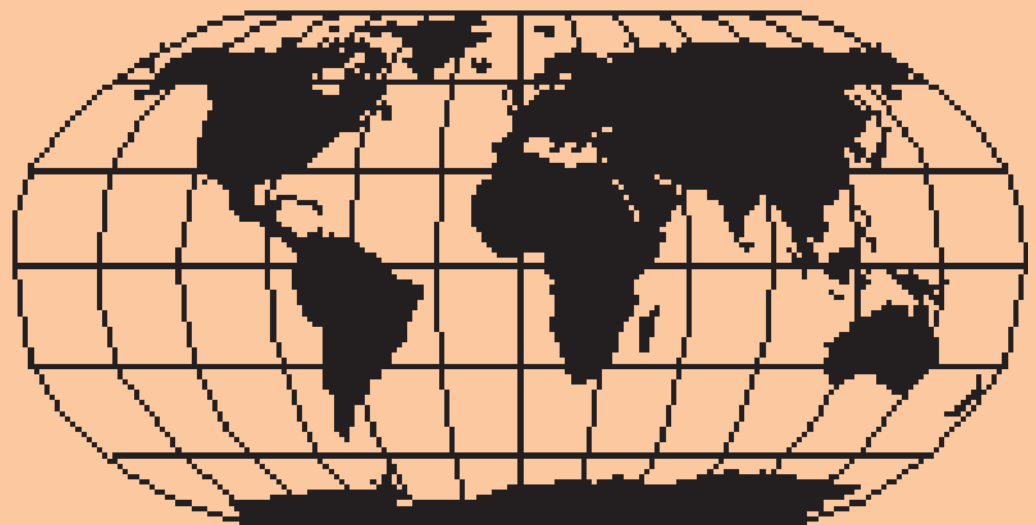
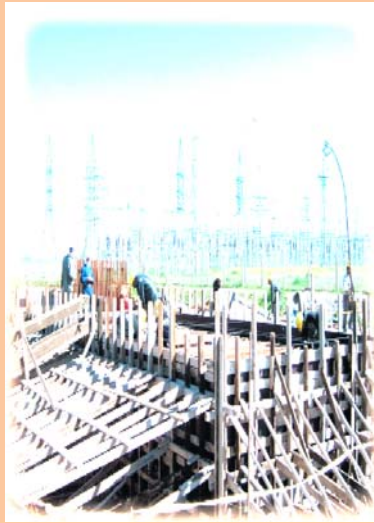


USAID



OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS



APRIL 1, 2004 - SEPTEMBER 30, 2004

INSPECTOR GENERAL

HOTLINE

The Office of Inspector General (OIG) maintains a hotline to make it easy to report allegations of fraud, waste, abuse, mismanagement or misconduct in the programs and operations of the United States Agency for International Development (USAID), the Inter-American Foundation (IAF), the African Development Foundation (ADF), and the Millennium Challenge Corporation (MCC). USAID, IAF, ADF, and MCC employees, contractors, and program participants or the general public may report allegations directly to the OIG. The Inspector General Act of 1978 and other laws protect persons making hotline complaints. Submit complaints by email, telephone, or mail to:

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

Email ig.hotline@usaid.gov

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



Individuals who contact the hotline are not required to identify themselves. However, the OIG encourages those who report allegations to identify themselves so they can be contacted if additional questions arise as OIG evaluates their allegations. Pursuant to the Inspector General Act of 1978, the Inspector General will not disclose the identity of an individual who provides information unless that individual consents or unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. You may request confidentiality when using the telephone or mail. Email complaints can not be kept confidential because electronic mail systems are not secure.



OFFICE OF INSPECTOR GENERAL



October 29, 2004

The Honorable Andrew S. Natsios
Administrator
U. S. Agency for International Development
Washington, DC 20523

Dear Mr. Natsios:

I am pleased to report to you and the Congress of the United States the accomplishments of the USAID Office of Inspector General (OIG) for the six-month period ended September 30, 2004. This report is issued in compliance with the Inspector General Act of 1978, as amended.

During this period the OIG issued 222 audit reports with monetary recommendations of about \$15.3 million, completed 63 investigations, and achieved savings and recoveries of \$7.7 million.

Our oversight initiatives for high-risk USAID operations in Iraq and Afghanistan produced significant accomplishments in this period.

In Iraq, we established a permanent OIG field office with seven in-country staff and have an active program of financial and performance audits as well as our investigations program underway there. We also have conducted important work on the Agency's Iraq program from our headquarters, especially as regards to contracting actions.

In Afghanistan, our field activities, staffed largely from our field office in Manila, continue to focus on USAID's infrastructure reconstruction program there.

We have also coordinated with the Office of the U.S. Global AIDS Coordinator and other federal departments working to combat HIV/AIDS around the world to assure consistency of audit coverage over these funds.

Also, during this period, Inspector General Everett L. Mosley retired effective September 3, 2004. Inspector General Mosley leaves a strong legacy, and the OIG staff is dedicated to continuing that legacy by working closely with you on the many challenging activities in which USAID is engaged.

Sincerely,

/s/

James R. Ebbitt
Acting Inspector General

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

OFFICE OF INSPECTOR GENERAL



October 29, 2004

Mr. Edward W. Brehm, Chairperson of the Board
Mr. Nathaniel Fields, President
The African Development Foundation
1400 Eye Street, NW, Tenth Floor
Washington, D.C. 20005-2248

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the African Development Foundation (ADF) for the period ended September 30, 2004.

The report is issued in compliance with the Inspector General Act of 1978, as amended. The Consolidated Appropriations Act (P.L. 106-113), dated November 29, 1999, assigned audit and investigation responsibilities for the ADF to USAID OIG.

I appreciate the courtesy and assistance extended to my staff during our work with your organization.

Sincerely,

/s/

James R. Ebbitt
Acting Inspector General

OFFICE OF INSPECTOR GENERAL



October 29, 2004

Mr. Roger W. Wallace, Chairman of the Board
Mr. David W. Valenzuela, President
The Inter-American Foundation
901 North Stuart Street, 10th Floor
Arlington, Virginia 22203

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the Inter-American Foundation (IAF) for the period ended September 30, 2004.

The report is issued in compliance with the Inspector General Act of 1978, as amended. The Consolidated Appropriations Act (P.L. 106-113), dated November 29, 1999, assigned audit and investigation responsibilities for the IAF to USAID OIG.

I appreciate the courtesy and assistance extended to my staff during our work with your organization.

Sincerely,

/s/

James R. Ebbitt
Acting Inspector General

Acronyms

ADF	African Development Foundation
ARS	Accrual Reporting System
CAM	Contract Audit Management
CEO	Chief Executive Officer
CIP	Commodity Import Program
CLOs	Country Liaison Offices
CPA/IG	Coalition Provisional Authority/Inspector General
CTOs	Cognizant Technical Officers
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
FSN	Foreign Service National
GAO	Government Accountability Office
GMRA	Government Management and Reform Act
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAF	Inter-American Foundation
IG	Inspector General
IG Act	Inspector General Act of 1978
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MEPI	Middle East Partnership Initiative
MOU	Memorandum of Understanding
NGOs	Non-Government Organizations
OIG	Office of Inspector General
OMB	Office of Management and Budget
PVO	Private Voluntary Organization
RECAP Activity	Emergency Reconstruction of Roads and Bridges Activity
REDSO/ESA	Regional Economic Development Services Office for East and Southern Africa
REFS	Rehabilitation of Economic Facilities and Services
Results Act	Government Performance and Results Act of 1993
RIG	Regional Inspector General
SAIs	Supreme Audit Institutions
USAID	United States Agency for International Development
USPSC	U.S. Personal Services Contractors

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Reporting Requirements—USAID

