 213. Once bills are submitted from contractors for which USAID is the cognizant audit agency, USAID contracts with the DCAA to conduct an audit.

In the September 1996 Semiannual Report to the Congress, the OIG described its plan to restructure the financial audit function in order to meet its responsibilities under the Inspector General Act of 1978, as amended. Effective October 1, 1996, the OIG began a process to assume responsibility for coordinating DCAA financial audit work at USAID.

During this reporting period, the OIG transmitted to USAID officials 25 audit reports issued by DCAA. These 25 audits covered approximately \$255,877,292 in costs claimed by the contractors and resulted in monetary recommendations of \$506,520.

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 States, Local Governments, and Non-profit Organizations*. 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

USAID currently has grants awarded to approximately 769 U.S.-based non-profit organizations. The OIG Audit conducts desk reviews of OMB A-133 audits where USAID is the cognizant agency. The primary purpose of a desk review is to determine that all the required single audit reports contain the required information and are presented in the proper format (i.e., in accordance with Generally Accepted Auditing Standards (GAAS), Generally Accepted Government Auditing Standards (GAGAS), and OMB Circular A-133). During the current reporting period, the OIG reviewed 19 OMB Circular A-133 audit reports of U.S.-based grantees covering \$255,877,292, and monetary recommendations of \$677,611.

OMB Circular A-133 (June 30, 1997) requires non-Federal auditors to report the following as

audit findings in a schedule of findings and questioned costs in their audit reports:

- reportable conditions in the internal control structure over major programs;
- material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program
- known fraud affecting a Federal award
- known questioned costs which are greater than \$10,000 for an individual compliance requirement of a major program and known questioned costs which are greater than \$10,000 for a Federal program which is not audited as a major program
- instances where the audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding, and
- the reasons why the auditor's report on compliance for major programs is other than an unqualified opinion

Additionally, the revised Circular established a central clearinghouse designated by OMB for all non-Federal audit reports. This central clearinghouse will distribute audit reports to Federal agencies that meet the findings criteria described above. However, the Circular continues to allow Federal agencies discretion in requesting audit reports directly from recipients. USAID will continue to require its recipients to submit annual A-133 audit reports to the Agency in order to maintain adequate monitoring and tracking of its audits. An example of this type of audit follows.

Audited Financial Statements of U.S.-Based Grantee for Fiscal Year 1996

The audit identified questioned costs in the amount of \$608,363 billed to USAID by the recipient. These costs were primarily generated as a result of inadequate documentation to support their distribution. The audit also noted other system-wide findings. These findings included (1) recipient agreements not including the required terms of regulations by reference or otherwise, (2) employees salaries' and related benefits not being based on actual time charges as recorded on employee time sheets, and (3) a lack of a system to ensure that adequate supporting documentation was available for all costs. Eleven recommendations were issued to USAID management seeking decisions on the effectiveness of the recipient's systems to ensure that all costs are supported with adequate documentation and to recover any costs determined to be unallowable. (*Audit Report No. 0-000-98-041-A*)

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 generally applied the standards of OMB Circular A-133 to foreign-based grantees. USAID's foreign-based grantees receiving a minimum threshold level for USAID funding undergo annual financial audits performed by either local auditing firms or host country Supreme Audit Institutions. These audits identify unallowable

expenses charged to USAID grants.

During the reporting period, the OIG issued 106 audits of foreign-based grantees and contractors with monetary recommendations of \$2.8 million. The following is an example of a financial-related audit completed during the period.

MTK Konsult Activities in Bulgaria

MTK Konsult (MTKK), which recently changed its name to CRG International, is a Bulgarian company that has provided a variety of goods and services to U.S. contractors funded by and working on USAID/Bulgaria's Local Government Initiative Program. In October 1997, USAID/Bulgaria requested the OIG to assess the validity of alleged financial improprieties in MTKK's billings to these contractors. The OIG assisted USAID/Bulgaria in contracting with DCAA to perform an overall assessment of MTKK's accounting system. Additionally, the OIG agreed to audit the costs MTKK billed to the U.S. contractors for calendar year 1997.

In February 1998, DCAA issued a generally negative report on MTKK's accounting system. The DCAA stated that MTKK's system was not adequate to accumulate, report and bill costs under USAID grants. No formal recommendations were made, however, because USAID contractors had generally ceased using MTKK as a subcontractor, and USAID had no plans to approve any new subcontracts or extensions of subcontracts involving MTKK. (*Audit Report No. B-183-98-008-D*)

In July, 1998, the OIG issued its financial audit reports on the costs charged by MTKK to five USAID contractors during calendar year 1997. These reports covered invoiced costs totaling about \$913,000. The audits questioned the allowability of about \$166,000 or approximately 18 percent of MTKK's invoiced costs. Additionally, three of the contractors incurred costs totaling \$158,000 during a period when there was no approved contract extension. The audit reports recommended that USAID/Bulgaria require the contracting officer to determine the allowability of the questioned costs and to recover, as appropriate, any unallowable amounts billed. Finally, three of the reports recommended that USAID/Bulgaria require the contracting officer to determine the allowability of the costs incurred in the absence of an approved contract extension. (*Audit Report Nos. B-183-98-003-F, B-183-98-004-F, B-183-98-005-F, B-183-98-006-F, and B-183-98-007-F*)

Financial-Related Audits of USAID Programs and Operations

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

Cashiering Operations at Four Missions

The OIG audits cashiering operations to determine if Missions are managing their operations efficiently, economically and in accordance with USAID policy and procedures. Four Mission cashiering operations were audited -- Zimbabwe, Tanzania, Mozambique and Botswana.

USAID/Zimbabwe and USAID/Tanzania conduct cashiering operations in accordance with the

Department of State policy, as well as guidance established by the Mission on cashiering and imprest fund management. The Mission Controller is responsible for those operations which are handled by a cashier.

The audits found that USAID/Zimbabwe and USAID/Tanzania managed their cashiering operations in accordance with Agency policies and procedures. However, USAID/Zimbabwe did not always perform the required (1) unannounced monthly cash verifications to ensure that imprest funds were safeguarded and properly accounted for, and (2) annual review of the imprest fund to determine whether it was sufficient for the Mission's needs.

USAID/Zimbabwe management agreed to the above findings and characterized the audit as useful to its operations. They also agreed to be more diligent in performing monthly cash verifications and an annual analysis of the Mission's imprest fund level. Since the requirements to perform monthly cash verifications has already been formalized in its Mission Order and the annual analysis of the imprest fund is formalized in USAID's Financial Management Bulletin, the OIG is making no recommendations in the final audit report. USAID/Tanzania agreed with the audit report findings as well, and therefore the report contained no recommendations. (*Audit Report Nos. 4-613-98-008-F and 4-621-98-006-F*)

The OIG audited USAID/Mozambique and USAID/RCSA's cashiering operations in Botswana to determine if they managed their operations in accordance with Agency policies and procedures. The OIG found that USAID/RCSA and USAID/Mozambique managed their cashiering operations with economy, efficiency, and in accordance with the required USAID policies and procedures.

Surprise counts of the cash in hand showed that all transactions were satisfactorily accounted for and the U.S. dollars and local currency were counted and satisfactorily reconciled to the individual Mission imprest funds.

Reviews of the cashiering operations showed that the disbursements were properly supported and the imprest funds were reconciled daily by the cashiers. Signed receipts were obtained for all payments, and requests for reimbursements were accompanied by acceptable documentation. (*Audit Report Nos. 4-690-98-009-F and 4-656-98-007-F*)

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.

During the current semiannual reporting period, the OIG issued 19 performance audit reports. Following are summaries of several significant audits.

Government Performance and Results Act

Over the past 2 years, the OIG has reviewed the status of USAID's implementation of the Government Performance and Results Act (Results Act or GPRA). The most recent review focused on USAID's annual performance report for fiscal year 1997. GPRA requires annual performance reports, with the first mandated annual report due by March 2000. The OIG reviewed the Annual Performance Report for 1997 to assess USAID's readiness to meet the intended requirements of GPRA. The intent of these annual performance reports is to provide important decision making information to USAID managers, policy makers, and the public on its accomplishments. According to the Results Act, agency managers can use this performance information to continuously improve program effectiveness and internal management, to identify where goals are not being met, and to modify/improve planned actions to achieve goals that are not being met.

Because of USAID's current approach in reporting results in the annual performance report, the OIG anticipates that USAID's March 2000 report will not meet the intent of GPRA for timely and relevant information on USAID's performance. Currently, USAID is not reporting on performance data that is collected on a yearly basis, long time lags exist between data collection and publication, and performance data goes beyond USAID's direct influence. The OIG review of the 1997 performance data for the 26 performance goals contained 35 indicators. The OIG found that USAID reported performance data for only 1 of the 35 indicators and this data was for only 2 of the 52 countries where USAID operated. The OIG found that USAID reported performance data which was not directly influenced by USAID, but rather reflected the combined efforts and achievements of the entire international development assistance community, including development partners and recipient governments.

Given USAID's approach to reporting results, USAID will not be able to (1) review the success of achieving performance goals for fiscal year 1999, (2) evaluate the performance plan for the current fiscal year, in this case fiscal year 2000, relative to the performance achieved toward the fiscal year 1999 performance goals, and (3) explain and describe where and why a performance goal has not been met. Also, in regards to explaining why a goal has not been met, USAID would not be able to describe the plans and schedules for achieving the established performance goal; or, if the goal is impractical or infeasible, why that is the case and what action is recommended.

The OIG made no formal recommendations to USAID in the Results Act report, but did discuss related recommendations published in the OIG's September 1997 GPRA and March 1998 Government Management Reform Act of 1996 (GMRA) reports. The OIG recommended that

USAID (1) establish a common set of indicators, (2) establish procedures to ensure operating units report results for the year ended September 30, and that these results reported in annual financial statements and annual performance reports be clearly shown as achievements for that year, and (3) develop a detailed work plan which identifies the specific tasks, responsible offices/individuals, and timelines for implementing the Results Act. USAID has issued a work plan for implementing the Results Act but the plan did not address the primary issue in the report, that USAID is not reporting on USAID's performance in a timely manner. (*Audit Report No. 9-000-98-005-P*)

Audits of the Quality of Results Review and Resource Request (R4) Report

In addition to the report discussed above, the OIG is conducting a worldwide audit on the quality of mission Results Review and Resource Request reports (R4) prepared in 1997, a USAID system for measuring mission performance and resource allocation. Final reports for 7 of 18 audits have been issued. Each report noted problems.

For example, the OIG audited R4s prepared by USAID/Nigeria and USAID/Guinea to determine if the results data reported in them were objectively verifiable, supported, accurate, complete and validated - characteristics of good management information. The General Accounting Office (GAO) has noted that successful implementation of the Results Act is dependent on good information for decision making purposes. The audits at both missions concluded that the reported data did not have the above characteristics.

- The USAID/Guinea audit found that the data for 9 of the Mission's reported 15 results did not meet applicable criteria for at least one of these five characteristics.
- The USAID/Nigeria audit found that, for the reported results for two indicators, one indicator was incomplete and not validated.
- USAID/Guinea did not comply with USAID guidance for reporting results because Mission staff members were uncertain of the data collection and reporting requirements. USAID/Nigeria reported results for only three quarters of the year because that is all the data that was available when the R4 was prepared.
- Data quality problems impair Mission management's ability to measure progress in achieving program objectives and to use performance information in budget allocation decisions.

The recommendation for USAID/Guinea is that the Mission ensure that its performance indicators for 1999 are objective and clearly defined, and that performance data identified in its R4 are supported, accurate, complete and validated. For USAID/Nigeria, the recommendation is that the Mission ensure that the performance data identified in its R4 prepared in 1999 are complete and validated.

USAID officials at both missions agreed with both audit recommendations. However, USAID/Guinea took exception with the OIG standards used to determine accuracy. (*Audit Report Nos. 7-675-98-003-P and 7-620-98-004-P*)

The OIG also audited the R4 prepared by the USAID/Regional Center for Southern Africa (RCSA). RCSA had selected one performance indicator for which performance results would be reported. The OIG found this indicator to be objectively verifiable and validated. But the OIG also determined that the result reported against the indicator were not supported and, therefore, could not be regarded as accurate and complete.

Mission officials attributed this discrepancy to the fact that 1997 was only the second time they had reported program results. The report contained one recommendation to address the deficiency noted above. (*Audit Report No. 4-690-98-004-P*)

Audits conducted of R4s prepared by USAID/India and USAID/Caucasus (for the Republic of Georgia) found problems with 17 of the 25 sampled performance results in India and with all 12 results reported for the Republic of Georgia. Examples of these problems follow:

- Although USAID/India's R4 indicators were generally clearly defined, two indicators in a sample of 25 were not objective.
- Results for three USAID/Caucasus indicators were not accurate. In each case, the supporting documentation available at the USAID Mission supported a result other than that reported in the R4.

While USAID/Caucasus generally agreed with the audit findings and recommendations, USAID/India took strong exception to the OIG audit conclusions. The Mission comments included (1) the audit report ignored the learning context of the R4 process, (2) problems with reporting R4 results were essentially clerical or transcription errors or immaterial, (3) the audit criteria were too restrictive for overseas development work, and (4) its performance, based on the OIG criteria cited in the report, merited a qualified rather than a negative answer to the audit objective. Although USAID/India took strong exception to the audit findings and conclusions, the Mission did not provide any additional information that caused the OIG to change its conclusions and only partially addressed the audit recommendation. As a result, a management decision has not been reached with USAID/India on the recommendation. (*Audit Report Nos. B-386-98-006-P and B-114-98-005-P*)

Information Resources Management

Over the last two years, the OIG has issued over a dozen reports emphasizing that deficient information management practices are the primary reason USAID has encountered continuing difficulties deploying effective information systems. The lack of effective systems, in turn, is the primary reason USAID managers do not have complete, reliable, timely, and consistent financial and performance information to make appropriate decisions, protect resources from loss or misuse, and report reliable information to oversight officials and the public. OIG information technology audit efforts have focused on analyzing (1) information resources management processes, (2) the effectiveness of USAID's financial management system, including its newly deployed New Management System (NMS) and legacy systems, (3) the adequacy of computer security, and (4) USAID's efforts to ensure that systems operate in the Year 2000.