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 required reporting areas, as prescribed under Section 5(a) of the Act, include the following:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 8-13
Recommendations for Corrective Actions	Pages 18-27
Summary of Each Significant Report	Pages 18-27
List of Audit Reports Issued	Appendix A Pages 34-46
Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	Appendix B Page 48
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 49
Statistical Table of Reports with Questioned and Unsupported Costs	Appendix D Page 51
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Appendix E Page 52
Remediation Plan Information (Required under the Federal Financial Management Improvement Act of 1996)	Appendix F Page 53
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Appendix G Page 54

Reporting Requirements—ADF

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 required reporting areas, as prescribed under Section 5(a) of the Act, include the following:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 28-29
Recommendations for Corrective Actions	Pages 28-29
List of Audit Reports Issued	Appendix A Page 47
Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	Appendix B Page 48
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 50
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Remediation Plan Information (Required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Reporting Requirements—IAF

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 required reporting areas, as prescribed under Section 5(a) of the Act, include the following:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 30-31
Recommendations for Corrective Actions	Pages 30-31
List of Audit Reports Issued	Nothing to Report
Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	Appendix B Page 48
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Nothing to Report
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Remediation Plan Information (Required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Executive Summary

This semiannual report to the Congress presents the results of the Office of Inspector General's audit and investigation efforts at the U.S. Agency for International Development (USAID), the African Development Foundation (ADF), and the Inter-American Foundation (IAF) for the six-month period ending September 30, 2004. The USAID Office of Inspector General (OIG) also has statutory responsibility for the Millennium Challenge Corporation (MCC); however, the OIG's work relating to the MCC is discussed in a separate semiannual report.

During this reporting period, the OIG issued 222 audit reports with monetary recommendations valued at \$15.3 million. In addition, the OIG completed 63 investigations and achieved savings and recoveries from investigations of \$7.7 million.

This report highlights the OIG's most significant audits and investigations during the reporting period as well as the OIG's efforts to improve the accountability environment overseas through training activities, oversight of USAID contractors and grantees, and support for Supreme Audit Institutions.

The report also discusses the major management challenges facing USAID as identified by the OIG in the areas of managing for results, procurement, human capital, financial management, and information technology. Also, the report discusses the OIG's role in providing oversight for USAID's programs in Iraq and Afghanistan, the Middle East Partnership Initiative, programs in the West Bank and Gaza, and HIV/AIDS programs. In addition, this report discusses the OIG's audit strategy, major challenges, and current oversight activities facing ADF and IAF.

Overview

The Office of Inspector General (OIG) is responsible for providing audit and investigative services to the U.S. Agency for International Development (USAID), the Millennium Challenge Corporation (MCC), the African Development Foundation (ADF), and the Inter-American Foundation (IAF).

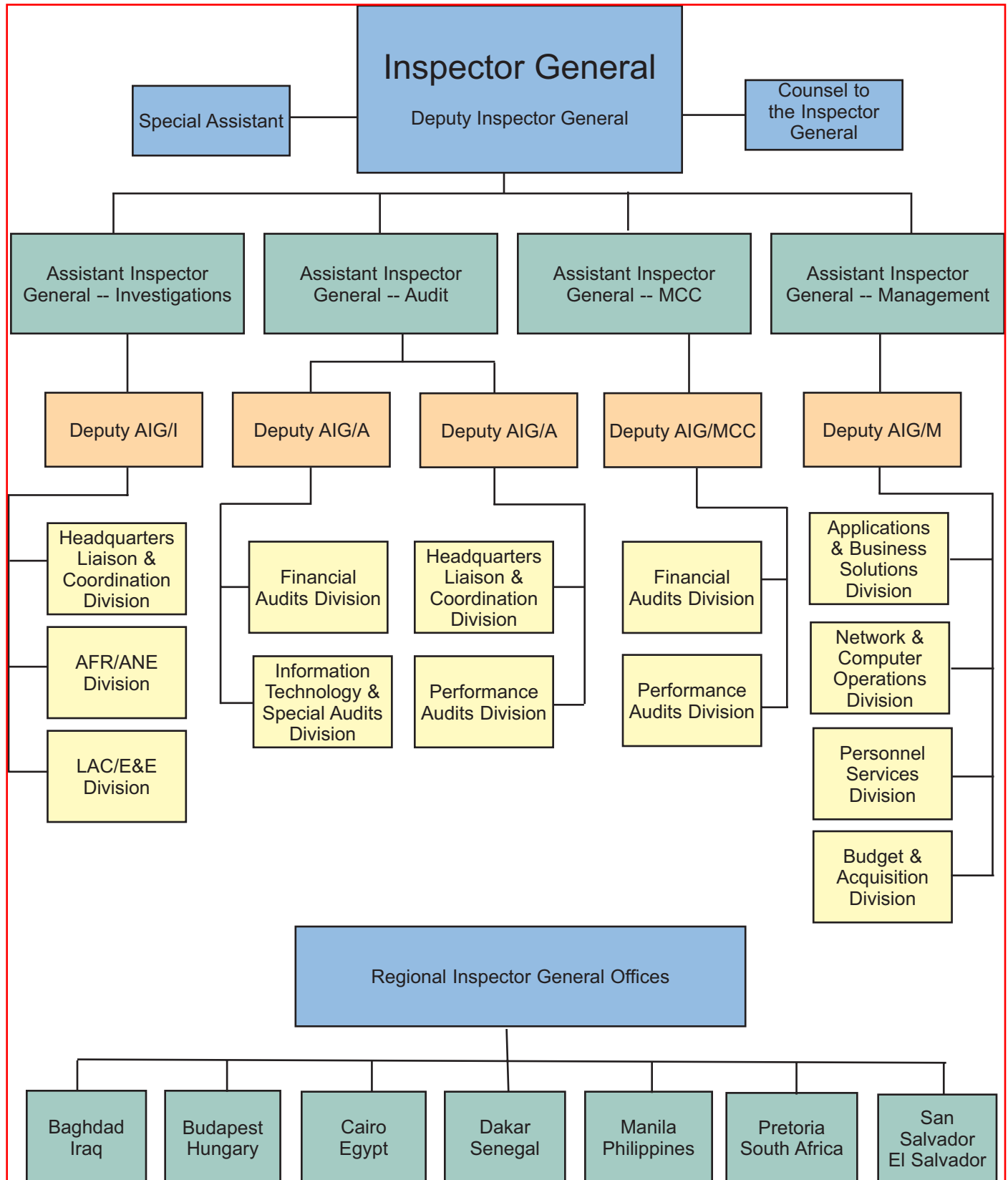
Mission

Established under the Inspector General Act of 1978 (IG Act), as amended, the OIG is tasked with (1) promoting economy, efficiency, and effectiveness in the administration of programs and (2) preventing and detecting fraud and abuse in worldwide program operations. The IG Act also requires all Inspectors General to keep management and the Congress fully and currently informed about problems and deficiencies relating to the administration of programs and operations, as well as about actions taken to correct those deficiencies and problems.

Organization

The OIG is organized into four areas of responsibility with Assistant Inspectors General for each area: Audit, Investigations, MCC and Management. There are also six overseas field offices, each headed by a Regional Inspector General, located in Budapest, Hungary; Cairo, Egypt; Dakar, Senegal; Manila, Philippines; Pretoria, South Africa; and San Salvador, El Salvador. In addition to the regional offices, the OIG has had a field presence in Iraq since July 2003. These regional and field offices maintain close working relationships with the USAID missions in their regions, and their presence in the field enables auditors and investigators to carry out their responsibilities efficiently.

USAID Office of Inspector General



Special Emphasis Areas

Iraq and Afghanistan

The OIG supports reconstruction efforts in Iraq and development efforts in Afghanistan through financial and performance audits in both countries.

In July 2004, with the establishment of a sovereign Iraq, the dissolution of the Coalition Provisional Authority, and the establishment of a United States Embassy, the OIG transitioned from temporary duty to a fully staffed OIG office. OIG staff in Baghdad consist of six auditors and one criminal investigator. Their offices and housing are co-located with the USAID Mission in the International Zone (previously known as the Green Zone). The USAID program in Iraq was \$2.3 billion in fiscal year 2004.

The OIG's financial audit program in Iraq examines USAID's contractors' and grantees' internal control systems and the costs incurred under the contracts and grants. The OIG's performance audits examine the infrastructure and rehabilitation program and economic reform activities. In Washington and Baghdad, the OIG is reviewing the procurement process for contracts awarded to United States firms implementing the USAID-Iraq reconstruction program to determine if USAID complied with the Federal Acquisition Regulation.

During this period, the OIG issued a capping report (see page 27) summarizing its individual procurement audits of the first ten contracts awarded for Iraq reconstruction. These procurements included awards for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration, and agriculture.

On the investigative side, proactive efforts continue. In April 2004, the OIG provided two fraud awareness training sessions to Mission personnel. The OIG Baghdad Office continues to see a steady stream of allegations which receive a high priority given the profile of the programs involved.

Afghanistan is also a United States foreign policy priority and one of USAID's and the OIG's highest priorities. The risk related to USAID/Afghanistan's ability to manage its assistance activities is high because of the unsettled environment that continues to exist in that country. Because of this high risk, the OIG conducts performance and financial audits of USAID activities, such as its

\$665 million program to rehabilitate major infrastructure in Afghanistan.

In the investigative area, the OIG dispatched an agent to Kabul during the current reporting period to look into several allegations of misconduct regarding Afghanistan programs. As a result of that visit, some allegations were resolved, while others resulted in case openings. Several more site visits are currently being scheduled to continue investigative work on open cases and further develop contacts and sources for potential future efforts.

The OIG will continue to devote the resources necessary to ensure audit and investigative coverage of USAID activities in both Iraq and Afghanistan.

President's Emergency Plan for HIV/AIDS Relief

In his January 2003 State of the Union address, President Bush announced his Emergency Plan for AIDS Relief.

As of September 30, 2004, USAID has received approximately \$341 million in Emergency Plan funds. These funds have been programmed to prevent new HIV/AIDS infections, provide antiretroviral drugs to persons who are HIV-positive, and care for people suffering from HIV/AIDS and for children orphaned by HIV/AIDS.

To promote proper management and oversight of all of USAID's HIV/AIDS activities—including those funded under the Emergency Plan—the OIG met with USAID management, the Global AIDS Coordinator, and the Department of State OIG to discuss issues of accountability and oversight. The OIG also convened a meeting with other OIGs whose agencies are expected to implement activities under the Emergency Plan to coordinate oversight efforts.

Highlights

The following sections describe the most significant results of OIG work concluded in the past six-month period. During this semiannual period, the OIG issued a capping report describing the results of its worldwide audit of USAID's participant training activities and an audit of USAID's small and disadvantaged business utilization practices.

Semiannual Report to the Congress

The investigative items reflect criminal investigations that resulted in civil actions, personnel actions, fines, restitution and other financial recoveries and savings.



Photograph of an OIG investigator conducting proactive fraud awareness training to USAID personnel in Baghdad, Iraq.

Highlights of Significant Audits

The audit activities include financial and performance audits at USAID, the African Development Foundation, and the Inter-American Foundation. The following table is a statistical summary of OIG audit activities during this reporting period.

Type of Report	Number of Reports	Monetary Recommendations (\$)
Financial Audits		
USAID Programs and Operations	2	0
Foundations' Programs and Operations	0	0
U.S.-Based Contractors	29	10,150,234
U.S.-Based Grantees	23	240,951
Quality Control Reviews	1	0
Foreign-Based Organizations	111	4,723,436
Quality Control Reviews	19	0
Enterprise Funds	3	0
Performance Audits		
USAID Economy and Efficiency	27	230,173
Foundations' Economy and Efficiency	1	0
Other	6	0
TOTAL	222	15,344,794

Audit of USAID's Participant Training Activities

This report¹, which examined USAID's management of its participant training activities, summarized the results of audit work conducted at USAID missions in Bulgaria, Dominican Republic, Egypt (see page 20), Mongolia, Nicaragua, Nigeria, and Tanzania.² The audit report addresses USAID's participant training program under which foreign individuals—called participants—came to the United States for training ranging from short conferences to graduate degree programs at major universities. These individuals were expected to return to their home countries and utilize their skills and education to assist in the development of those countries.

The audit was conducted to determine (1) whether missions complied with selected training requirements, (2) non-returnee rates for overseas participants trained in the U.S. and whether missions took appropriate actions when participants failed to return to their home countries, and (3) additional actions missions needed to take to meet new requirements for selection and accountability.

Concerning the first objective, the audit concluded that USAID missions had generally implemented selected requirements with one exception: not all participants had been entered into USAID's training database. This problem was effectively addressed when USAID implemented new requirements for real-time data entry and data verification in the training database.

For the second objective, the OIG could not determine USAID-wide non-returnee rates for overseas participants trained in the United States due to incomplete data and the lack of a tracking system for non-returnees. However, for the seven missions audited, the number of participants who did not return to their home countries on schedule after training over the past several years was low. The audit did determine that USAID needed to take additional steps to address those participants who did not return to their home countries. The OIG recommended that USAID (1) establish a standardized system for tracking and following up on non-returnees,

(2) require that non-returnees repay the cost of their training, and (3) require that bills of collection be issued to non-returnees to offset the loss of valuable training resources.

The OIG also recommended that USAID missions complete a background check on prospective participants planning to come to the United States.

Audit of USAID's Small and Disadvantaged Business Utilization Practices

The House Appropriations Committee Conference Report on USAID's fiscal year 2004 appropriation requested that the USAID OIG submit a report assessing the extent to which the task-ordering process carried out by USAID mission directors affects USAID's ability to meet its Small Business Administration's goals.

In accordance with The Small Business Act, an Office of Small and Disadvantaged Business Utilization has been established in all U.S. Federal agencies to ensure both that U.S. small and disadvantaged businesses participate in Federal procurement opportunities and that the goals established by the Small Business Administration are met.

As part of its multi-year plan for auditing procurement activities, the OIG conducted an audit³ of USAID's small and disadvantaged business utilization practices to determine whether the task-ordering process carried out by mission directors affected USAID's ability to meet the goals established by the Small Business Administration. The audit concluded that this process materially affected USAID's ability to meet the goals established by the Small Business Administration. Those goals, which are in the form of percentages, are calculated by dividing the dollar value of the awards to small and disadvantaged businesses by the total dollar value of the awards which qualify for consideration under the small and disadvantaged business program. USAID had excluded mission task orders from its small and disadvantaged business program. Consequently, it did not report those task orders in the program. Had those task orders been included, they would have materially lowered the percentage of awards to small and disadvantaged businesses, thus impacting USAID's ability to achieve the goals established by the Small Business Administration.

¹ "Audit of USAID's Participant Training Activities," September 9, 2004 (Audit Report No. 9-000-04-005-P).

² The audit reports for Bulgaria, Dominican Republic, Mongolia, Nicaragua, Nigeria, and Tanzania were issued during prior reporting periods.

³ "Audit of USAID's Small and Disadvantaged Business Utilization Practices," September 3, 2004 (Audit Report No. 9-000-04-004-P).

Semiannual Report to the Congress

Also, USAID's Office of Acquisition and Assistance's contract database, as well as the Federal Procurement Data Center's database, were not accurate and complete, thereby materially understating the amount of task orders awarded by missions. Since most of those unreported awards were made to large businesses, had all of the mission task orders been accurately recorded in the contract database and reported in the program results, they would have further lowered USAID's awards to small and disadvantaged businesses.

The report includes four recommendations covering mission task orders, the reporting of program results completely and accurately, and the maintenance of contract documentation.