In response to OIG recommendations, USAID has agreed to implement all but one recommendation and, after a slow start, has begun making significant progress correcting these deficiencies. Although USAID is taking action to correct the problems, in some cases, it does not expect to have completed corrective action until 2003.

Information Resources Management Processes

In March 1997, the OIG reported a number of serious information resources management deficiencies that contributed to premature deployment of USAID's New Management System (NMS), a system that had not been tested and did not operate effectively. USAID had adopted a high-risk approach that did not follow accepted system development practices and deployed the system worldwide even though severe problems had been identified. USAID's failure to implement disciplined processes required by the Clinger-Cohen Act was due to deficiencies in its organizational structure and management practices.² For example, individuals and offices were allowed to develop systems without regard to standards, data sharing, or the cost effectiveness of the investment. USAID's Information Resources Management Division (IRM) lacked the authority to manage information resources and enforce USAID-wide data or system development standards. USAID identified the lack of disciplined information resource management processes as a material weakness in its fiscal year 1997 report to the President under the Federal Managers' Financial Integrity Act (Integrity Act). (*Audit Report No. A-000-97-004-P*)

In a September 1997 audit report, the OIG concluded that USAID had committed to implement disciplined IRM processes to comply with Clinger-Cohen Act requirements and had begun taking steps to strengthen its organizational control over information technology investments. For example, USAID hired a new Director of its Office of Information Resources Management and established a Capital Investment Review Board to provide broad management oversight for information technology investments. (*Audit Report No. A-000-97-010-P*)

In March 1998, the OIG reported that USAID had made progress implementing disciplined processes but still faced important organizational challenges because USAID had limited

²The Clinger-Cohen Act of 1996 mandates that Executive agencies implement disciplined processes to maximize the value and assess and manage risks involved in information technology investments.

capability to implement major systems. (*Audit Report No. A-000-98-004-P*)

During this semiannual reporting period, USAID continued to make progress implementing more disciplined information management processes. USAID appointed a Deputy Chief Information Officer. USAID strengthened its capital investment review board processes to better analyze and prioritize investment decisions and improve the Agency's ability to manage contractor activities. In May 1998, USAID awarded a single contract to implement an improved financial management system to a firm with mature systems development capabilities. By stressing performance-based practices and requiring the contractor to apply disciplined systems engineering processes, USAID significantly increased the likelihood of implementing effective systems in a timely and cost effective manner.

Financial Management System Deficiencies

During fiscal years 1997 and 1998, the OIG issued eight reports identifying technical and operational problems that prevented the NMS and existing legacy financial management systems from operating effectively.³ These reports, as well as USAID management assessments, disclosed numerous financial and management problems caused by ineffective financial management systems.⁴ USAID has identified the lack of an effective, integrated financial management system as a material weakness under the Integrity Act since 1998. In USAID's fiscal year 1997 Integrity Act report, USAID modified this weakness to include NMS deficiencies and added NMS reporting and resource management deficiencies as a new material weakness.

In March 1998, the OIG reported that NMS and legacy systems do not substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, nor the U.S. Government Standard General Ledger at the transaction level. The Federal Financial Management Improvement Act requires agencies to implement and maintain financial management systems that substantially comply with these requirements. The OIG reported that since USAID's systems do not meet these requirements, USAID managers do not always receive the complete, reliable, timely and consistent information they need to accurately report financial or performance results or efficiently manage Agency operations. USAID accurately reported that

³Audit of the Worldwide Deployment of the New Management System (Audit Report No. A-000-97-004-P, March 31, 1997); Audit of USAID's Efforts to Resolve the Year 2000 Problem, (Audit Report No. A-000-97-005-P, July 11, 1997); Audit of USAID's Compliance with Federal Computer Security Requirements (Audit Report No. A-000-97-008-P, September 30, 1997); Audit of the Internal Controls for the Operational New Management System (Audit Report No. A-000-97-009-P, September 30, 1997); and Audit of the Status of USAID's New Management System, (Audit Report No. A-000-97-010-P, September 30, 1997); Audit of the New Management System Status, (Audit Report No. A-000-98-004-P, March 31, 1998); Audit of the Extent to Which USAID's Financial Management System Meets Requirements Identified in the Federal Financial Management Improvement Act of 1996 (Audit Report No. A-000-98-003-P, March 2, 1998); and Audit of the Process USAID Used to Prepare its Financial Statements From the General Ledger, (Audit Report No. A-000-98-001-F, September 25, 1998).

⁴Because NMS has not operated effectively, USAID relied on a combination of older legacy systems, informal records maintained by individual managers or organizational units, and the new system. As a result, the USAID financial management system consists of non-compliant legacy systems, informal records, and the New Management System.

its financial management systems did not meet these requirements in its fiscal year 1997 report under the Integrity Act. (*Audit Report No. A-000-98-003-P*)

The Federal Financial Management Improvement Act also requires USAID to develop a remediation plan to bring the system into compliance with the requirements within three years. The plan must include the resources, remedies and intermediate target dates necessary to implement a compliant system. The Act also requires the OIG to report in the Semiannual Report to the Congress, instances when USAID has not met the intermediate target dates established in the plan. USAID expects to submit its plan to the Office of Management and Budget (OMB) in October 1998. The OIG will monitor USAID's progress completing the plan and will report any delays in future Semiannual reports.

In September 1998, the OIG issued a report describing the process USAID used to prepare its fiscal year 1997 financial statements from the general ledger. This report found that USAID prepared its financial statements by manually compiling data from 14 principal financial systems. Summarized balances from these systems were manually incorporated into 35 working trial balances by appropriation. After making manual year-end adjusting entries, the balances were consolidated into six working trial balances by fund category. The balances were then summarized into a consolidated statement of financial position, which was reported in USAID's financial statements. These systems do not comply with Federal financial management system requirements. USAID's reliance on multiple non-integrated systems creates several barriers to producing an annual auditable financial statement. Because USAID lacks an integrated financial management system, it (1) manually prepares its financial statements using a labor intensive process, (2) manually enters similar data into multiple systems, increasing the risk of errors, (3) relies on a general ledger that does not include all financial activity, and (4) cannot query financial statement information at the transaction level. This situation makes it more likely that poor policy decisions will be made, unreliable information will be provided to managers and oversight officials, and scarce resources will be directed at collecting information rather than delivering development assistance services. (*Audit Report No. A-000-98-001-F*)

USAID has embarked on a series of corrective actions to implement a new, integrated financial management system. USAID has identified organization and business process changes to help streamline work processes and improve effectiveness. These streamlined processes will, in turn, be used in defining requirements for the new financial management system. During this period, USAID also completed a market survey of commercial off-the-shelf financial management systems that might meet its needs. USAID currently estimates that the system deficiencies will not be corrected until fiscal year 2001, but these estimates may change when it finalizes its detailed remediation plan.

Computer Security Program

In March 1997, the OIG reported deficiencies in NMS access controls, which indicated that USAID lacked reasonable assurance that NMS provided adequate safeguards to prevent (1) diversion of funds for personal financial gains, and (2) inappropriate access to sensitive financial, procurement, or privacy protected data. (*Audit Report No. A-000-97-004-P*)

In September 1997, the OIG reported that USAID had not implemented an effective computer

security program as required by the Computer Security Act and OMB Circular A-130. USAID did not implement fundamental security requirements and practices such as assigning security responsibilities, requiring and implementing security plans for all sensitive systems, and assessing all sensitive systems to ensure that they are protected. These deficiencies exposed USAID to unacceptable risks that resources will not be adequately protected from loss or destruction. These deficiencies occurred because USAID did not implement an adequate system of management controls to support an effective computer security program. Accordingly, USAID had not (1) developed an organizational structure that clearly delegated responsibility and provided appropriate authority, (2) established planning policies needed to provide a foundation for an effective security program, and (3) implemented key management processes to ensure that security requirements were met. (*Audit Report No. A-000-97-008-P*)

USAID identified its overall computer security program and NMS security and access controls as material weaknesses in its fiscal year 1997 Integrity Act report. It also identified several actions to correct these deficiencies. Specifically, USAID hired a security program manager to develop and implement an action plan and budget to implement an effective computer security program. USAID also entered into an agreement with GSA's Federal Systems Integration and Management Center to assess the risks associated with system security and access controls. However, USAID currently estimates that computer security vulnerabilities will not be fully resolved until 2003.

During this period, the OIG worked closely with the new security program manager to help (1) establish a planning process and draft a security plan, and (2) evaluate USAID's risk analysis requirements and identify risk analysis software tools that meet USAID management and OIG audit requirements. The OIG also issued a memorandum report--which is an evaluation but not an audit--identifying specific deficiencies in NMS access controls that made software and data vulnerable to exploitation. The memorandum report is not available to the public because the detailed descriptions of the vulnerabilities could facilitate unauthorized system penetration. The identified weaknesses could allow unauthorized users to inappropriately access or modify NMS data and software without detection. These vulnerabilities resulted from (1) failure to implement available operating system control features, and (2) inadequate security practices. Among other problems, the report stated that USAID had not (1) prohibited the use of shared user ID's, (2) implemented adequate auditing capability, and (3) limited the number of "root" or privileged users. (*Report No. A-000-98-004-S*)

Year 2000

Government, private industry, and the public have come to recognize that the beginning of the Year 2000 could be accompanied by major disruptions in business operations unless computer systems are modified to handle Year 2000 dates. Traditionally, computers have used two digits to represent the year, such as "97" representing 1997. Using this two-digit format, however, makes the Year 2000 indistinguishable from 1900. As a result of this ambiguity, computer systems that use dates to perform calculations, comparisons, or sorting may generate incorrect results when working with years after 1999. In many cases, these date ambiguities may cause systems to fail altogether.

In September 1997, GAO issued "Year 2000 Computing Crisis: An Assessment Guide". The

guide, incorporates practices recommended by leading information technology organizations, and describes five key phases that agencies should follow to address Year 2000 problems. Year 2000 compliance should include the following phases: (1) awareness (2) assessment (3) renovation (4) validation and (5) implementation.

The OIG has issued two reports addressing USAID's efforts to ensure that its systems will operate effectively in the Year 2000. In a July 1997 report, the OIG stated that USAID had not fully implemented GAO's suggested practices for the awareness and assessment phases. Specifically, USAID's plan:

- did not meet the government-wide schedule
- over-relied on implementation of NMS to resolve the Year 2000 problem, and
- excluded vulnerable systems from the assessment

The newly deployed NMS did not meet the requirements to process data in the Year 2000. The report concluded that USAID was vulnerable to systems problems that could materially affect critical agency functions. (*Audit Report No. A-000-97-005-P*)

In September 1998, the OIG issued a report on USAID's Year 2000 assessment phase activities. Although USAID reported completing this phase in November 1997, the report found USAID still must overcome major challenges to avoid operational disruptions at the turn of the century. In particular, three assessment phase processes need additional attention to minimize the risk of operational disruptions.

- First, USAID had not adequately identified, analyzed, and prioritized systems maintained by bureaus and missions and systems provided to host countries with development assistance funds. The Year 2000 project team had not fully assessed mission, bureau, or program-funded systems because the team lacked the authority to require other organizations to address Year 2000 problems. Limited resources to address the problems also appeared to be a factor.
- Second, USAID lacked detailed schedules and resource estimates to repair mission-critical corporate systems. Without these estimates, senior managers could have little confidence that USAID would be able to correct Year 2000 problems and avoid disruption. In fact, current schedules indicate that USAID would not meet government-wide target dates to implement compliant systems. This problem was due primarily to a lack of USAID project management expertise. USAID, however, has recently hired a contractor to help correct Year 2000 problems. This contractor has begun developing reliable resource and schedule estimates.
- Third, USAID had not yet prepared contingency plans to ensure continuity of business operations. Given the high risk that USAID would not be able to correct system problems in time to avoid disruptions, contingency plans were essential.

The report recommended that the USAID Administrator clarify the assignment of responsibility

to implement an effective Year 2000 program and that the responsible official direct USAID bureaus and missions to develop and test contingency plans to ensure continuity of operations in the event of disruptions from year 2000 problems. USAID agreed to implement the recommendations. The Administrator intends to clarify responsibilities for the Year 2000 program and for contingency planning. (*Audit Report No. A-000-98-006-P*)

Other Performance Audits

Post Transaction Review Activities Under the Commodity Import Program

The OIG completed an audit on USAID's post transaction reviews of the \$225 million of assistance provided annually under its Commodity Import Program (CIP). The report found that USAID has not conducted post transaction reviews on a regular basis since 1993, even though the reviews are required by Federal regulations. Over the past four years, USAID management has not ensured that commodity prices did not exceed the price prevailing in the U.S., as required by the Foreign Assistance Act and Federal regulations. Prior to 1993, post transaction reviews identified millions of dollars in over-payments each year (an average \$2.6 million) and resulted in monetary recoveries that far exceeded the costs to conduct the reviews. In addition, referrals to the OIG Office of Investigations (IG/I) led to more than \$8 million dollars in additional recoveries as well as numerous criminal prosecutions for fraudulent activities. Since Office of Procurement management stopped conducting post transaction reviews, identification and recovery of over-payments declined significantly, and referrals to OIG/I stopped completely.

Further, weak internal controls regarding separation of duties, documentation, and recording of transactions and events increased the risk of losses due to possible fraud, waste, and abuse. In fact, USAID was unable to account for the disposition of \$2.3 million in over-payments that were identified from prior post transaction review activities.

The absence of regular post transaction reviews and the lack of an effective system of internal controls indicates that USAID management has not enforced the price provisions contained in the Foreign Assistance Act and in Federal regulations, and as a result, has not fulfilled its responsibility to prevent overpricing and to identify and recover over-payments. Management had proposed replacing post transaction reviews with preshipment reviews, yet this approach was not adequately supported and, after three years has not been implemented.