Highlights of Significant Investigations

OIG investigations focus on the programs and operations most vulnerable to fraud in the activities of USAID, the African Development Foundation, and the Inter-American Foundation.

Investigative priorities include program integrity (fraud involving contracts, grants and cooperative agreements) and employee integrity (misconduct by direct-hire employees). OIG investigations may result in criminal, civil or administrative action. The following is a summary of the investigative workload and results during this reporting period.

Workload Indicator	
Cases Opened	80
Cases Closed	63
Hotline Contacts	2,056
Results	
Recoveries/Savings	\$7,708,375
Resignations/Terminations	5
Personnel Suspensions	1
Suspensions/Debarments	0
Indictments	0
Convictions	0
Systemic Changes*	3

Investigation Results in Recovery of \$3.6 Million

Initial efforts of an OIG investigation into potential fraudulent activity by a contractor in Iraq resulted in the contractor crediting USAID \$3.6 million for delivered equipment that did not meet specifications. The contractor also agreed not to bill USAID for shipping costs for the equipment, which resulted in savings of over \$900,000.

Investigation Leads to \$1.5 Million Settlement

As a result of an OIG investigation, a U.S.-based firm agreed to pay the U.S. Government \$1.5 million to resolve all claims associated with the USAID Russia Project during the period 1995 to 1997. The project was established to provide technical assistance to Russia: to privatize its companies, to develop a capital market, to institute legal reform, and to support other activities. The United States alleged that the firm improperly used USAID-funded resources and staff, thereby improperly diverting U.S. taxpayer monies for its own purposes and profit.

Investigation Yields Recovery of Over \$861,000

In a previous semiannual report, the OIG noted that the company president of a Virginia-based USAID-funded Private Voluntary Organization pled guilty to one count of Obstruction of a Federal Audit. The investigation disclosed that the president created and certified fraudulent costs for his company on annual reports submitted to USAID, thereby enabling the company to obtain inflated reimbursements. The president also lied and provided false documentation to government auditors responsible for reviewing the reports. During the current reporting period, the U.S. District Court for the Eastern District of Virginia sentenced the company president to 21 months' incarceration. The Court also ordered the individual to pay USAID restitution of over \$861,000, a fine of \$10,000, and a special assessment of \$100.

**Systemic changes are modifications to program or operational procedures or policies that are made as a result of an OIG investigation, which are designed to reduce vulnerability to fraud, waste or abuse.*

Major Management Challenges

USAID implements America's foreign economic and humanitarian assistance programs in accordance with foreign policy guidance provided by the Secretary of State. USAID manages a budget of approximately \$13.4 billion and advances U.S. foreign policy objectives by supporting:

- Economic growth, trade, and agricultural development.
- Improvements in global health.
- Conflict prevention, democracy, and developmental relief activities.

In pursuit of its mission, USAID faces a number of issues—known as Major Management Challenges—which parallel the President's Management Agenda. This section updates the continuing efforts by USAID to address those challenges and OIG efforts to assist in overcoming them.

These Major Management Challenges are:

- Financial Management
- Information Resource Management
- Managing for Results
- Procurement Management
- Human Capital Management

Financial Management

The OIG issued unqualified opinions on USAID's fiscal year 2003 financial statements. This is an important milestone and represents significant progress by USAID. While USAID has made progress over the last five years, several areas of its financial management system continue to present challenges.

Financial Management Challenges

Although USAID has made progress with its financial management system in the past year, it still has challenges that must be addressed. These challenges include:

- Recording costs against USAID goals.
- Calculating and reporting accounts payable.
- Recognizing and reporting accounts receivable.
- Reconciling financial management information.

Recording Costs Against USAID Goals

USAID has made progress in ensuring the accuracy of its Statement of Net Cost. It has established and implemented procedures for obtaining annual certifications from responsible officers indicating that its strategic objectives are properly assigned to appropriate performance goals. USAID has also issued revised guidance requiring that all strategic objectives must link to one principal goal, one principal objective, and one Pillar as defined in its most current strategic plan.

The fiscal year 2003 financial statement audit report disclosed that USAID's methodology for assigning strategic objective costs to goals needs improvement since USAID did not have an effective system of identifying and reporting all costs against appropriate goals. For the current financial statement audit, the OIG is reviewing USAID's application of the revised procedures. The OIG is also testing the reported net cost to determine the effectiveness of allocation methodologies over strategic objectives allocated to more than one of its performance goals.

Calculating and Reporting Accounts Payable

During fiscal year 2004, USAID established a process to compile, monitor, and review quarterly analytical information on the number and amount of accruals certified in the Accrual Reporting System (ARS) at the individual USAID/Washington Bureau level. USAID also established procedures for validating statistically selected quarterly accrual amounts and for evaluating the reliability of the ARS, and updated its accrual policies and procedures. In addition, for its overseas locations, USAID improved its estimation process, its coordination between financial and program staff, and its retention of supporting documentation.

During the current financial statement audit, the OIG is reviewing the existing USAID procedures, accrual activities, and accrual balances. The OIG is evaluating the reliability of the accounts payable line items and the

significance of errors represented in USAID's accrual activities in both its Washington and overseas locations.

Recognizing and Reporting Accounts Receivable

USAID has taken steps to establish policies and procedures to account for worldwide accounts receivable. The OIG is currently reviewing the implementation of those policies and procedures to determine whether USAID now has a system to more readily account for and report its accounts receivable.

USAID did not report this challenge as a separate material internal control weakness in its fiscal year 2003 Accountability Report. Instead, it combined this material internal control weakness with the primary accounting system material internal control weakness reported.

Reconciling Financial Management Information

USAID made progress in reconciling its fund balance with the U.S. Treasury. It established a Cash Reconciliation Working Group. The Group is focusing its attention on (1) consistently performing monthly and cumulative reconciliation processes, (2) developing methods to monitor unreconciled items, and (3) developing clear instructions and procedures for processing reconciling items.

The OIG determined that USAID, in certain selected overseas locations, improved its reconciliation process for its fund balance information, resulting in a reduced number of reconciling items over the past year.

Despite these improvements, OIG audit results indicated that USAID did not (1) adequately monitor outstanding reconciling items to ensure that they were properly resolved and cleared in a timely manner, (2) revise its correspondence procedures for problem transactions, or (3) properly record financial transaction information over disbursements and receipts processed by other Federal agencies.

During the course of the current financial statement audit, the OIG is reviewing detailed procedures submitted by USAID for implementing OIG audit recommendations.

Information Resource Management

OIG audits have identified weaknesses in USAID's management of information technology resources. The Clinger-Cohen Act of 1996 requires executive agencies to implement a process that maximizes the value and assesses the management risks involved in information technology investments.

Within the area of information resource management, the OIG has identified two challenges: (1) information resource management processes and (2) computer security.

Improving Information Resource Management Processes

The OIG and other organizations have identified organizational and management deficiencies in USAID's information resource management processes. For example, the Clinger-Cohen Act of 1996 includes (1) procedures to select, manage, and evaluate investments and (2) a means for senior managers to monitor progress in terms of costs, system capabilities, timeliness, and quality. Although USAID has made progress in improving the above processes, it needs to continue its efforts in this area.

Improving Computer Security

USAID has taken some action to improve its computer security. For example, it has:

- Continued to perform monthly scans of all devices on USAID's network for vulnerabilities and to report the results to responsible security personnel.
- Centrally managed the Windows 2000 domain servers, firewalls, and virus scan software.
- Implemented a network appliance sensor that will give USAID the capability to view what devices are being used on the network, record how those devices are being used, and detect intrusions and vulnerabilities.
- Implemented a process to assess information systems security for the purchase of capital assets.
- Certified and accredited for operation its General Support System.

However, the OIG determined that USAID continues to have computer security weaknesses. For example, USAID did not always:

- Keep logs of security violations for USAID's Acquisition and Assistance system.
- Limit unsuccessful log-on attempts to three.
- Terminate user accounts after employees left USAID.
- Configure systems to eliminate high-risk vulnerabilities.
- Use strong passwords.
- Implement effective controls over dial-up access to its systems.

Although USAID developed an information security training program, all key information security employees did not obtain the needed training. Further, under the current organizational structure, USAID's Information Systems Security Officer did not have the authority to enforce training requirements.

The OIG will continue to monitor USAID's progress in improving its computer security.

Managing for Results

USAID has programs in almost 100 countries promoting a wide range of objectives related to economic growth, agriculture, and trade; global health; and democracy, conflict prevention and humanitarian assistance. Federal laws, such as the Government Performance and Results Act of 1993 (Results Act), require that Federal agencies develop performance measurement and reporting systems that establish strategic and annual plans, set annual targets, track progress, and measure results. In addition, government-wide initiatives, such as the President's Management Agenda, require that agencies link their performance results to budget and human capital requirements.

A significant element of USAID's performance management system is the Annual Report prepared by each of its operating units. These reports provide information on the results attained with USAID resources, request additional resources, and explain the use of, and results expected from, these additional resources. Information in these unit-level Annual Reports is consolidated to present a USAID-wide picture

of achievements in USAID's annual Performance and Accountability Report.

The OIG continues to monitor USAID's progress in improving its performance management system. While USAID has made improvements, more remains to be done. For example, during the prior reporting period, the OIG reported⁴ that performance information included in the Management Discussion and Analysis section of USAID's fiscal year 2003 consolidated financial statements did not contain a clear picture of USAID's planned and actual program performance for that year. USAID's current year results were not clearly linked to planned performance goals or targets in USAID's fiscal year 2003 Annual Performance Plan. Moreover, the primary performance information included was based on results achieved in fiscal year 2002 rather than fiscal year 2003. The OIG has reported this system's deficiency many times in prior audit reports. As a result, the statements did not adequately link costs to results for fiscal year 2003. Moreover, OIG reports issued during the reporting period indicated that two USAID missions could improve the quality and validity of their results data.

The Standards for Success Accomplishment Report, a new yearly tool that the OIG established to help USAID with program performance and performance measurement issues, cites two standards: (1) put in place a new strategic plan every three years, as well as both an annual performance plan and an annual measurement plan and (2) systematically apply performance data to budget decisions and be able to demonstrate how program results inform budget decisions. USAID has demonstrated progress toward meeting both standards but more work is needed.

Planned OIG audits include one of the performance reporting included in the fiscal year 2004 consolidated financial statements and one of USAID's implementation of the Office of Management and Budget's Program Assessment and Rating Tool in fiscal year 2005.

Procurement Management

USAID achieves development results largely through intermediaries: contractors or recipients of grants or cooperative agreements. Efficient and effective acquisition and assistance systems are therefore critical.

⁴ "Independent Auditor's Report on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Years 2003 and 2002" (Audit Report No. 0-000-04-001-C, dated November 14, 2003).

As part of its strategic plan, the OIG has adopted a strategic objective of contributing to the improvement of USAID's processes for awarding and administering contracts, grants, and cooperative agreements. The OIG has developed multi-year strategies to promote increased efficiency and effectiveness in USAID procurement processes.

Within the framework of a multi-year audit plan, the OIG defined "standards for success" for critical acquisition and award processes. Audit plans have been developed to identify the Office of Acquisition and Assistance's status in achieving these standards and the steps needed for further improvement.

The OIG recently examined whether the task-ordering process carried out by mission directors affected USAID's ability to meet the goals established by the Small Business Administration. The audit concluded that USAID had excluded mission task orders from its small and disadvantaged business program.

In another audit, the OIG reviewed how USAID missions established their staffing requirements for U.S. personal services contractors (USPSCs) and whether they awarded U.S. personal services contracts in accordance with selected USAID policies and procedures. This audit report, summarizing the results of audits at eight USAID missions, showed that USAID missions had determined their USPSC staffing requirements in accordance with USAID policies and procedures. Additionally—except for isolated exceptions—USAID missions had awarded their U.S. personal services contracts in accordance with selected USAID policies and procedures. However, the audit concluded that USAID's policies on USPSC contract extensions and renewals needed additional clarification for consistency in application at all USAID missions.

Human Capital Management

Management of a diverse and widespread workforce impacts on the ability of USAID to carry out its mission. Accordingly, USAID has undertaken a major effort to improve and restructure its human capital management. However, as of June 30, 2004, the Office of Management and Budget (OMB) had given USAID an unsatisfactory—or a red light—for its status in the area of human capital management. Despite this overall assessment, OMB and the Office of Personnel Management have consistently rated USAID's progress in fiscal year 2004 as satisfactory (a green light). However, while OMB did give USAID a green light for progress in human capital management, more remains to be done. Most importantly, USAID

needs to complete its comprehensive workforce analysis and workforce planning initiative, implement the resulting strategies to close or eliminate the identified mission-critical skill gaps, and make progress towards closing those gaps.

The OIG completed a worldwide audit examining how USAID manages its U.S. personal services contractors (USPSCs). While USAID's policies on USPSC contract extensions and renewals needed additional clarification for consistency in application at all USAID missions, those missions had determined their USPSC staffing requirements in accordance with USAID policies and procedures and had, except for isolated exceptions, awarded their U.S. personal services contracts in accordance with selected USAID policies and procedures (see page 27).

Other Management Challenges

Iraq

The OIG is auditing USAID's Iraq program activities in Washington and Iraq. In Washington, the OIG is reviewing contracts awarded to firms implementing the USAID-Iraq reconstruction program to determine if USAID complied with the Federal Acquisition Regulation (FAR) and to identify areas for possible improvement.

As of September 30, 2004, USAID's procurement offices had awarded 20 reconstruction contracts totaling \$3.9 billion. The OIG has reviewed 13 of these contracts with a value of \$3.4 billion and found overall compliance with the FAR by USAID.

In May 2004, the OIG issued a report that summarized its individual procurement audits of the first ten contracts awarded for Iraq reconstruction (see page 27). This report contained two recommendations with USAID-wide applications:

1. USAID should develop and maintain a procurement process checklist to ensure that important procurement steps and procedures specified in the regulations are not overlooked.
2. USAID should develop a standardized illustrative budget to be used in its requests for proposals and require the use of this standardized format in the cost proposals submitted to USAID by its offerors.

The OIG audit team assigned to Baghdad is also conducting financial and performance audits. Under its financial audit program, the OIG made 11 recommendations to USAID to determine the allowability of \$9.7 million in questioned costs. These questioned costs pertained to areas such as travel, general and administrative, labor costs, and severance payments and foreign allowances.

Under its performance audits of USAID activities in Iraq, the OIG made recommendations to help improve USAID's program and administrative operations. These recommendations included actions to improve the management of job orders and adherence to environmental regulations under its infrastructure reconstruction and rehabilitation program, and to improve record management and contractor reporting under USAID/Iraq's economic reform program.

Afghanistan

The OIG is providing on-going audit coverage in Afghanistan on the \$665 million Rehabilitation of Economic Facilities and Services (REFS) program—the largest and most visible activity being implemented by USAID/Afghanistan. The purpose of the program is to promote economic recovery and political stability through infrastructure repair projects, including roads, schools, clinics, dams and irrigation systems. The single largest activity under the program is the reconstruction of a 1,207-kilometer highway running from Kabul through Kandahar to Herat. In September 2002, USAID hired a contractor to reconstruct a 389-kilometer segment between Kabul and Kandahar. In June 2004, USAID's contractor began reconstructing a 329-kilometer segment between Kandahar and Herat.

The OIG issued audit reports during this period that included USAID/Afghanistan's (1) progress on the 389-kilometer Kabul to Kandahar highway (see page 22) and (2) the Sustainable Economic Policy and Institutional Reform Support program (see page 22).