The audit report recommended that USAID management develop a cost effective approach to perform post transaction reviews, increase supervision regarding separation of duties, and ensure that CIP transactions are properly documented and recorded. USAID management did not agree with the recommendations in the report draft. Specifically, they cited negotiations which would transfer the post transaction review function to USAID/Cairo on January 1, 1999. The OIG considers USAID management's comments to be generally non-responsive to the issues and recommendations addressed in the report. Because the comments did not acknowledge the seriousness of the problems cited in the report, the OIG is not confident that the problems will be addressed by transferring the function to USAID/Cairo. For example, the OIG found that agreement had not been reached detailing the specific CIP authorities, responsibilities, and functions to be transferred to Cairo. Further, USAID management comments support the OIG

conclusion in the draft report that Office of Procurement management has not supported implementation of internal controls and enforcement of the price provisions of the Foreign Assistance Act. As a result, the OIG added a recommendation that the Assistant Administrator for Management address this lack of support by its Office of Procurement and consider reporting its noncompliance as a control deficiency. (*Audit Report No. A-000-98-007-P*)

USAID/Egypt and U.S. Source and Origin

USAID has established policies requiring that commodities procured with USAID funds have their source and origin in the U.S. (“Source” means the country from which a commodity is shipped, and “origin” means the country where a commodity is mined, grown or produced). The OIG conducted an audit to determine whether USAID/Egypt complied with policies and procedures, and contract and agreement requirements, concerning the source and origin of project commodities.

Forty-three procurement transactions totaling \$23.3 million were sampled. All 43 procurement transactions sampled had their source in areas authorized. For example, eight wheel loaders costing \$1.2 million were purchased under a host country contract and shipped from the U.S. for removing dried sludge at a waste treatment plant in Egypt.

With regard to origin, commodities comprising 98.4 percent of the dollar value of the sample complied, and the OIG determined that of the remaining 1.6 percent which did not comply, at least three of the four exceptions most likely could not have met the U.S. origin requirement.

The report made no recommendations and concluded that USAID/Egypt had complied with applicable policies and procedures that ensure USAID funds are used for products from authorized sources. (*Audit Report No. 6-263-98-001-P*)

USAID/Jordan’s Loan Guarantee Activities

The audit of USAID/Jordan's loan guarantee activities implemented by the Jordan Loan Guarantee Corporation (Corporation) was conducted at the request of USAID/Jordan. The audit objective was to determine whether (1) the Corporation had established controls to ensure that USAID funds were used for project purposes, and (2) the Corporation credit guarantee programs had become self-financing.

The Jordan Loan Guarantee Corporation, established to implement a USAID/Jordan-supported project, conducts a domestic program to provide guarantees for loans to micro and small businesses and an export credit guarantee program.

The audit found that the Corporation had established a control system which, if followed, would generally ensure that USAID funds are used for project purposes. However, the audit also found that, under the domestic program, the range of eligible beneficiaries had been widened considerably and loan limits had been increased without updating the written agreement with the Mission. Similarly, under the more recently established export program all of the guarantees were

to businesses too large to meet the project's small business definition. The audit, therefore, recommended that USAID/Jordan discuss these divergences with the Corporation and decide on the agreement modifications. The audit also found that while the Corporation had become self-financing, it was incurring serious losses on the operating part of its business, as its fees did not cover its present rate of default or its other costs. The audit recommended that USAID/Jordan assist the Corporation in evaluating the actuarial soundness of its fee structure for both its domestic and export programs.

Finally, the audit noted that the Corporation's financial statements included dividends of \$420,800 payable to the Central Bank of Jordan. According to the agreement between the host government and USAID/Jordan, these should have been returned to the loan guarantee fund. The audit therefore recommended that earnings associated with USAID's investment in the project remain in the business and be used for the project. As a result of the audit, the \$420,800 payable was retained in the project.

USAID/Jordan requested the audit even though the project was coming to a close, because it is interested in the project's success beyond the period of USAID support, and expects a continuing relationship with the Corporation through other USAID projects. (*Audit Report No. 6-278-98-002-P*)

USAID/Bosnia-Herzegovina's Municipal Infrastructure and Services Program (MIS)

USAID is the primary agency responsible for delivering U.S. assistance in the Federation of Bosnia-Herzegovina. The OIG is conducting ongoing audits of USAID's major programs in the region.

The OIG issued its report covering the \$265 million Municipal Infrastructure Services Programs (MIS) for the period October 1, 1997 through March 31, 1998. As of March 31, 1998, USAID obligated and disbursed through the MIS about \$115.7 million for 388 projects. These projects covered five sectors: energy, transportation, water resources, education, and health. This report focused on (1) visiting construction sites and updating the status of project activities, (2) following-up on USAID monitoring of the Community Infrastructure Rehabilitation Projects, and (3) reviewing the contractor's controls over project vehicle use.

The audit concluded that for the items tested, both USAID and the implementing contractor were using operational funds for the purposes authorized under the MIS grant agreement and Public Law 104-122. However, some of these funds may have been used to pay for personal travel of contractor employees because the implementing contractor was not enforcing its policy and procedures on the use of official vehicles. Moreover, the reimbursement rate for personal use of these vehicles needed to be adjusted upward to conform to current U.S. Government rates. The report recommended that USAID ensure that the implementing contractor enforces the requirement that vehicle utilization logs be maintained for each project vehicle. Further, it was recommended that the Regional Contracting Officer Budapest (RCO/Budapest) (1) determine whether personal use of official government vehicles by the contractor is consistent with U.S. Government regulations and current USAID policy and practice, (2) review and approve, as appropriate, the contractor's revised vehicle use procedures, and (3) recover from the contractor

the amount that RCO/Budapest decides is owed the U.S. Government for contractor employees' personal use of vehicles. (*Audit Report No. B-168-98-007-P*)

USAID/Mozambique's P.L. 480 Title II Program Commodity Losses

This audit was conducted to determine whether (1) USAID/Mozambique established and implemented a monitoring system to ensure that PL. 480 Title II commodities were received, stored, and distributed in accordance with USAID policies and procedures and, (2) a system is in place to ensure that all local currency deposits are made and withdrawals are used only for intended purposes.

The OIG concluded that USAID/Mozambique has a system in place to ensure that PL. 480 Title II commodities are received and distributed in accordance with USAID policies and procedures. Based on site visits, discussions, and documentation review and analysis the OIG concluded the funds derived from USAID/Mozambique's PL. 480 Title II monetization program have been used for acceptable programs as provided under 22 CFR Part 211.5(k). There are no recommendations based on this audit. (*Audit Report No. 4-656-98-003-P*)

USAID/Somalia's P.L. 480 Title II Emergency Feeding Program

This audit was conducted at the request of the USAID/Somalia Mission Director based on problems noted within the United Nations' World Food Program (WFP) food distribution operations in Somalia. These problems involved incomplete reporting and lack of accountability over food commodities and funds. WFP is the primary distributor of food assistance, including P.L. 480 Title II food, in this war-torn country. As a U.N. agency, WFP is exempt from USAID's Title II accountability requirements, thus the audit focused on the adequacy of USAID/Somalia monitoring efforts of U.S. food donations to WFP/Somalia to ensure that the food assistance was delivered to the intended beneficiaries.

During the period covered by the audit (June 1, 1994 through June 30, 1997), USAID furnished WFP/Somalia with approximately 32,500 metric tons of Title II food commodities valued at \$21.2 million. In addition to providing food assistance, USAID/Somalia awarded a \$4 million grant to WFP/Somalia, in June 1994, to assist WFP in effectively planning and monitoring the distribution of food resources for relief and rehabilitation activities in Somalia.

The audit found that USAID/Somalia monitored the WFP/Somalia program within its manageable scope of responsibility and control, however, Mission records of the amount of food consigned to WFP/Somalia were incomplete due to inadequate reporting by WFP/Somalia which often furnished reports of little or no use to USAID/Somalia's monitoring needs. Information could not be determined on (1) the total amount of USAID food commodities delivered to, and distributed in Somalia by WFP during the period covered by the audit, (2) the status of food consigned to WFP/Somalia but loaned to other regions, (3) the total food commodity losses incurred, or (4) the details on how \$4 million in development assistance grant funds were used.

The report recommended that (1) USAID/Somalia develop and submit a plan to USAID's Bureau

for Humanitarian Response's Office of Food for Peace (BHR/FFP) to implement a viable and accountable alternative delivery mechanism for distributing P.L. 480 Title II food assistance in Somalia, and (2) BHR/FFP make a final decision on the implementation of this plan.

USAID/Somalia agreed with the findings and recommendations contained in the report. A management decision has been reached with the Mission on the first of the two audit recommendations, with the second awaiting action from BHR/FFP pending receipt and a decision on the finalized plan. (*Audit Report No. 4-649-98-002-P*)

OTHER SIGNIFICANT MATTERS

Supreme Audit Institutions

Supreme Audit Institutions (SAIs), which are national auditing agencies similar in many respects to the U.S. General Accounting Office, are essential to democratic processes in developing countries. Their work fosters the principles of transparency and public accountability and helps discourage public sector corruption. The OIG continues to work with USAID to help strengthen these important developing country institutions.

Most countries around the world have established national audit agencies - SAIs - to help maintain government accountability. SAIs constitute a country's first line of defense in combating fraud, waste and mismanagement in government operations. This is particularly true in developing countries where nascent concepts of government accountability are often still evolving. Unfortunately, SAIs in many countries receiving USAID funds lack the resources and expertise to fill this crucial role.

Over the past several years, the OIG has collaborated with several SAIs in countries receiving USAID development assistance to help improve their operations. OIG auditors have worked closely with SAIs throughout Latin America, Asia, Africa and the Middle East teaching their staff members "how to audit USAID funds". Seven SAIs have signed agreements with OIG to audit USAID funds with OIG oversight.

During this reporting period, the OIG completed a survey of SAIs throughout the developing world to gauge their desire to work with OIG in improving their operations. Fifty organizations responded to the survey questionnaire. While organizational resources and capabilities varied widely, virtually all SAIs expressed great interest in working with OIG. As a result, the OIG plans to expand its SAI outreach and training programs to the extent possible given present resources. OIG offices in Africa, Latin America, Europe and Asia are developing training courses tailored to the needs of SAIs in their regions, and are identifying and contacting specific SAIs to provide "hands-on" training. SAI staff members have participated in continuing professional education sessions which OIG provides for its own staff. OIG/Audit has contacted and plans to work with other donor organizations such as the World Bank to coordinate SAI assistance efforts around the developing world.

The OIG's work in Africa demonstrates the benefits which can result from collaborative work with SAIs. Recently, the Office of the Comptroller and Auditor General of Tanzania audited USAID agricultural transport assistance and family planning projects. The Zimbabwe Office of the Comptroller and Auditor General audited local currency spent under several USAID projects in Zimbabwe. These three audits questioned whether almost one million dollars in USAID funds were properly spent.

The OIG continues to work with SAIs in the region. For example, the OIG assessed the Office of the Comptroller and Auditor General of Zambia's ability to conduct audits of USAID funds. The OIG found that they could audit USAID funds once OIG provides training in USAID and

U.S. Government audit requirements. The OIG plans to provide such training in the near future.

The OIG joined a delegation headed by the Auditor General of Ghana who visited Pretoria, South Africa on a fact-finding mission within the South African Office of the Auditor General. The delegation consisted of the Ghana Auditor General, a Deputy, a director, the Information Technology Officer from the Ghana Ministry of Finance, the USAID/Ghana Controller and the Regional Inspector General in Pretoria. The group participated in working sessions on financial, performance, and forensic auditing. Computer auditing techniques and the South Africa Auditor General's reporting requirements to Parliament were highlighted.

In Europe, the OIG continued its close working relationship with the Hungarian State Audit Office. The OIG arranged, on behalf of the American Embassy/Budapest, for the State Audit Office to conduct an audit of the Hungarian National Police's accounting system for handling advances to administer activities of the U.S. Government funded International Law Enforcement Academy located in Budapest. The State Audit Office issued its audit report in September 1998. The OIG also assisted the State Audit Office in hosting a September 1998 meeting of experts from the International Organization of Supreme Audit Institutions (INTOSAI) Internal Control Standard Committee, and serving as conference moderator and drafted a conference summary for use by the State Audit Office. The President of the State Audit Office will be reporting on the results of this conference and proposing recommendations for further actions at the November 1998 INTOSAI Congress in Uruguay. The OIG is also expanding its contacts with other SAIs in the region. In July 1998, participants from six eastern European SAIs attended an OIG-sponsored training program in Budapest on effective report writing and presentations.

As a demonstrably effective means of promoting recipient government transparency and accountability, OIG considers its work with SAIs to be one of its primary contributions to the U.S. Government's continuing efforts to advance anti-corruption initiatives around the world.

Memorandum Reports

The OIG occasionally issues memorandum reports, which are designed to quickly report matters requiring USAID management attention or corrective action. These reports do not include formal recommendations to be tracked by the OIG and USAID but they could include suggestions for corrective actions and the OIG asks to be apprised of the corrective actions taken. The following memorandum report was issued during the semiannual reporting period.

Budget Support Program for the Republika Srpska

In January 1998, the Republika Srpska (RS) elected a new government which immediately took steps to implement the Dayton Peace Accords and demonstrate a moderate, pro-Dayton attitude. The U.S. Government subsequently decided to support this government by providing \$5 million to help finance the salaries of certain government employees. Responsibility for disbursing the money and overseeing the program was given to the Office of the High Representative (OHR) in Bosnia-Herzegovina.

In April 1998, the USAID Mission Director in Bosnia-Herzegovina asked the OIG to conduct a "quick response" review of this high visibility program. The OIG responded immediately and, finding that OHR's oversight to-date was satisfactory, focused primarily on whether the RS employees actually received their salaries. In selecting employees to interview, the OIG concentrated on selecting individuals from the more unstable areas, such as the former stronghold of the Bosnian Serbs in Pale and its environs; and from some of the more remote areas, such as Foca and Visegrad.

The interviews showed all 109 employees selected had either received their salaries or were confident that they would be compensated soon. Based on these interviews and the satisfactory oversight OHR had performed to-date, the OIG issued an interim report to the Mission Director stating that the program was progressing satisfactorily. A final audit report will be issued during the next reporting period. (*Interim Report No. B-168-98-002-S*)

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 as well as information concerning any significant management decision with which the OIG is in disagreement. 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 management decisions with which the OIG disagreed. The OIG did not submit any reports to the Administrator of USAID describing instances where information or assistance was unreasonably refused or not provided.

Table A: *Reports Issued (April 1, 1998 through September 30, 1998)*

Table B: *Audit Reports Over Six Months Old With No Management Decision as of September 30, 1998*

Table C: *Significant Audit Reports Described in Previous Semiannual Reports Without Final Action as of September 30, 1998*

Table D: *Reports Issued With Questioned and Unsupported Costs (April 1, 1998 through September 30, 1998)*

Table E: *Reports Issued With Recommendations That Funds Be Put to Better Use (April 1, 1998 through September 30, 1998)*

INVESTIGATIONS ACTIVITIES

At the opening of this semiannual reporting period, 74 investigative cases were pending completion. During this reporting period, the OIG opened 17 investigative cases and completed 13 cases. At the end of the period, 78 cases were pending completion. OIG investigative efforts resulted in one indictment, one organization suspension, one employee suspension, five personnel terminations and monetary recoveries of \$159,241.

OIG investigations focus on USAID programs and operations which are most vulnerable to fraudulent activities. Investigative priorities include program integrity (contract fraud, grant fraud, and cooperative agreement fraud) and employee integrity (direct hire employee misconduct and personal services contractor misconduct). OIG investigations may result in criminal, civil or administrative action.

- PROCUREMENT INTEGRITY -

Criminal Actions

Ten-Count Indictment Returned Against U.S. Supplier and U.S. Company

In an ongoing investigation spanning from July 1995 to the present, a Federal Grand Jury for the Eastern District of Missouri returned a ten-count indictment against a U.S. supplier and its U.S.-based company. The supplier had contracted with a USAID grantee to provide \$151,800 in medical equipment and supplies for an education and rehabilitation center for disabled children in Poland. The indictment charged that the supplier devised a scheme to defraud the U.S. Government to obtain money by making false representations to both the grantee and USAID. The Grand Jury further charged that the supplier falsely represented the value of the supplies and equipment sent to the education and rehabilitation center under the grant. The criminal action is pending in the Eastern District of Missouri with trial expected later this year.

Civil Actions

Court Order Yields \$41,644 Recovery of Adulterated and Misbranded Medical Devices

An OIG investigation begun earlier this calendar year into source and origin violations of USAID-financed goods resulted in the issuance of a Default Decree of Condemnation, Forfeiture, and Destruction by the U.S. District Court for the Eastern District of Virginia. The decree ordered that the U.S. Government take custody of approximately ten cases of surgical steel instruments valued at \$41,644. The instruments were found by the Court to have been adulterated. The quality of the instruments fell below that which they were represented to

possess. The Court further found that the devices had been misbranded. Their labeling stated that they had been made in the U.S., whereas some of the devices had the word "Pakistan" etched into them. The company had procured the surgical instruments under contract to a Procurement Services Agent under the USAID/Morocco-funded Family Planning/Maternal Health Project. The devices will be destroyed when they no longer have evidentiary value. The company will not be paid for the surgical instruments and the resulting savings of \$41,644 will be available for use by USAID.

Administrative Actions

U.S. Company and its President are Suspended from Federal Procurement Activities

USAID suspended a U.S.-based company and its president from participation in all Federal procurement activities. The suspension was ordered after an investigation into the activities of the company and its president, begun in 1995, led to the return of a ten-count felony indictment in the Eastern District of Missouri. The indictment charges the company and its president with devising a scheme to defraud the U.S. Government to obtain money by making false representations to both the grantee and USAID. The company had contracted with a USAID grantee to provide \$151,800 in specifically identified medical equipment and supplies for an education and rehabilitation center for disabled children in Poland. As a result of the suspension, the company and its president will be precluded from all Federal procurement and non-procurement programs pending resolution of the Federal criminal proceedings.

Haitian Bank Reimburses USAID Contractor \$110,000

Following an investigation by the OIG earlier this year into an allegation that a forged check had been fraudulently negotiated on a USAID contractor's local currency bank account, the local Haitian bank acknowledged both its negligence in negotiating the forged check and its responsibility to reimburse the USAID contractor for the loss. Through a coordinated investigation with the chief auditor of the local Haitian bank, it was established that the questioned check was fraudulent. The check carried the forged signature of the USAID contractor's chief of party and a check number that had been previously negotiated by the bank on the contractor's account. The investigation further disclosed that the bank did not follow its own internal procedures regarding the verification and authentication of checks with such a large monetary value. Based on these findings, the bank reimbursed the contractor's local currency account in an amount equivalent to \$110,000 -- the full amount of the loss.

Contractor Reimburses USAID \$7,597

A USAID/Egypt contractor repaid USAID \$7,597 after an investigation revealed that two of the contractor's employees had been overpaid for Living Quarters Allowances and Separate Maintenance Allowances while working in Egypt. One of the employees received an increased Living Quarters Allowance based upon his assertion that his family members planned to join him in Egypt. They did not do so. The second employee received a Separate Maintenance Allowance based upon his assertion that his wife planned to remain in the U.S. while he worked in Egypt. The investigation showed that he had been divorced and remarried during his employment in Egypt but had not taken steps to terminate the allowance. The investigation was

initiated in 1997 based on an allegation from an anonymous complainant and was conducted with cooperation from USAID/Egypt and the contractor. It demonstrated the risk of financial losses to USAID if steps are not taken to update contract employees' initial statements about family status. These statements are the basis for allowance payments which continue for the duration of their overseas assignment.

Fraud Prevention Measures Adopted by Contractor Facility

A U.S.-based firm was awarded a \$2.2 million technical assistance contract to operate a Results Center at a USAID Mission in West Africa. In July 1998, the firm agreed to implement recommended fraud prevention measures as a result of an OIG review conducted earlier in the year. The review identified weaknesses in the control, storage, security and handling of internal USAID project performance, monitoring and evaluation reports which in some cases contained sensitive financial and proprietary information. The review also identified vulnerabilities in the contractor's handling of imprest funds, general office physical security and access to USAID computer systems. The OIG recommendations will help both the Mission and the contractor to better protect internal reports, resources and facilities.

Investigation Results in Improved Procedures

The OIG received information from the USAID/Kiev Mission alleging that an employee of a USAID grantee had solicited a kickback from a local nongovernmental organization (NGO). The OIG investigated and determined that the grantee organization ran a USAID-sponsored program designed to provide "seed" grants to NGOs and to provide training on techniques of managing NGOs. While the investigation found no evidence that the employee in question had solicited any kickbacks or engaged in any other improper conduct, it did reveal that the intake procedures utilized by the grantee organization to review and evaluate proposals from local NGOs were weak and highly susceptible to abuse. Based upon OIG suggestions, the USAID Mission and the grantee organization developed improved procedures to reduce the vulnerability of the intake process and to alert all applicants and other participants that no payments or gifts are required or should be made in exchange for having their proposals processed.

- EMPLOYEE INTEGRITY -

Administrative Actions

Former USAID Mission Director Suspended for Two Months Without Pay

An OIG investigation into numerous allegations of misconduct by senior management at an overseas mission resulted in the two month suspension without pay of the USAID Mission Director. The suspension was imposed for administrative violations which included extensive misuse of government vehicles and the misuse of subordinates' time. The misuse included using government vehicles and employees to transport visiting non-dependent family members throughout the country, to conduct personal errands and attend personal appointments, and to frequent local restaurants when the dining was not official business. The investigation also uncovered evidence that the Mission Director did not make proper reimbursement to the U.S. Government for the personal use of the vehicles and employees. Further, the Mission Director

made false statements under oath to Federal agents concerning this reimbursement, which resulted in USAID levying an additional charge of misconduct.

Numerous vulnerabilities in the Mission's operation first surfaced during an audit and subsequent management assessment in late 1996. Upon conclusion of the management assessment, senior Mission management forced the reassignment of the junior officer, who first warned of the vulnerabilities. The forced reassignment led to complaints of whistleblower retaliation in 1997. Three additional investigations involving Mission management are pending.

FSN Terminated for Bribery

In July of 1998, USAID/Bosnia received a letter of complaint from the director of a publishing company. The letter alleged that a Foreign Service National (FSN) employee had approached the director offering to help the company obtain a loan under the USAID financed loan program. The company, however, would have to pay for the FSN's services. The employee in question had recently been designated as the Contracting Officer's Technical Representative for the contract. The OIG, with the assistance of the Regional Security Office of the U.S. Department of State, found that the employee had agreed to help the company prepare its loan application, including its business plan. The publishing company director stated that two payments totaling approximately \$1,294 were made, but that the employee was demanding an additional \$2,235. Based on the investigation, USAID/Bosnia immediately terminated the employee's contract.

Namibian FSN Terminated for Making False Statements

A joint investigation conducted by OIG, the U.S. Department of State's Regional Security Officer in Namibia, along with Namibian National Police into forged checks resulted in the termination of a Foreign Service National (FSN) employee of the USAID Mission. The investigation centered on forged personal checks which had been stolen from a USAID/Namibian U.S. direct hire employee. Investigators identified those individuals who had access to the direct hire's office space, which narrowed the focus to one FSN employee. The FSN denied any knowledge of the forged personal checks, but subsequent handwriting analyses of the forged checks conducted by the South African Police Forensics Laboratory confirmed that the FSN employee had attempted to copy the signature of the victim on the questioned checks. USAID terminated the FSN for making false statements, and arrest of the FSN by Namibian Police is pending.

Investigation into Theft of Non-Expendable Property Results in Termination of South African FSN

A joint investigation conducted by the OIG, the U.S. Department of State Regional Security Officer at the American Embassy/South Africa, and the South African Police resulted in the termination of a Foreign Service National (FSN) employee of the USAID/South Africa Mission. The investigation centered on the thefts of non-expendable property from the USAID/South Africa General Services Office (GSO) warehouse. Upon confirming that major appliances were missing, investigators concentrated on employees with access to the warehouse and the means to move large appliances, which led to the identification of the subject FSN. The FSN denied any knowledge of the stolen property. Subsequently, a search by South African Police of the

FSN's residence and adjoining areas found several USAID appliances concealed on the property. The FSN was terminated as a result of the investigation.

FSN Employee Terminated for Administrative Irregularities

Information was received from the USAID Mission in Bosnia alleging that an FSN employee charged with coordinating one of its programs had dealt directly with a local contractor concerning repair and maintenance of the office elevator. The employee had no procurement responsibilities and had been warned in the past not to deal with local contractors. There were also suspicions of kickbacks in these dealings. The investigation, conducted with the assistance of the Regional Security Office, American Embassy/Sarajevo, revealed that the employee had made commitments on behalf of USAID to pay for repairs on several occasions without authority and without following normal procurement procedures. As a result of the investigation, USAID/Bosnia terminated the FSN's employment contract.

Kenyan Bank Employee Terminated for Selling Account Data

Following an investigation by the OIG into attempts to fraudulently transfer funds from the U.S. bank accounts of American employees to accounts in the Arab Emirates and Japan, a bank employee was terminated for selling bank information. Analysis of where the checks had been cashed determined that the only location common to all of the employees was the exchange operations at the USAID building and the U.S. Embassy. The U.S. Department of State's Regional Security Officer provided the information to the bank security officer, who terminated the individual. The bank offered to reimburse employees for any losses.

- 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, D.C. 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, or 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 21 hotline referrals.

REPORTS ISSUED
April 1, 1998 through September 30, 1998

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>		
A-000-98-001-F	09/25/98	Audit of the Process USAID Used to Prepare Its Fiscal Year 1997 Financial Statements From the General Ledger		
B-183-98-003-F	07/10/98	Audit of Incurred Subcontractor Costs for Calendar Year 1997 in Connection with USAID Contract Number EUR-0019-I-00-4083-00 with Chemonics International, Inc.	9	QC
B-183-98-004-F	07/10/98	Audit of Incurred Subcontractor Costs for Calendar Year 1997 in Connection with USAID Contract Number EUR-0019-I-00-4081-00 with KPMG/Barents	62	QC
B-183-98-005-F	07/10/98	Audit of Incurred Subcontractor Costs for Calendar Year 1997 in Connection with USAID Contract Number AEP-I-00-96-90014-00 with Research Triangle Institute	101	QC
B-183-98-006-F	07/10/98	Audit of Incurred Subcontractor Costs for Calendar Year 1997 in Connection with USAID Contract Number EUR-0019-I-00-4080 with Development Alternatives, Inc.	52	QC
B-183-98-007-F	07/10/98	Audit of Incurred Subcontractor Costs for Calendar Year 1997 in Connection with USAID Contract Number EPE-0034-C-00-5110-00 with Urban Institute	100	QC
4-621-98-006-F	04/16/98	Audit of USAID/Tanzania's Cashiering Operations		
4-656-98-007-F	04/24/98	Audit of USAID/Mozambique's Cashiering Operations		
4-613-98-008-F	06/10/98	Audit of USAID/Zimbabwe's Cashiering Operations		
4-690-98-009-F	08/07/98	Audit of USAID/Regional Centre for Southern Africa, Botswana Cashiering Operations		
		<i>-Agency Contracted Audits of Non-U.S.-based Organizations-</i>		
4-621-98-003-N	05/15/98	Audit of USAID/Tanzania's Grant to the Government of Tanzania Under the Finance and Enterprise Development Program	91	BU
4-621-98-004-N	05/15/98	Audit of USAID/Tanzania's Grant to Equity Investment Management Limited Under the Finance and Enterprise Development Program	40	QC
6-263-98-023-N	04/15/98	Financial Audit of the Small Enterprise Development Association of Port Said, Costs Incurred Under Cooperative Agreement No. 263-0212-A-00-4047-00		
6-263-98-024-N	04/23/98	Financial Audit of the Egyptian Small Enterprise Development Foundation, Costs Incurred Under Cooperative Agreement No. 263-0212-A-00-9064-00	2 1	QC UN
6-263-98-025-N	06/25/98	Financial Audit of the Ministry of Agriculture's Agricultural Technology Utilization and Transfer Project Funded Under USAID/Egypt Grant Agreement No. 263-0240	1	QC
6-263-98-026-N	07/02/98	Financial Audit of the Principal Bank for Development and Agricultural Credit Funded Under USAID/Egypt's Agricultural Production and Credit Project No. 263-0202	4	QC
6-263-98-027-N	07/15/98	Financial Audit of KPMG Hazem Hassan & Co.'s Indefinite Quantity Contracts Nos. 263-0000-I-00-3063-00 and 263-0000-I-00-3122-00	179	QC