The OIG's report on the road progress that was issued this period noted that USAID/Afghanistan generally monitored whether reconstruction of the highway was on schedule but could not fully monitor the quality of the work, in part because of security and staffing difficulties. Quality problems affected a portion of the highway, and about 30 kilometers of asphalt had to be replaced.

In August 2004, the OIG issued its report on USAID/Afghanistan's \$96 million Sustainable Economic Policy and Institutional Reform Support program,

which assists the Afghan government in implementing economic reforms and developing institutions for economic governance. The OIG reported that it could not determine whether the program was on schedule to achieve planned outputs because the contractor had not prepared a current program work plan containing expected accomplishments and milestones against which to measure progress. However, the OIG also reported that progress was being made, and USAID/Afghanistan monitored the program in other ways.

In addition, the OIG continues contracting for concurrent financial audits of the USAID contractor implementing the REFS program. These financial audits are being conducted by an audit firm, which audits costs paid locally in Afghanistan by the contractor, and by the Defense Contract Audit Agency, which audits costs incurred by the contractor that are paid in the U.S. During this period, these auditors issued five financial audit reports covering \$68 million in contractor-incurred costs. Additionally, the audit reports questioned \$469 thousand in costs and reported 11 internal control weaknesses and 2 instances of noncompliance with contract terms and/or applicable laws and regulations.

Middle East Partnership Initiative

The Middle East Partnership Initiative (MEPI), a Presidential initiative, gives a framework and funding for working with the Arab world to expand educational and economic opportunities, empower women, and strengthen civil society and the rule of law. The Department of State's Bureau of Near Eastern Affairs, Partnership Initiative Office, manages the MEPI policy and programs, and works closely with agencies across the U.S. Government, including USAID.

The administration has committed \$129 million to MEPI from the fiscal year 2002 and 2003 Economic Support Funds. Of the total \$129 million in MEPI funding, USAID's pillar bureaus and overseas missions are responsible for administering \$86.4 million. The balance is the responsibility of the Departments of State, Commerce, and Treasury. During this reporting period, the USAID OIG coordinated with the OIGs of these agencies to ensure that the OIGs were aware of their responsibilities.

Also during the reporting period, the USAID OIG conducted a survey of MEPI. As of August 2004, USAID's offices of Democracy and Governance, and Economic Growth and field missions were responsible for administering approximately 71 MEPI-related activities ranging in dollar value from \$40 thousand to \$5 million. The survey further identified the recipients of USAID funding as well as the organizations that provide audit coverage through existing Federal and non-Federal audit programs.

The OIG developed an audit strategy focusing on USAID's management of the MEPI activities that receive USAID funds. The OIG plans to conduct performance audit work in fiscal year 2005, and continue with financial audit coverage of MEPI funds through the ongoing Federal and non-Federal audit programs.

West Bank and Gaza

The Consolidated Appropriations Resolution, 2003, and the Consolidated Appropriations Act, 2004, require USAID to ensure that all recipients and significant sub-recipients of United States assistance under the Economic Support Fund for the West Bank and Gaza are audited at least annually. To perform these audits, the OIG received \$1 million under each appropriation.

Because of security concerns and travel restrictions for U.S. Government personnel in the West Bank and Gaza, the OIG audit strategy focuses on contracting with local independent public accounting firms to conduct audits. As of September 30, 2004, the OIG had contracted for 75 audits with 6 independent public accounting firms.

During this reporting period, the OIG released final reports for 7 audits, which identified questioned costs of \$7 million out of the \$48 million audited. These audits did not identify any instance where USAID funds for assistance for the West Bank and Gaza were provided to terrorist organizations.

In addition, the OIG is conducting an Agency-contracted audit that USAID/West Bank and Gaza requested for a \$20 million cash transfer, authorized in July 2003, to the Palestinian Authority.

The OIG will also continue to pursue its proactive approach to the work being done in the West Bank and Gaza. To this end, the OIG anticipates making fraud awareness presentations and site visits.

HIV/AIDS

According to the latest figures released by the Joint United Nations Program on HIV/AIDS, approximately 38 million people are infected with HIV/AIDS and the number is growing. Recognizing that the AIDS pandemic is one of the greatest health challenges of our time, the Bush Administration announced the President's Emergency Plan for AIDS Relief (the Emergency Plan) in January 2003. The United States is focusing significant new resources in 15 of the most afflicted countries in the world. Along with the Departments of State and Health and Human Services, USAID is one of the key agencies implementing the Emergency Plan.

USAID funding for HIV/AIDS programs had been increasing steadily—from \$139 million in fiscal year 1999 to more than \$995 million in fiscal year 2004. With the funding increases, there was much interest in monitoring the impact of USAID assistance on the HIV/AIDS epidemic.

Along with programs in Iraq and Afghanistan, the Emergency Plan is USAID's highest priority. In 2005 the OIG plans to conduct a worldwide audit to determine how USAID is participating in the Emergency Plan and how it is progressing with its Emergency Plan activities.

The OIG is also coordinating with USAID and other Federal agencies to develop an OMB Circular A-133 Program Compliance Supplement, which would encompass the government-wide HIV/AIDS programs under the Emergency Plan. This supplement will include program and audit guidance on HIV/AIDS programs, allowing non-Federal auditors to more effectively evaluate how well U.S.-based nonprofit organizations are complying with laws, regulations and provisions applicable to grant agreements specifically associated with the Emergency Plan.

Expanding Accountability

Corruption and lack of accountability are major impediments to development and threaten to negate years of economic growth, especially in areas of the world beset by political instability and violence. The OIG audits and investigations afford one method of safeguarding USAID funds; however, the OIG actively pursues additional methods to promote accountability and transparency. For example, the OIG works with Supreme Audit Institutions (SAIs) to expand their capabilities and provides fraud awareness and financial management training.

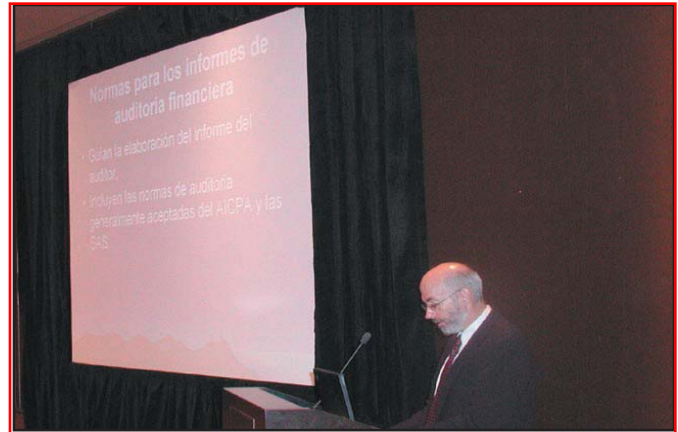
Expanding Supreme Audit Institutions' Capabilities

The OIG continues to work closely with selected Supreme Audit Institutions (SAIs) worldwide. SAIs are the recipient countries' principal government audit agencies and are often the only organizations that have a legal mandate to audit the accounts and operations of their governments. Therefore, an SAI may be called upon to audit funds that USAID or other donors provide to the government of that country.

Before its audits can be accepted by USAID, the SAI must meet certain requirements concerning its professional capability and independence. The process usually requires that the SAI, the USAID mission, and the OIG all sign a Memorandum of Understanding (MOU) detailing standards and procedures to be used in auditing USAID funds. The MOU states that the OIG will provide technical advice to the SAIs and perform quality control reviews of SAI work. USAID missions and the OIG have now signed MOUs with SAIs in 20 countries.

A substantial investment of time is involved in cultivating an SAI, working with the missions to obtain a signed agreement with the SAI, and reviewing audit reports produced by the SAI—not to mention the training and technical assistance often required. Since SAIs can play a vital role in helping ensure the integrity of USAID funds provided to the host government agencies, such investments are worthwhile.