TABLE A

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>
6-263-98-028-N	08/23/98	Financial Audit of United Engineering and Marketing Company, Costs Incurred Under USAID/Egypt Contract No. 263-C-00-95-00019-00	16	BU
6-263-98-029-N	08/25/98	Financial Audit of the State Information Service, Costs Incurred Under USAID/Egypt's Population and Family Planning III Project		
6-263-98-030-N	09/10/98	Financial Audit of Environmental Quality International, Costs Incurred Under USAID/Egypt Contract Nos. 263-0000-C-00-2203-00 and 263-0225-C-00-5078-00	4	QC
7-681-98-001-N	04/03/98	Audit of USAID's Contract with ECR International Under the Municipal Development Support Project (No. 681-0004-00) from April 20, 1994 to December 31, 1994	24	QC
7-685-98-002-N	05/18/98	Audit of Local Currency Expenditures Incurred by Management Sciences for Health Under the Child Survival and Family Planning Project (685-0286) for the Period March 9, 1994 through December 31, 1996	5	QC
7-685-98-003-N	06/10/98	Audit of Expenditures Incurred by Ernst & Young Under the Natural Resources Based-Agricultural Research Project from July 1, 1992 to December 31, 1995	72 4	QC UN
7-680-98-004-N	06/26/98	Audit of USAID Resources Managed by Songhai Center from September 13, 1996 through December 31, 1997 and of the Songhai Center Financial Statements for Calendar Year 1997		
		- Recipient-Contracted Audits of U.S.-Based Grantees —		
0-000-98-034-A	05/28/98	Audited Financial Statements of Heifer Project International, Inc. for the Fiscal Years Ended December 31, 1995 and 1996		
0-000-98-035-A	04/28/98	Audited Financial Statements of Aid to Artisans, Inc. for the Period October 1, 1996 through September 30, 1997		
0-000-98-036-A	05/27/98	Audited Financial Statements of the Ohio State University for Fiscal Year Ended June 30, 1997		
0-000-98-037-A	06/05/98	Audited Financial Statements of World Council of Credit Unions, Inc. for the Year Ended December 31, 1994		
0-000-98-038-A	04/28/98	Audit of Financial Statements of American ORT, Inc. for the Period January 1, 1996 to December 31, 1996	13	QC
0-000-98-039-A	05/06/98	Audit of Financial Statements of International City/County Management Association for the Period July 1, 1996 through June 30, 1997		
0-000-98-040-A	05/27/98	Audit of Financial Statements of Management Sciences for Health, Inc. Subsidiary for the Period July 1, 1996 through June 30, 1997		
0-000-98-041-A	06/08/98	Audited Financial Statements of Catholic Relief Services - United States Catholic Conference, Inc. for the Year Ended December 31, 1996	608 135	QC UN
0-000-98-042-A	05/29/98	Audit of Financial Statements of the Consortium for the MBA Enterprise Corps, Inc. for the Years Ended June 30, 1997 and 1996		
0-000-98-043-A	05/26/98	Audit of Financial Statements of Small Enterprise Assistance Funds for the Period July 1, 1996 through June 30, 1997		
0-000-98-045-A	05/27/98	Audited Financial Statements of Vietnam Veterans of America Foundation for the Year Ended April 30, 1997		
0-000-98-046-A	06/02/98	Audited Financial Statements of AFRICARE for the Year Ended June 30, 1997		

TABLE A

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>
0-000-98-047-A	06/09/98	Audit of Financial Statements of the United Methodist Committee on Relief of the General Board of Global Ministries of the United Methodist Church for the Year Ended December 31, 1996		
0-000-98-049-A	06/09/98	Audited Financial Statements of the General Board of Higher Education and Ministry of the United Methodist Church for the Year Ended December 31, 1995	36	QC
0-000-98-050-A	07/30/98	Audited Financial Statements of International Executive Service Corps for the Year Ended December 31, 1996		
0-000-98-051-A	07/30/98	Audited Financial Statements of International Food Policy Research Institute for the Year Ended December 31, 1996		
0-000-98-052-A	06/08/98	Audited Financial Statements of the National Forum Foundation for the Six Months Ended June 30, 1997		
0-000-98-053-A	06/19/98	Audited Financial Statements of the Carter Center, Inc. for the Year Ended August 31, 1996	20 1	QC UN
0-000-98-054-A	07/30/98	Audit of Financial Statements of MidAmerica International Agricultural Consortium for the Period July 1, 1995 through June 30, 1996		
		— Audits of Non-U.S. Organizations by DCAA —		
B-182-98-009-D	04/02/98	Audit of Incurred Costs for 1994 - 1997 Under USAID Cooperative Agreement No. EUR-0049-A-00-4031-00, Albanian Land Market Project, Project Management Unit, Tirana, Albania	13	QC
B-182-98-010-D	04/03/98	Audit of Incurred Costs for 1993 - 1997 Under USAID Cooperative Agreement No. EUR-0049-A-00-4031-00, Albanian Land Market Project, International Computer Company, Tirana, Albania	187 187	QC UN
B-182-98-011-D	04/03/98	Audit of Expenditures of Local Currency by the Project Management Unit Under the Albania Land Market Project		
B-968-98-012-D	06/11/98	Supplemental Audit of Costs Incurred by Medecins du Monde of Paris, France Under Grant Nos. 968-1032-G-00-3029-00, 623-001-G-00-3002, 663-0001-G-00-3006, and 623-0001-G-00-2070	21 21	QC UN
B-160-98-013-D	06/22/98	Pre-Award Accounting System Survey of the Croatian Law Center, Zagreb, Croatia		
B-623-98-014-D	06/24/98	Supplemental Audit of Incurred Costs for Fiscal Years 1994 and 1995 Under Multiple USAID Grants to Feed the Children of Reading, Berkshire, England		
5-492-98-001-D	04/29/98	Financial Audit of TCGI, Inc.		
5-492-98-002-D	04/29/98	Financial Audit of the Philippine Chamber of Commerce and Industry - Regional Development Project 2, Cooperative Agreement No. 492-0452-00-A-4048-00	8	QC
5-492-98-003-D	04/29/98	Financial Audit of the Philippine Chamber of Commerce and Industry - Regional Development Project 1, Cooperative Agreement No. 492-0452-A-00-3043-00	118	QC
5-492-98-004-D	05/20/98	Financial Audit of the Economic Development Foundation, Inc.'s Indirect Cost Rates for Fiscal Years 1992 and 1993		
5-492-98-005-D	05/20/98	Financial Audit of the Financial Executives Institute of the Philippines Research and Development Foundation, Inc.	66	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>
		<i>— Audits of U.S.-Based Contractors by DCAA —</i>		
0-000-98-019-D	06/05/98	Audit of Nathan Associates Inc.'s Incurred Costs for the Period January 1, 1995 through December 31, 1996	86	QC
0-000-98-020-D	04/28/98	Preaward Accounting System Review of the Institute for Democracy in Cuba		
0-000-98-021-D	05/15/98	Assist Audit of Timekeeping Practices at John Snow, Inc.		
0-000-98-022-D	04/28/98	Audit of International Business Technical Consultants, Inc.'s Incurred Costs for Calendar Years 1995 and 1996		
0-000-98-023-D	06/02/98	Audit of Carana Corporation's Incurred Cost Submission for Calendar Year 1995	3	QC
0-000-96-025-D	04/28/98	Audit on Price Waterhouse LLP's Compliance with Cost Accounting Standard 409 - Depreciation of Tangible Capital Assets		
0-000-98-026-D	05/06/98	Audit of Checchi and Company Consulting, Inc.'s Incurred Costs for Fiscal Year 1997		
0-000-98-027-D	06/02/98	Audit of Creative Associates International, Inc.'s Incurred Costs for Fiscal Years 1995 and 1996		
0-000-98-028-D	05/26/98	Audit of CH2M Hill International Services, Inc.'s Incurred Costs for Fiscal Year 1995	413	QC
0-000-98-029-D	05/28/98	Audit of ABS Global Incorporated's Incurred Cost Submission for Fiscal Years 1994 and 1995		
0-000-98-030-D	05/29/98	Audit of Medical Service Corporation International, Inc.'s Incurred Cost Submission for Fiscal Year 1995		
0-000-98-031-D	05/28/98	Audit of Automated Research Systems, Ltd.'s Incurred Cost Submission for Fiscal Years 1994 and 1995		
0-000-98-032-D	06/12/98	Audit of Camp Dresser and McKee, International's Incurred Cost Submission for Fiscal Years 1991, 1992, 1993, and 1994		
0-000-98-033-D	05/26/98	Audit of Stanley Consultants, Inc.'s Incurred Costs for Fiscal Years 1987 through 1995		
0-000-98-034-D	05/28/98	Audit of DeLeuw Cather and Company's Incurred Costs for Calendar Year 1994		
0-000-98-035-D	06/08/98	Audit of Bechtel Group, Inc.'s Incurred Costs for Fiscal Year 1989		
0-000-98-036-D	05/21/98	Audit of Incurred Costs at Planning and Development Collaborative Int'l. for Fiscal Year 1996		
0-000-98-037-D	05/28/98	Audit of the Bain & Company, Inc. Incurred Costs Under USAID Contract No. CNN-0005-C-00-3108-00 for the Period January 1, 1995 through December 31, 1995		
0-000-98-038-D	06/09/98	Audit of University Research Corporation/CHS's Incurred Costs for Fiscal Year 1995		
0-000-98-039-D	06/09/98	Audit of Fiscal Year 1995 Incurred Costs of Deleuw, Cather & Company		
0-000-98-040-D	06/19/98	Audit of Incurred Costs at the Institute for International Research, Inc. for Fiscal Year 1995	4	QC
0-000-98-041-D	07/14/98	Audit of Pal-Tech, Inc. Incurred Costs for Fiscal Years Ended September 30, 1991 and 1992, December 31, 1993 (15 Months), and December 31, 1994 to December 31, 1995		
0-000-98-043-D	08/26/98	Audit of Incurred Costs at Raytheon Engineers & Constructors, Inc. for the Fiscal Year Ending December 31, 1994		

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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>
0-000-98-044-D	08/26/98	Audit of Incurred Costs at the Centech Group, Inc. for the Fiscal Years Ending December 31, 1993 and 1994		
0-000-98-046-D	08/26/98	Audit of Fiscal Years Ending April 30, 1990, 1991 and 1992 Incurred Costs of the Institute for Resource Development, Inc.		
		- Recipient-Contracted Audits of Non-U.S.-Based Recipients —		
B-654-98-006-R	04/01/98	Audit of Medecins Sans Frontieres, France, for the Year Ended December 31, 1996, for Grant Numbers AOT-G-00-00017-00, AOT-1008-G-00-4193-00, AOT-6031-G-00-6062-00, and 687-0968-G-00-6105-00	3	QC
B-669-98-007-R	07/14/98	Audit of Medecins Sans Frontieres, Holland, for the Years Ended December 31, 1995 and 1996, for Grant Numbers 442-0100-G-00-2358, AOT-1005-G-00-4143-00, AOT-G-00-96-00001-00, and AOT-1006-G-00-4180-00		
B-181-98-008-R	08/18/98	Audit of Expenditures of the Increasing Professionalism and Transparency in Local Government in Poland Program Managed by the Foundation in Support of Local Democracy Under Agreement No. 180-0019-A-00-5219 for the Period October 1, 1995 to December 31, 1997	15 9	QC UN
B-181-98-009-R	08/18/98	Audit of Expenditures of the Polish-American Enterprise Clubs Program Managed by the Foundation in Support of Local Democracy Under Agreement No. 181-0023-A-00-5227 for the Period October 1, 1995 to December 31, 1997	5	QC
1-511-98-028-R	06/30/98	Independent Auditor's Report; Child Survival Network "PROCOSI"; Child Survival PVO Network II Project - OPG II and Reproductive Health Project - Rural Area Component; Grant No. 511-0620-G-1281; Grant No. 511-0568-G-5028; For the Period Ended December 31, 1996	34 22	QC UN
1-524-98-029-R	07/13/98	Audit of the USAID Resources Managed by Minnesota International Health Volunteers Under Grant Agreement No. 524-G-SS-95-00068 for the Period June 23, 1995 to February 28, 1997	28	QC
1-596-98-030-R	07/15/98	Financial Audit of the Economic Policy Research Project USAID/G-CAP Project No. 596-0147-G-00-5110-00 Implemented by Permanent Secretariat for Central American Economic Integration for the Period January 1 to December 31, 1996	22 12	QC UN
1-596-98-031-R	07/15/98	Financial Audit of the Limited Scope Project Grant Agreement USAID/G-CAP Project No. 596-0178.00 Implemented by Permanent Secretariat of the General Treaty of Central American Economic Integration for the Period July 3 to December 31, 1996	17	QC
1-596-98-032-R	07/15/98	Financial Audit of the Association for Democracy and Development Support Project USAID/G-CAP Project No. 596-0177-92-042 Implemented by Permanent Secretariat for Central American Economic Integration for the Period January 1 to December 31, 1996	16 8	QC UN
1-521-98-033-R	07/29/98	Audit of Voluntary Agencies for Child Survival USAID/Haiti Project No. 521-0206; Component Managed by Association of Private Organizations of Health; for the Period January 1 to June 30, 1996		
1-522-98-034-R	08/10/98	Audit of the USAID/Honduras Resources Managed by the Ministry of Education Under the Primary Education Efficiency Project No. 522-0273, from January 1, 1993 to December 31, 1994	6 4	QC UN
1-596-98-035-R	08/12/98	Financial Audit of the Support Project for the Participation of Central America in the Free Trade of the Americas - PROALCA; USAID/G-CAP Project No. 596-0178.01 Implemented by Permanent Secretariat of the General Treaty of Central American Economic Integration for the Period August 22 to December 31, 1996	1 1	QC UN

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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>
1-520-98-036-R	08/12/98	Audit of the Small Coffee Farmer Improvement Program USAID/ANACAFE Cooperative Agreement No. 520-0381-A-00-9637-00 Implemented by National Coffee Association - ANACAFE for the Year Ended September 30, 1997	14 9	QC UN
1-524-98-037-R	08/13/98	Audit of the Project Under Grant Agreement No. 524-0316-G-SS-6032-00 with the United States Agency for International Development; Managed by the Asociacion Nicaraguense Pro Derechos Humanos for the Period from June 1, 1996 to May 31, 1997		
1-511-98-038-R	08/13/98	Proyecto de Investigacion y Concientizacion Sobre El Uso Indebido de Drogas (PROINCO); A.I.D. Grant Agreement No. 511-0613 for the Period from August 1, 1994 to March 31, 1996		
1-520-98-039-R	08/14/98	Preliminary Financial Audit, Strategic Educational Strengthening and Program Plan of the Human Rights Ombudsmanship, CA 520-0398-A-00-6052-00, Managed by Rafael Landivar University, USAID Project No. CA 520-0398, Thirteen-Month Period from June 1, 1996 to June 30, 1997		
1-596-98-040-R	08/14/98	Audit of the Cooperative Agreement "Local Government Regional Outreach Strategy," USAID/G-CAP Project No. 596-0167, Managed by Federacion de Municipios del Istmo Centroamericano for the Period January 1 to December 31, 1996		
1-521-98-041-R	08/14/98	Follow-on Program Project, USAID/Haiti No. 521-0227, Fund Accountability Audit for the Period from July 1, 1993 to August 31, 1997	3 3	QC UN
1-511-98-042-R	08/14/98	Centro Latinoamericano de Investigacion Cientifica; Cooperative Agreement No. 511-0613-A-00-6026 for the Period from January 1, 1996 to November 30, 1997		
1-519-98-043-R	08/17/98	Salvadoran Demographic Association, Financial and Compliance Audit Report for the Project USAID No. 519-0363-A-00-0408-00 "Family Health Services" for the Period from January 1 through December 31, 1997		
1-521-98-044-R	08/17/98	Enhancing Food Security II Project (USAID/Haiti Project No. 521-0258-C-00-6112) Managed by International Maritime Terminal, S.A. (IMT) Fund Accountability Statement for the Period from October 1, 1996 to September 30, 1997		
1-511-98-045-R	08/17/98	Independent Auditor's Report; Asociacion de Proteccion a la Salud (PROSALUD); Extension of Reproductive Health Services and Products Project; Grant Agreement AID No. 511-0568-G-00-5089 for the Year Ended December 31, 1996		
1-596-98-046-R	08/18/98	Audit of Municipal Infrastructure Financier Program; USAID/Guatemala Project No. 596-0167; Component of Short-Term Technical Assistance and Training Managed by the Central American Bank for Economic Integration; June 30, 1997		
1-511-98-047-R	08/18/98	Monetization Program, PL-480 Title II Program, Monetization Fund for the Period October 1, 1995 to September 30, 1996	286 51	QC UN
1-511-98-048-R	08/18/98	Agencia de Desarrollo y Recursos Asistenciales - Bolivia (Development and Assistance Resource Agency); Section 202 (e) Project Grant Agreement No. 511-0802-G-5002 as of September 30, 1996		
1-511-98-049-R	08/18/98	Caja Nacional de Salud; Reproductive Health Services Project; USAID Grant Agreement No. 511-0568 as of December 31, 1997		
1-511-98-050-R	08/19/98	Cochabamba Regional Development Project; Component Managed by the Bolivian Institute of Agricultural Technology; Independent Auditor's Report on the Fund Accountability Statement for the Year Ended December 31, 1997		
1-511-98-051-R	08/19/98	Cochabamba Regional Development Project; Component Managed by the Regional Alternative Development Program; Independent Auditor's Report on the Fund Accountability Statement for the Year Ended December 31, 1997		

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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>
1-520-98-052-R	08/20/98	Financial Audit of the Trade and Labor Relations Development Project; USAID/G-CAP Agreement No. 520-0403-A-00-3258-00; Component Implemented by the Guatemalan Entrepreneurial Chamber for the Year Ended December 31, 1997	2	QC
1-511-98-053-R	08/20/98	Caritas Boliviana Project Section 202(e) AID Grant Agreement No. 511-0802-G-3115; Report of Independent Auditors for the Period from April 1, 1993 to December 31, 1996	120 103	QC UN
1-511-98-054-R	08/21/98	Caritas Boliviana PL-480 Food Program Title II; Contributor Beneficiaries Fund - Sale of Empty Containers; Independent Auditor's Report on the Reconstructed Consolidated Fund Accountability Statement for the Period from October 1, 1993 to September 30, 1995	74 55	QC UN
1-596-98-055-R	08/24/98	Audit of the Central American Regional Environment Project, USAID/G-CAP Project No. 596-0180, Managed by Comision Centroamericana de Ambiente y Desarrollo for the Period January 1 to December 31, 1997		
1-511-98-056-R	08/25/98	Cochabamba Regional Development Project; Component Managed by the National Road Service; Independent Auditor's Report on the Fund Accountability Statement for the Year Ended December 31, 1997		
4-621-98-058-R	04/16/98	Audit of the Tanzania Family Planning Unit's Project 621-0173 for the Year Ended June 30, 1996	44 44	QC UN
4-613-98-059-R	04/23/98	Audit of USAID/Zimbabwe Trust Natural Resources Management Project No. 690-0251-13 for the Period June 1, 1995 through May 31, 1996	1	QC
4-674-98-060-R	04/23/98	Audit of Philisisizwe Association for Development's Grant No. 674-0301-G-SS-4152 for the Year Ended December 31, 1996		
4-674-98-061-R	04/24/98	Audit of the Independent Mediation Service of South Africa for the Period December 1, 1995 to November 30, 1996	14 14	QC UN
4-674-98-062-R	04/28/98	Audit of Vuleka Trust's Grant Nos. 674-0305-G-SS-3136 & 674-0301-A-00-6078 for the Year Ended December 31, 1996		
4-674-98-063-R	05/07/98	Audit of Social Change Assistance Trust's Grant No. 674-0301-6-55-4135 for the Year Ended December 31, 1996		
4-674-98-064-R	05/12/98	Audit of Social Change Assistance Trust's Grant No. 674-0301-6-55-4135 for the Period January 1, 1997 to May 31, 1997		
4-674-98-065-R	05/04/98	Audit of the Read Education Trust's Grant No. 674-0314-G-SS-2072 for the Year Ending March 31, 1997		
4-674-98-066-R	05/01/98	Audit of the Handspring Trust for Puppetry in Education for the Year Ending February 28, 1997		
4-674-98-067-R	05/05/98	Audit of Ntataise Trust's Grant No. 674-0314-G-SS-4038 for the Year Ending December 31, 1996		
4-674-98-068-R	05/07/98	Audit of the Women's Development Foundations' Grant No. 674-0301-G-SS-4155 for the Year Ending December 31, 1996		
4-674-98-069-R	05/07/98	Audit of the Community Dispute Resolution Trust Under Grant Agreement Nos. 674-0301-G-SS-2009-01 and 674-0301-G-SS-4095-00 for the Year Ending December 31, 1996		
4-674-98-070-R	05/08/98	Audit of Lawyers for Human Rights for the Period January 1, 1995 through June 30, 1996 for Grant Agreement Nos. 674-0301-G-SS-1032, 674-0312-G-SS-2074, 674-0301-G-SS-8168, and 674-0510-G-SS-1065	119 111	QC UN
4-674-98-071-R	05/11/98	Audit of South African Association for Academic Development for Grant Agreement No. 674-0309-G-SS-5025 for the Period September 21, 1995 to August 31, 1996	39 35	QC UN

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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>
4-674-98-072-R	05/11/98	Audit of South African Association for Academic Development for Grant Agreement No. 674-0309-G-SS-2018 for the Period September 1, 1994 to August 31, 1995	19 6	QC UN
4-674-98-073-R	05/08/98	Audit of the Africa Institute for Policy Analysis and Economic Integration for the Eight Month Period July 1, 1996 through February 28, 1997 for Grant Agreement No. 674-0315-A-00-6041-00		
4-674-98-074-R	05/11/98	Audit of Trust for Christian Outreach and Education for the Period January 1, 1995 through December 31, 1995, Agreement No. 674-0301-G-SS-4134-00	15 15	QC UN
4-674-98-075-R	05/12/98	Audit of Catholic Educational Aid Programme for the Period January 1, 1996 through December 31, 1996, Agreement No. 674-0309-G-SS-1016-01		
4-674-98-076-R	05/20/98	Audit of the Maths Centre for Primary Teachers' Grant No. 674-0314-G-SS-4070 for the Year Ended December 31, 1995		
4-674-98-077-R	07/17/98	Audit of the Centre for Criminal Justice's Grant No. 674-0301-G-SS-5045 for the Year Ending December 31, 1996		
4-674-98-078-R	07/17/98	Audit of the Centre for Criminal Justice's Grant No. 674-0301-G-SS-5045 for the period January 1, 1995 - June 30, 1996		
4-674-98-079-R	08/20/98	Audit of Environmental and Development Agency Trust for the Period August 30, 1994 through December 31, 1996, Agreement No. 674-0301-G-SS-4127-00		
4-674-98-080-R	05/12/98	Audit of Trust for Christian Outreach and Education for the Period January 1, 1996 through December 31, 1996, Agreement No. 674-0301-G-SS-4134-00		
4-674-98-081-R	08/06/98	Audit of African Centre for the Constructive Resolution of Disputes Educational Trust for the Period May 1, 1996 through July 31, 1997, Agreement No. 674-0301-G-SS-3013-03		
4-674-98-082-R	09/21/98	Audit of The Open Learning Systems Educational Trust for the Period March 1, 1995 through February 29, 1996, Agreement No. 674-0314-G-SS-2063-03		
4-674-98-083-R	08/25/98	Audit of National Institute for Community Education Trust for the Period April 1, 1996 through March 31, 1997, Agreement No. 674-0309-A-00-6044		
4-674-98-084-R	09/14/98	Audit of National Urban Housing and Reconstruction Agency's Grant No. 674-0312-A-00-6002 for the Year Ended February 28, 1997		
4-674-98-085-R	08/28/98	Audit of the Educational Support Services Trust Under Grant No. 674-0314-G-SS-2078 for the Period October 1, 1995 through July 31, 1996	18 18	QC UN
4-674-98-088-R	09/14/98	Audit of the Media in Education Trust's Grant No.674-0302-G-00-6023-01 for the Period April 1, 1996 to March 31, 1997.		
4-674-98-089-R	09/15/98	Audit of Funda Community College's Grant No. 674-0309-G-SS-3092 for the Year Ended October 31, 1997.		
4-674-98-090-R	09/16/98	Audit of South African Foundation for Public Management and Development's Grant No. 674-0318-G-SS-4168 for the Year Ended September 30, 1997.		
4-674-98-091-R	08/05/98	Audit of Human Awareness Program - Organizational Development Services for the Period April 1, 1993 through March 31, 1994, Agreement No. 674-0301-G-SS-7077-04		
4-674-98-092-R	08/05/98	Audit of Human Awareness Program - Organizational Development Services for the Period April 1, 1994 through June 30, 1995, Agreement No. 674-0301-G-SS-7077-04		
4-663-98-093-R	09/14/98	Audit of the Tigray Development Association's Grant No. 663-0015-A-00-5010 for the Period September 19, 1995 to June 30, 1997		

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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>
4-674-98-094-R	09/15/98	Audit of Science Education Project's Grant No. 674-0302-G-SS-3114 for the Period April 1, 1995 to August 31, 1996.	41 41	QC UN
4-674-98-095-R	09/18/98	Audit of the Equal Opportunity Foundation's Community Development Project Grant No. 674-0301-G-SS-4151 for the Year Ended March 31, 1997		
4-674-98-096-R	09/17/98	Audit of the Centre for Human Rights' Grant Nos. 674-0301-G-SS-4196 and 674-0301-G-00-5062 for the Period Ending December 31, 1996.		
4-613-98-112-R	08/20/98	Audit of the Local Currency Revenue/Expenditure Under Grant Nos. 613-K-603 to 613-T-607 for the Period July 1, 1991 through June 30, 1993	316 208	QC UN
5-497-98-002-R	05/20/98	Financial Audit of the Institute for Social and Economic Research, Education and Information		
5-386-98-003-R	06/02/98	Financial Audit of Power Finance Corporation Ltd.	1	QC
5-386-98-004-R	06/04/98	Financial Audit of the Industrial Credit and Investment Corporation of India - Agricultural Commercialization of Enterprise Project Division	1	QC
5-386-98-005-R	06/06/98	Financial Audit of the Industrial Credit and Investment Corporation of India - Agricultural Commercialization of Enterprise Project Division for Fiscal Year 1995		
5-386-98-006-R	06/10/98	Financial Audit of the Industrial Credit and Investment Corporation of India - Programme for Acceleration of Commercial Energy Research for Fiscal Year 1995		
5-386-98-007-R	06/15/98	Financial Audit of the Industrial Credit and Investment Corporation of India - Programme for the Advancement for Commercial Technology		
5-492-98-008-R	07/29/98	Financial Audit of the El Observatorio De Manila, Inc. Environmental Research Division		
5-386-98-009-R	07/31/98	Financial Audit of USAID/India's Grant to the National Bureau of Plant Genetic Resources for the Period April 1, 1994 to March 31, 1995 Under Project No. 386-0513	777 745	QC UN
5-367-98-010-R	09/11/98	Financial Audit Report of Nepal CRS Company PVT Ltd for the Period January 1, 1996 to July 15, 1997 Under Cooperative Agreement No. 367-0157-A-00-1002	41 1	QC UN
5-386-98-011-R	09/23/98	Financial Audit of the Industrial Development Bank of India for the Period April 1, 1995 to March 31, 1996 Under Project No. 386-0517	26 26	QC UN
5-492-98-012-R	09/02/98	Financial Audit of the Philippine Center for Population and Development, Inc. Under Grant Agreements No. 492-0470-G-SS-4090 and 492-0480-G-SS-5025		
6-263-98-006-R	05/04/98	Financial Audit of the Egyptian Center for Economic Studies		
6-278-98-007-R	07/27/98	Financial Audit of the Queen Alia Fund for Social Development	4	QC
6-278-98-008-R	07/28/98	Financial Audit of the Noor Al-Hussein Foundation	1	QC
6-263-98-009-R	09/13/98	Financial Audit of the Ministry of Health's Schistosomiasis Research Project, Costs Incurred Under USAID/Egypt's Science and Technology for Development Project No. 263-0140	4	QC
7-688-98-007-R	06/16/98	Audit of the Expenditures Made by the Office of Education Project Under the Basic Education Expansion Project in Mali (Project No. 688-0258) from June 1, 1993 to September 30, 1996	7	QC
7-688-98-008-R	06/24/98	Audit of the Strengthening Research Planning and Research on Commodities Project No. 688-0250, from March 1, 1994 to December 31, 1996	14	QC
7-688-98-009-R	08/13/98	Audit of the Local Currency Expenses Incurred by the Population, Health and Rural Water Project (No. 688-0248) from October 1, 1993 to December 31, 1996	181	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>
7-641-98-010-R	08/20/98	Audit of USAID's Grant to Ghana Registered Midwives Association Under the Ghana Population and AIDS Project for the Period February 1, 1996 to March 31, 1997		
7-688-98-011-R	08/21/98	Audit of the Expenses of the Action Consulting Association Related to USAID/Mali's Project for the Development of Human Resources (Project No. 698-0463.88) for the Period from March 1, 1991 to October 31, 1994	1	QC
7-688-98-012-R	09/22/98	Audit of Local Currency Expenses Incurred by the Office de la Haute Vallee du Niger Under the Development of Haute Vallee Project (No. 698.0233) from May 1, 1993 through December 31, 1996	17 11	QC UN