During this period, the SAI in Ethiopia issued two audit reports of the Disaster Prevention and Preparedness Commission's Strengthening Emergency Response Abilities Project. The two reports covered over \$1 million in expenditures and included qualified opinions



Photograph of an OIG auditor making a presentation to the Anti-Corruption Forum in Mexico City, held on April 21, 2004. The presentation, which was made to representatives from Mexican government departments, audit firms, and nongovernmental organizations, addressed the importance of audit standards and the new GAO Yellow Book.

on a major financial statement, as well as a total of over \$36,000 in questioned costs, six material internal control weaknesses, and four instances of material noncompliance. The two reports were successfully issued following OIG training.

Fraud Awareness Training

As part of its proactive strategy, the OIG conducts fraud awareness training for USAID employees, contractors, grantees and others. The purpose of this training is to alert personnel to fraudulent schemes and practices so that they can proactively prevent or reduce fraud in USAID programs and operations. In addition, the OIG promotes the Hotline and advises attendees of methods and procedures to report fraud, waste or abuse when it is detected. The following table is a summary of fraud awareness training provided during the current period.

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Fraud Awareness Training

Month	Location	Sessions	Attendees	Type of Attendee
APR 04	Baghdad, Iraq	2	60	USAID Personnel
	Podgorica, Montenegro	2	27	USAID/Contractor/Grantee Personnel
	Washington, DC, U.S.	1	7	USAID Personnel
	Kiev, Ukraine	3	90	USAID/Contractor/Grantee Personnel
	Asuncion, Paraguay	2	31	USAID Personnel, Paraguayan and Third Country Award Recipients
MAY 04	Arlington, VA, U.S.	1	28	Inter-American Foundation Personnel
	Washington, DC, U.S.	1	41	USAID Personnel
JUN 04	Phnom Penh, Cambodia	2	56	USAID/Contractor/Grantee Personnel
	Skopje, Macedonia	4	132	USAID/Contractor/Grantee Personnel, Macedonia State Audit Office Personnel
	Dushanbe, Tajikistan	1	18	USAID/Contractor/Grantee Personnel
	Bogotá, Colombia	2	55	USAID/Contractor/Grantee Personnel
	Ashgabat, Turkmenistan	1	24	USAID/Contractor/Grantee Personnel
	Addis Ababa, Ethiopia	1	47	USAID/NGO Personnel
	Washington, DC, U.S.	1	26	USAID/Contractor Personnel
	Cotonu, Benin	1	35	USAID Personnel
JUL 04	Cairo, Egypt	1	16	USAID Personnel
	Miami, FL, U.S.	1	31	USAID, Department of State/Grantee Personnel
AUG 04	Washington, DC, U.S.	1	20	USAID/Contractor Personnel
	Guatemala City, Guatemala	2	106	USAID/Grantee Personnel
	San Salvador, El Salvador	2	150	USAID/Contractor/Grantee Personnel
SEP 04	Washington, DC, U.S.	1	23	USAID Personnel
	Total	33	1,023	



Photograph of an OIG investigator conducting fraud awareness training in Cairo, Egypt.



Photograph of an OIG fraud awareness training session underway in Cotonou, Benin.

Financial Management Training

USAID's contracts and grants include provisions (cost estimates) that define what types of costs are legitimate charges to support USAID programs. To increase awareness of—and compliance with—cost principles and to promote the highest audit standards, the OIG has been training overseas USAID staff, contractors, grantees and others. This training provides both a general overview of U.S. government cost principles and specific real-world examples demonstrating concepts such as reasonableness, allocability and various specific cost principles (e.g., travel expenses, entertainment costs). The training also includes audit requirements and financial accountability issues.

During this reporting period, the OIG provided financial management training in 11 countries to about 600 individuals.



Photograph of an OIG auditor providing training in fraud awareness, auditing standards, risk assessments, management controls, and performance audits to USAID contractor and grantee personnel, the Macedonia State Audit Office personnel, and local government officials in Skopje, Macedonia, June 2004.

Accountability Over Contractors and Grantees

USAID is required by Federal Acquisition Regulations, 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. The OIG provides oversight of these audit activities, ensuring that audits are conducted in accordance with appropriate standards. The OIG also reviews audit reports of foreign organizations receiving

USAID funds and provides training in U.S. government cost principles.

Audits of U.S.-Based Contractors

The Defense Contract Audit Agency (DCAA) conducts audits, reviews, and pre-award surveys of U.S.-based contractors on USAID's behalf; the OIG then reviews DCAA's reports and transmits them to USAID management.

During this reporting period, the OIG reviewed and transmitted 24 DCAA reports on U.S.-based contractors. These reports covered approximately \$775 million in costs claimed by the contractors and identified \$9.8 million in questioned costs.

Audits of U.S.-Based Grantees and Enterprise Funds

U.S.-based nonprofit organizations also receive significant USAID funds to implement development programs overseas. As required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," non-Federal auditors perform annual financial audits of USAID grantees that expend over \$500,000 of Federal funds annually.

The OIG provides oversight for the non-Federal auditors performing these audits and reviews non-Federal audits to determine whether audit reports were prepared in accordance with Circular A-133 reporting requirements. The OIG also conducts quality control reviews to determine whether the underlying audits complied with Circular A-133 audit requirements. In some instances, the OIG contracts with DCAA to perform specialized financial audits of U.S.-based grantees.

Enterprise Funds are U.S.-based nonprofit organizations established under the Support for Eastern European Democracy Act of 1989. USAID has established 11 Enterprise Funds, 10 of which invest in countries in Eastern Europe and Eurasia, while the 11th invests in southern Africa. Enterprise Funds are subject to annual financial statement audits performed by private accounting firms and reviewed by the OIG.

During the current reporting period, the OIG:

- Reviewed and issued 26 non-Federal audit reports covering USAID funds of over \$521 million spent by U.S.-based grantees.

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- Completed one quality control review covering over \$14 million in grantee expenditures.
- Identified over \$241 thousand in questioned costs.

Audits of Foreign-Based Contractors and Grantees

Although OMB Circular A-133 does not apply to foreign-based contractors and grantees, given the high-risk environment, USAID has extended similar audit requirements to its foreign-based contractors and grantees through standard provisions included in grants, cooperative agreements, and contracts. Financial audits of foreign-based contractors and grantees are normally conducted by independent audit firms approved by the OIG.

Under this Recipient-Contracted Audit Program, audits are required for all foreign nonprofit organizations that spend \$300,000 or more per fiscal year. USAID or the OIG may also request audits of nonprofit organizations that fall below the \$300,000 threshold. With respect to foreign for-profit organizations, incurred cost audits of direct awards or of cost-reimbursement host-country contracts and subcontracts must be performed annually.

During the reporting period, the OIG issued a recipient-contracted audit report of four USAID cooperative/grant agreements with a foreign-based non-government organization. The audit covered \$883,000 in expended USAID funds and resulted in \$398,000 in questioned costs, one material internal control condition, and nine instances of material noncompliance.

In addition, the OIG issued another recipient-contracted audit report covering \$2.7 million in USAID funds expended under a cooperative agreement. The audit report disclosed \$198,000 in questioned costs, three internal control weaknesses, and three instances of material noncompliance.

USAID's financial audit requirements concerning its contracts, grants, and cooperative agreements are normally satisfied under the recipient-contracted audit program. However, this program does not always satisfy USAID's financial audit needs. Agency-contracted audits, initiated by either USAID or the OIG, may also be used to provide needed audit coverage or to address known or perceived financial management problems concerning USAID's contracts, grants, or other agreements.

For example, the OIG issued an Agency-contracted audit report that covered \$1.5 million in USAID funds

expended under a cooperative agreement with a nonprofit organization. The audit report disclosed \$237,000 in questioned costs, three material internal control weaknesses, and six instances of material noncompliance. The questioned costs were related to over \$53,000 in funds due to theft and to \$185,000 in unsupported expenditures.