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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>
		<i>— Economy and Efficiency Audits —</i>		
A-000-98-005-P	05/28/98	Audit on Allegations of Inappropriate Policies, Procedures, and Practices in Providing Assistance to Kazakhstan		
A-000-98-006-P	09/21/98	Audit of USAID's Assessment of the Year 2000 Problem		
A-000-98-007-P	09/30/98	Audit of Post Transaction Review Activities Under the Commodity Import Program		
B-114-98-005-P	08/26/98	Audit of the Quality of Results Reported for the Republic of Georgia in USAID/Caucasus' Results Review and Resource Request (R4) Report Prepared in 1997		
B-386-98-006-P	09/03/98	Audit of the Quality of Results Reported in USAID/India's Results Review and Resource Request (R4) Report Prepared in 1997		
B-168-98-007-P	09/30/98	Audit of USAID/Bosnia-Herzegovina's Municipal Infrastructure and Services Program for the Period October 1, 1997 through March 31, 1998		
1-519-98-003-P	09/10/98	Audit of the Quality of Results Reported in USAID/El Salvador's Results Review and Resource Request (R4) Report Prepared in 1997		
4-649-98-002-P	08/14/98	Audit of USAID/Somalia's P.L. 480 Title II Emergency Feeding Program		
4-656-98-003-P	06/30/98	Audit of USAID/Mozambique's P.L. 480 Title II Program Commodity Losses		
4-690-98-004-P	08/28/98	Audit of USAID/Regional Centre for Southern Africa's Results Review and Resource Request		
5-492-98-003-P	05/29/98	Audit of USAID/Philippines' Management of Technical Assistance Contracts		
6-263-98-001-P	06/10/98	Audit of the Source and Origin of Project Commodities at USAID/Egypt		
6-278-98-002-P	07/15/98	Audit of Jordan Loan Guarantee Corporation's Implementation of USAID/Jordan's Loan Guarantee Activities	421	BU
7-675-98-003-P	09/24/98	Audit of the Quality of Results Reported in USAID/Guinea's Results Review and Resource Request (R4) Report Prepared in 1997		
7-620-98-004-P	09/24/98	Audit of the Quality of Results Reported in USAID/Nigeria's Results Review and Resource Request (R4) Report Prepared in 1997		
9-000-98-002-P	09/01/98	Audit of the Status of USAID's Anti-Corruption Efforts in Assisted Countries		
9-000-98-003-P	09/03/98	Audit of the Quality of Results Reported in the Bureau for Humanitarian Response's Office of Food for Peace Results Review and Resource Request (R4) Report Prepared in 1997		
9-000-98-004-P	09/08/98	Audit of USAID's Use of the American Express Travel Card		
9-000-98-005-P	09/30/98	Audit of the Status of USAID's Implementation of the Government Performance and Results Act of 1993		

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>
		<i>— Quality Control Reviews —</i>		
1-526-98-004-Q	04/20/98	Quality Control Review of Audit of Project No. 526-642-G-SS-2021-00 Judicial Reform Executed by the Government of the Republic of Paraguay Acting through the Supreme Court and the Public Ministry for the Period Covering January 01, 1996 up to December 31, 1996		
1-526-98-005-Q	04/20/98	Quality Control Review of Delta Consult Ltd.		
1-526-98-006-Q	04/21/98	Quality Control Review of Audit of the Program No. 526-0616-G-SS-2018-00 Managed by the Foundation Moises Bertoni for the Conservation of Nature for the Years Ended on December 31, 1996		
1-520-98-007-Q	05/18/98	Quality Control Review of the Guatemala Contraloria General de Cuentas		
1-526-98-008-Q	06/30/98	Quality Control Review of AYCA - Auditores y Consultores Asociados		
4-656-98-007-Q	04/10/98	Quality Control Review of the Recipient-Contracted Audit of Grupo Joao Ferreira dos Santos for the Period May 1, 1995 through December 31, 1996		
4-674-98-008-Q	07/23/98	Quality Control Review of the Recipient-Contracted Audit Conducted by Price Waterhouse of the Fund Accountability Statement of the Centre for Socio-Legal Studies for the Period from January 1, 1994 through December 31, 1995		
4-674-98-009-Q	07/01/98	Quality Control Review of the Agency-Contracted Audit Conducted by Price Waterhouse of the Fund Accountability Statement of the Educational Opportunities Council for the Period from July 1, 1991 through December 31, 1996		
6-263-98-005-Q	07/21/98	Quality Control Review of Price Waterhouse's Financial Audit of Environmental Quality International Under USAID/Egypt Contract Nos. 263-000-C-00-2203-00 and 263-0225-C-00-5078-00 for the Periods January 1, 1996 through May 16, 1997 and May 8, 1995 through June 30, 1997		
		<i>— Other Reports —</i>		
4-612-98-001-X	04/21/98	Audit of the Malawi Centre for Advice, Research & Education On Rights' Grant No. 612-0243-G-00-5346 for the Period November 1, 1994 through September 30, 1996		
4-674-98-002-X	05/06/98	Audit of the Get Ahead Financial Services Grant No. 674-0303-G-SS-4410 for the Period April 1, 1995 through March 31, 1996		
4-674-98-003-X	05/20/98	Audit of the Maths Centre for Primary Teachers' Grant No. 674-0314-G-SS-4070 for the Year Ended December 31, 1996		
4-674-98-004-X	05/20/98	Audit of the Maths Centre for Primary Teachers' Grant No. 674-0314-G-SS-4070 for the Period from January 1, 1997 to May 31, 1997		
4-656-98-005-X	09/17/98	Audit of the Action Contre La Faim Grant No. 656-0217-G-00-6004 for the Period January 1, 1996 through December 31, 1996		
4-656-98-006-X	09/14/98	Audit of the Terres des Hommes for the Period January 1, 1996 through December 31, 1996		
A-000-98-004-S	05/18/98	Memorandum Report on Access Controls Over NMS Data and Software		

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>
B-168-98-002-S	06/25/98	Interim Report on USAID/Bosnia-Herzegovina's Budget Support Program for the Republika Srpska		
B-168-98-003-S	07/21/98	Interim Report on USAID/Bosnia-Herzegovina's Bosnian Reconstruction Finance Facility Program		
1-532-98-003-S	07/10/98	Rejection of Recipient-Contracted Audit of the Inner Kingston Development Project; USAID/Jamaica Contract No. 532-0120-A-00-1074-00; Submitted by KPMG Peat Marwick for the Period October 1, 1993 to September 30, 1996		
1-527-98-004-S	07/10/98	Rejection of Recipient-Contracted Audit of the Financial Statements of Grupo de Analisis para el Desarrollo (GRADE) as of December 31, 1996 and Activities of Project No. 527-0356, Democracia Participatoria (DEMPAR) Managed by GRADE Submitted by Price Waterhouse for the Period January 1, 1996 to December 31, 1996		
1-511-98-005-S	08/10/98	Rejection of Recipient-Contracted Audit of the Interactive Radio Learning Project in Bolivia Submitted by Acevedo & Asociados for the Period March 17, 1992 to September 30, 1997		
1-532-98-006-S	08/17/98	Rejection of Recipient-Contracted Audit of the Primary Education Assistance Project II, PEAP II - 532-0155 Submitted by Deloitte & Touche for the Period April 1, 1994 to November 30, 1996		
1-511-98-007-S	08/18/98	Rejection of Recipient-Contracted Audit of the Asociacion de Proteccion a la Salud (PROSALUD) Project No. 511-0607 Submitted by Berthin Amengual y Asociados for the Period January 1, 1996 to December 31, 1996		
1-518-98-008-S	08/25/98	Rejection of Recipient-Contracted Audit of the Corporacion Oikos Submitted by Deloitte & Touche for the Period October 1, 1996 to September 30, 1997		
6-263-98-003-O	07/13/98	Report on Agreed-Upon Procedures Related to Resources Provided to the Regional Center for Training Under USAID/Egypt's Population and Family Planning III Project No. 263-0227	1	QC
6-263-98-005-S	09/15/98	Follow-up Review on Recommendation No. 1 from the Audit of USAID/Egypt's Management of Leased Housing, Report No. 6-263-96-012		
9-000-98-001-S	07/01/98	Interest Penalties Paid by USAID Under the Prompt Payment Act in Fiscal Year 1997, as Reported to the U.S. Treasury		

**AUDIT REPORTS OVER SIX MONTHS OLD
WITH NO MANAGEMENT DECISION
As of September 30, 1998**

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
0-000-94-028-R	U.S. Export Council for Renewable Energy	05/12/94	Recommended that USAID's Office of Procurement resolve the unallowable costs. The awards officer made a decision in May 1998, but the auditee appealed the decision. The final decision on this report is expected by December 1998.	12/30/98
0-000-94-421-R	American University of the Caribbean	09/13/94	Recommended that ASHA review and determine the allowability of construction costs. Recommendation has been referred to USAID legal counsel for a decision.	12/04/98
0-000-97-001-C	USAID's Financial Statements	02/24/97	Provided USAID's Chief Financial Officer two recommendations for improving internal controls. In a memorandum dated September 11, 1998, the Office of Financial Management indicated that it had begun corrective action on part of the recommendations. The OIG did not agree with part of the Office of Financial Management's response, and plans to follow up during the next reporting period.	12/31/98
0-000-97-004-D	Morrison-Maierle, Inc.	11/15/96	The audit recommendations were recently reassigned to the appropriate contract office. 5*	02/26/99
0-000-97-007-A	Adventist Development and Relief Agency, International	12/12/96	The audit recommendations were recently reassigned to the appropriate contract office.*	02/26/99
0-000-97-009-D	ABT Associates, Inc.	02/14/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-010-D	Black and Veatch, International	03/26/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-011-D	Black and Veatch International	03/31/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-036-A	Midwest University Consortium for International Action	12/18/96	The audit recommendations were recently reassigned to the appropriate contract office. *	06/26/99

^{5*} Over the past two years, USAID has reorganized both its overseas and Washington operations, which resulted in the transfer of responsibility of various awards and audit recommendations. Subsequent to previous semiannual reports, the Office of Procurement recognized that many of its audit recommendations were not addressed to the current awards office which could effectively respond to the recommendations. Together with the Office of Management, Innovation and Planning, the Office of Procurement began advising the OIG of the correct office with which to conduct follow-up on recommendations over six months old. As a result, many recommendations were re-assigned during this semiannual reporting period, but the offices to which they were assigned were unaware of this new responsibility. This problem should be corrected within the next reporting period.

TABLE B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
0-000-97-043-A	Pathfinder International	01/17/97	USAID management is in the process of reassigning these recommendations to the appropriate office. *	12/30/98
0-000-97-045-A	Population Services International	12/03/96	USAID management recently reassigned this recommendation to the appropriate Mission. *	02/26/99
0-000-97-046-A	Population Council, Inc.	01/13/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-051-A	Catholic Relief Services	12/26/96	The contracting officer reports that multiple issues related to the nine audit recommendations of this audit requires additional time.	10/30/98
0-000-97-078-A	International City/County Management Association	12/26/96	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-091-A	Carter Center, Inc.	01/14/97	USAID management is in the process of reassigning this recommendation to the appropriate contract office.*	12/30/98
0-000-97-093-A	National Cooperative Business Association	12/30/96	USAID management is in the process of reassigning the recommendation to the appropriate contract office.*	12/30/98
0-000-97-100-A	Internews Network	01/29/97	USAID management is in the process of reassigning these recommendations to the appropriate contract office. *	12/30/98
0-000-97-103-A	Management Sciences for Health, Inc.	03/24/97	The audit was recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-106-A	National Council of Negro Women, Inc.	5/30/97	Of the 7 initial recommendations, USAID management is in the process of reassigning the last two to the appropriate contract office. *	12/30/98
0-000-97-107-A	Nature Conservancy	03/31/97	USAID management recently reassigned the audit recommendations to the appropriate contract office. *	02/26/99
0-000-97-122-A	The National Council of Negro Women, Inc	03/31/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-129-A	Oceanic Institute	04/14/97	USAID management is in the process of reassigning these recommendations to the appropriate contract office. *	12/30/98
0-000-97-157-A	Fund for Democracy and Development	05/16/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-97-158-A	Consortium for International Development	06/18/97	USAID management is in the process of reassigning these recommendations to the appropriate contract office. *	12/30/98

TABLE B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
0-000-97-191-A	Catholic Relief Services (CRS)- United States Catholic Conference, Inc.	08/07/97	USAID management recently reassigned these recommendations to the appropriate Mission. *	12/31/98
0-000-97-200-A	The Population Council, Inc.	08/18/97	The audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-623-97-072-R	Center for Agricultural Research and Policy Analysis	07/02/97	The Mission awaits the results of an audit which will not begin until 10/98. OIG anticipates management decisions based on audit.	03/15/99
8-000-97-006-D	Norwegian People's Aid	02/19/97	M/OP advised that a reply from the auditee is pending.	10/30/98
8-TR-96-008	Medecins Du Monde	08/02/96	The contracting officer has received concurrence by the auditee with questioned cost and will issue a management decision upon reimbursement to USAID.	10/30/98
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
7-688-98-001-R	Policy Reform for Economic Development Projects	11/04/97	Recommended that USAID/Mali request and obtain a Counterpart Contribution Statement from the Government of Mali, which documents its contributions to the Policy Reform for Economic Development. A six month notification was sent to the AA/AFR in August from the OIG. USAID/Mali is reviewing recommendation.	11/30/98
0-000-98-007-D	Amex International, Inc	11/12/97	The five recommendations are being pursued by the four Missions involved. The Missions advise that they should complete their actions during the next reporting period.	02/26/99
4-613-98-001-N	Grain Marketing Reform Research Project	11/12/97	USAID Regional Contracting Officer awaiting to reach agreement with project's contractor on cost issues.	03/15/99
0-000-98-013-D	Development Alternatives	01/08/98	USAID management is currently addressing the questioned costs for two recommendations.	12/30/98
0-000-97-141-A	Project Concern International	11/10/97	USAID management is in the process of reassigning two recommendations to the appropriate contract office. *	12/30/98
0-000-98-005-D	Hagler Bailley Consulting, Inc	01/07/98	USAID management is in the process of reassigning the recommendation to the appropriate contract office.*	12/30/98
0-000-98-015-D	Murshid Builders Limited	01/22/98	The audit recommendation is under review in the Office of Procurement. The OIG has not been informed of its current status.	03/15/99

TABLE B

REPORT NUMBER	AUDITEE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DESIRED DECISION TARGET DATE
0-000-98-017-D	Construction Control Services Corp	02/27-98	Audit recommendation was recently reassigned. USAID management is currently reviewing the recommendation.	02/26/99
0-000-98-009-D	Volunteers in Cooperative Assistance	12/17/97	USAID management is currently reviewing the five recommendations.	02/26/99
0-000-98-001-F	USAID's Financial Statements	03/02/98	Provided USAID's Chief Financial Officer (CFO) eight recommendations for improving internal controls and compliance with laws and regulations. Also provided USAID's Assistant Administrator/Bureau for Policy and Program Coordination (AA/PPC) two recommendations for improving performance indicators and identifying material weaknesses in performance measures. USAID management decision has been reached on all but three recommendations. In a memo dated 9/23/98, the OIG disagreed with AA/PPC's response and requested additional comments by 12/1/98. The CFO is awaiting guidance from the CFO council on the third recommendation.	12/01/98
0-000-98-002-F	Accordia Healthcare Solutions, Inc	03/26/98	The amount of funds to be returned to the U.S. Treasury is still under review and is being reconciled with accounts.	01/30/99
9-000-98-003-F	Unliquidated Obligations for Project & Non-Project Assistance	03/27/98	Provided recommendations concerning the management of USAID's unliquidated obligations including the potential savings on USAID's pipeline which has been in excess to requirements or no longer needed. USAID management has referred the recommendations to USAID senior management.	12/30/98
0-000-98-001-D	Aguirre International	11/04/97	Audit recommendations were recently reassigned to the appropriate contract office. *	02/26/99
0-000-98-004-D	Associates in Rural Development, Inc	11/25/97	USAID management is currently reviewing the audit recommendation.	01/29/99
B-183-98-007-D	Institute for Sustainable Communities, Sofia,Bulgaria	01/16/98	Recommendation was assigned to the appropriate contract office. *	12/15/98

**SIGNIFICANT AUDIT RECOMMENDATIONS DESCRIBED IN
PREVIOUS SEMIANNUAL REPORTS WITHOUT FINAL ACTION
As of September 30, 1998**

<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>
1-000-97-002-P	Follow-up on USAID's Implementation of Recommendation No. 1, Audit of the Activities of the Bahamian Agricultural Credit Guarantee Fund	07/28/97	1	03/26/98	01/99
6-294-96-006-N	Society for the Care of the Handicapped in Gaza	11/28/95	1	06/16/96	04/00
6-294-96-018-N	AMIDEAST/Jerusalem	04/11/96	1	03/08/98	04/99
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	12/98
			6	01/28/97	03/99
			7.1	11/29/96	03/99
			8	11/29/96	12/98
7-688-97-006-R	Road Reinforcement Service Under the Upper Valley Development Project (Mali)	02/13/97	1	05/19/97	03/99
8-180-95-015	Economy & Efficiency of Central & Eastern Europe Enterprise Funds	08/25/95	1.1	09/25/97	03/99
9-000-93-006	Audit of A.I.D.'s Accounts Receivable	08/31/93	1.3	03/03/94	06/99
			2	03/23/94	09/99
9-000-95-005	USAID/Washington's Management of Cash Advances to Recipient Organizations	12/15/94	8	12/15/94	03/99
9-000-96-001	Patent Reporting, Disclosure and Procurement	12/05/95	1.1	12/05/95	11/98
			1.2	12/05/95	11/98
			2.1	12/05/95	11/98
			5.2	12/05/95	11/98
			6	12/05/95	11/98
9-000-96-002	Accountability for USAID Funds with Non-U.S. Grantees	12/29/95	1.2	12/29/95	03/99
			1.3	12/29/95	03/99
			1.4	12/29/95	03/99
9-000-96-005	Controls Over the Quality of Financial Management Data	07/11/96	1	07/11/96	09/00
9-000-97-001-P	Audit of USAID's Disaster Assistance Activities	09/10/97	1	06/29/98	10/98

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>
A-000-97-001-P	USAID/Washington's Review and Certification of Funds Obligated for Operating Expenses	02/07/97	1.1	02/25/98	12/98
			1.2	02/25/98	12/98
			1.3	03/17/98	12/98
A-000-97-004-P	Worldwide Deployment of the New Management System	03/31/97	1	08/18/97	10/98
			2	08/18/97	10/98
			3	08/18/97	10/98
A-000-97-008-P	Audit of USAID's Compliance with Federal Computer Security Requirements	09/30/97	1	09/30/97	03/99
			2.1	09/30/97	03/99
			2.2	09/30/97	03/99
			2.3	09/30/97	01/00
			2.4	09/30/97	01/00
			2.5	09/30/97	01/00
A-000-97-009-P	Audit of the Internal Controls for the Operational New Management System	09/30/97	1	12/26/97	09/00
B-168-97-006-P	Audit of USAID/Bosnia-Herzegovina's Bosnian Reconstruction Finance Facility Program for the Period January 1 Through March 31, 1997	06/27/97	1.1	03/30/98	03/99
			1.2	03/30/98	03/99
0-000-98-001-F	USAID's Financial Statements for FY 1997/96	03/02/98	1	03/02/98	10/98
			10	03/02/98	12/98
			2	03/02/98	03/99
			3		03/99
			4	03/02/98	09/00
			5		03/99
			6	03/02/98	09/00
			7.1		03/99
			8.1	03/02/98	09/00
			8.2	03/02/98	03/99
			9.1	03/02/98	03/99
			9.2	03/02/98	03/99
			9.3	03/02/98	03/99
0-000-98-002-F	Accordia Healthcare Solutions, Inc	03/26/98	3		03/99
9-000-98-003-F	Unliquidated Obligations for Project and NonProject Assistance	03/27/98	1.1	03/27/98	12/98

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>
			1.2	03/27/98	12/98
			1.3	03/27/98	12/98
			2	03/27/98	12/98
			3		09/99
9-000-98-002-F	Contracts, Grants & Cooperative Agreements	03/20/98	1	03/20/98	03/99
A-000-98-004-P	New Management Systems Status	03/31/98	1	03/31/98	09/99
7-688-98-001-P	Implementation of GPRA for Youth Strategic Obj./Mali	03/23/98	1	03/23/98	03/99
			2	03/23/98	03/99
			3	03/23/98	03/99
			4.1	03/23/98	03/99
			4.2	03/23/98	03/99
7-624-98-002-P	Implementation of GPRA in its Family Health	03/24/98	4.1	03/24/98	03/99
			4.2	03/24/98	03/99

**REPORTS ISSUED WITH QUESTIONED AND
UNSUPPORTED COSTS**

April 1, 1998 through September 30, 1998

(Dollars in Thousands)

REPORTS	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS ¹
For which no management decision had been made as of April 1, 1998	88	\$20,809 ^{2,3}	\$3,877 ²
Add: Reports issued April 1, 1998 through September 30, 1998	72	\$4,603 ⁴	\$1,900 ⁴
Subtotal	160	\$25,412	\$5,777
Less: Reports with a management decision made April 1, 1998 through September 30, 1998	95	\$5,684 ^{5,6}	\$2,679 ^{5,6}
For which no management decision had been made as of September 30, 1998	72	\$19,728 ⁷	\$3,098 ⁷
For which no management decision was made within six months of issuance	30	\$16,551	\$2,064

¹Unsupported 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).

²Amounts include \$11,904,404 in Questioned Costs and \$208,095 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

³The ending balance at March 31, 1998 (\$20,933,141), was decreased by \$124,509 in Questioned Costs to reflect adjustments in the amount of recommendations contained in five reports.

⁴Amounts include \$920,605 in Questioned Costs and \$208,758 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

⁵Agency Officials disallowed \$1,494,170 in Questioned Costs (\$779,378 in Unsupported Costs) cited in 60 reports. Agency Officials did not sustain \$4,190,284 in Questioned Costs (\$1,899,133 in Unsupported Costs) cited in 66 reports.

⁶Amounts include \$963,605 in Questioned Costs and \$101,381 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

⁷Amounts include \$11,861,404 in Questioned Costs and \$315,472 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, 1998 through September 30, 1998**

(Dollars in Thousands)

REPORTS	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
For which no management decision had been made as of April 1, 1998	4	\$489,357 ¹
Add: Reports issued April 1, 1998 through September 30, 1998	3	\$528
Subtotal	7	\$489,885
Less: Reports with a management decision made April 1, 1998 through September 30, 1998	6	\$4,966 ²
For which no management decision had been made as of September 30, 1998	2	\$484,919
For which no management decision was made within six months of issuance	2	\$484,919

¹The ending balance at March 31, 1998 (\$485,147,186), was increased by \$4,210,199 to reflect adjustments in the amount of recommendations contained in one report.

²Agency Officials agreed with \$4,965,985 in actions cited in six reports.

OIG STATISTICAL SUMMARY

INVESTIGATIVE ACTIONS

WORK LOAD

CASES PENDING (4/1/98)	74	
CASES OPENED	17	
CASES CLOSED	13	
CASES PENDING (9/30/98)		78

CIVIL

CIVIL REFERRALS	0
COMPLAINTS	0
JUDGEMENTS / RECOVERIES	1
SETTLEMENTS	0

CRIMINAL

PROSECUTIVE REFERRALS	4
PROSECUTIVE DECLINATIONS	4
INDICTMENTS	1
CONVICTIONS	0
FINES	0
RESTITUTIONS	0

ADMINISTRATIVE

REPRIMANDS	0
PERSONNEL SUSPENSIONS	1
RESIGNATIONS / TERMINATIONS	5
OTHER ADMINISTRATIVE ACTIONS	6
RECOVERIES	2
SUSPENSIONS / DEBARMENTS	1
SAVINGS	0

INVESTIGATIVE RECOVERIES

JUDICIAL RECOVERIES	\$ 41,644
ADMINISTRATIVE RECOVERIES	\$117,597
TOTAL INVESTIGATIVE RECOVERIES	\$159,241

**The semiannual report to the Congress is
available on the internet at
www.ignet.gov/ignet/internal/aid/aid.htm.**

Transition to Statutory Inspector General

Congress provided additional responsibilities and authorities to the Auditor General by amendments (P.L. 96-533) to the Foreign Assistance Act of 1961. These amendments changed the title of the office from “Auditor General” to “Inspector General.” This change became effective on December 30, 1980. The amendments also provided protection for “whistleblowers,” required the IG to be provided with suitable office space and administrative support, and for the first time granted subpoena power to the Office. In every substantive aspect, the duties, responsibilities, and authorities of the USAID Inspector General became identical to those accorded the Inspector General established by the 1978 Inspector General Act.

USAID Inspector General Under the Inspector General Act of 1978

The enactment of the International Security and Development Cooperation Act on December 29, 1981 brought USAID's OIG under the Inspector General Act of 1978 (IG Act). The first “Semiannual Report of the Inspector General” for the period ending March 31, 1982 was issued to meet the IG Act requirements.

In fiscal year 1988, Congress funded an increase of the audit and investigative oversight of USAID programs abroad in response to concerns over highly vulnerable environments in which foreign aid is delivered. A two-year program to strengthen OIG oversight capability was established that provided for an interim goal of IG staff levels at 240. The OIG worked with the Secretary of State to increase IG staff levels overseas to respond to the Congressional mandate.

In fiscal year 1989, the OIG assumed responsibility for contracting, Foreign Service and General Service position classification, ADP systems management, training and career counseling functions. Later, in 1996, the OIG assumed the personnel function for general schedule staff, which then consolidated all personnel operations within the OIG. The transfer of these functions to the OIG from USAID were in accord with the IG Act of 1978. The amount paid to USAID for support services was reduced as a result of the OIG performing its own ADP and contract services.

In its fiscal year 1991 appropriations for assistance to Eastern Europe, Congress expressed concern that close and continuing Inspector General oversight was critical to the success and integrity of these new programs and directed the IG to establish a regional office in, or contiguous to, the Eastern European region. Subsequent to consultations with the Department of State, the IG established Vienna, Austria as the site of the European Regional Office.

In fiscal year 1998, the USAID/OIG had 189 positions and a budget of \$31.9 million. OIG overseas offices are staffed by 56 direct hire employees and 16 FSNs in six regional offices: Budapest, Hungary; Cairo, Egypt; Dakar, Senegal; Manila, Philippines; Pretoria, South Africa; and San Salvador, El Salvador.