The OIG reviews all audit reports for compliance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" and transmits the reports to the appropriate USAID mission. In addition, the OIG conducts quality control reviews on the working papers of selected recipient-contracted audit reports.

During the most recent reporting period, the OIG reviewed and transmitted 111 audits of foreign-based organizations, resulting in over \$4.7 million in questioned costs. The OIG also completed 19 quality-control reviews to ensure that the audits were completed in accordance with audit standards.

Introduction to USAID Bureaus and Independent Offices

The Office of Inspector General's results presented in this section are organized by the USAID unit or bureau where the audit or investigation was focused.

USAID is organized into ten major bureaus and five independent offices. The bureaus are divided by region, program focus, and support function. USAID's bureaus are:

Regional Bureaus

- Africa
- Asia and the Near East
- Europe and Eurasia
- Latin America and the Caribbean

The regional bureaus formulate, approve, direct, and implement economic assistance programs with the field mission staff under their responsibility.

Program/Pillar Bureaus

- Democracy, Conflict Prevention and Humanitarian Assistance
- Economic Growth, Agriculture and Trade
- Global Health

The pillar bureaus provide leadership, technical expertise, and management worldwide in primary focus areas. The program activity or technical expertise supports USAID's regional bureaus, field missions and other operational units.

Support Bureaus

- Policy and Program Coordination
- Management
- Legislative and Public Affairs

Centralized programs and services that serve the entire USAID organization are the focus of the support bureaus. Policy formulation, coordination, budget formulation, resource allocation, management services (including information technology, personnel and financial management), and public and Congressional liaison—these are the tasks of the three main support bureaus.

Independent Offices

- Office of the Executive Secretariat & Chief of Staff
- Office of Equal Opportunity Programs
- Office of the General Counsel
- Office of Small Disadvantaged Business Utilization
- Office of Security

The independent offices, headed by directors who are appointed by the Administrator, provide specialized functions for USAID.

Bureau for Africa

Audit of USAID/Madagascar's Performance Monitoring of Road and Rail Repair and Reconstruction for the Southern Africa Flood Relief Supplemental Appropriations

In the year 2000, a series of tropical cyclones struck southern Africa and, as a result, the countries in that region experienced the worst flooding in a century. Madagascar experienced substantial wind, flood, and landslide damage affecting approximately 300,000 of the country's population and killing over 200 people. The national rail line and many rural tertiary roads and bridges were destroyed. Congress responded by passing two emergency supplemental appropriations. A key priority of the funding was to rehabilitate the transport infrastructure (roads and railroads) to a standard that would mitigate against flood damage from future cyclones.

The OIG conducted this audit to determine if USAID/Madagascar monitored performance related to farm-to-market road repair and national rail line repair and rehabilitation under the Southern Africa Flood Relief Supplemental Appropriations funding.

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The audit showed that USAID/Madagascar monitored performance related to farm-to-market road repair and national rail line repair and rehabilitation in accordance with USAID policies and procedures.

As a result, the Mission successfully accomplished one of the key priorities of the emergency supplemental appropriations funding—the rehabilitation of transport infrastructure in that country.

There were no recommendations in the audit report.

(Audit Report No. 4-687-04-006-P)

Audit of USAID/Guinea's Monitoring and Reporting of Its Health Program

According to a recent survey sponsored by several major international organizations, Guinea's health statistics are among the worst in the world, with infant, child and maternal mortality rates at unacceptably high levels, a weak health care infrastructure, and a burgeoning HIV/AIDS crisis. In fiscal year 2003, the major components of USAID/Guinea's health program included activities to (1) improve maternal and child health, (2) prevent the spread of HIV/AIDS, and (3) improve reproductive health services.

The OIG performed this audit to determine whether USAID/Guinea was monitoring the performance of its health program to ensure intended results are achieved. The OIG determined that, even though the USAID/Guinea staff made efforts to monitor the health program, the Mission still needed to improve management oversight of its health program activities.

The OIG recommended that USAID/Guinea develop procedures for (1) monitoring visits by implementing partners and require implementing partners to submit quarterly monitoring reports and (2) verifying data during monitoring visits.

USAID/Guinea took final action on the first recommendation and reached a management decision on the second.

(Audit Report No. 7-675-04-005-P)



Photograph of the USAID/Guinea Health Team Leader, health center technicians, and an OIG auditor outside of the Missamana Health Center in Upper Guinea.

Investigation Results in the Termination of Two Foreign Service National Employees

An OIG investigation resulted in the termination of two USAID/Benin Foreign Service National (FSN) employees. The investigation disclosed that one of the employees, a computer clerk, repeatedly approved payment for vouchers submitted by a local contractor for services that had not yet been received. This employee continued to engage in the conduct despite being advised by senior Mission staff that it was not proper procedure. The other employee, a procurement clerk, admitted to accepting cash payments from the same contractor. The employee claimed that the cash was repayment for an alleged loan. Both FSN employees were terminated.

Bureau for Asia and the Near East

Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program

The OIG conducted this audit to determine if USAID/Iraq was on schedule to achieve its planned activities.

The audit found that USAID/Iraq's infrastructure reconstruction and rehabilitation activities performed by the contractor were on schedule to achieve the planned activities—except for 11 percent of the activities, which were completed late or behind schedule. USAID/Iraq has worked to address performance challenges by holding weekly meetings with the contractor to discuss and resolve performance problems.

The OIG's report made four recommendations to strengthen USAID/Iraq's management controls related to developing and documenting procedures, and planning for specific job orders.

USAID/Iraq has taken final action on all recommendations.

(Audit Report No. E-266-04-002-P)



Photograph of site preparation for an electric generation plant in Kirkuk, Iraq.

Audit of USAID/Egypt's Participant Training Activities

The OIG conducted this audit to determine (1) if USAID/Egypt complied with selected requirements for administering participant training conducted in the United States; (2) the non-returnee rates for overseas participants from USAID/Egypt and if USAID/Egypt took appropriate actions when participants failed to return to their home countries; and (3) the additional actions USAID/Egypt should take to meet new requirements for selecting, monitoring, and reporting on participant training in the United States.

The OIG determined that USAID/Egypt complied with requirements to (1) identify the roles of personnel for entering, verifying and approving participant trainee data; (2) use the USAID's Training Results and Information Network database; and (3) ensure that all participants sent to the U.S. for training were issued the required visa. USAID/Egypt reported 21 non-returnees of the 3,700 participants sent to the U.S. from October 1999 to April 2003 and took steps to ensure that the new requirements to more actively manage participant training programs are met.

The OIG recommended USAID/Egypt (1) develop and implement procedures to ensure that training files contain evidence of participants' Individual Taxpayer Identification Numbers, (2) develop and implement procedures to verify and document participants' return, and (3) recover the \$230,173 plus interest from the non-returnees who have not previously been billed.

Management decisions were reached on all recommendations.

(Audit Report No. 6-263-04-004-P)

Audit of USAID/Iraq's Economic Reform Program

Since the 1980s, Iraq's economy has been in a state of despair due to wars and the United Nations' economic sanctions. In July 2003, USAID awarded a \$79.6 million contract to provide economic reform that would stimulate Iraq's international trade engagements and create jobs and broad-based prosperity. The contract activities fell within five broad sectors: economic governance, microeconomic, privatization, credit, and food for oil.

The OIG performed this audit to determine if USAID's Economic Reform Program accomplished its intended activities. The audit found that the program had partially

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accomplished its intended activities. The review of contractors' records showed that 10 of the 38 planned activities had been completed, while 6 were cancelled and the remaining 22 were still in process as of May 31, 2004.

The activities in process at the time of the audit were delayed due to challenges caused by events and circumstances beyond USAID's control. These challenges included USAID's limited role and control in managing this program as a result of operating under the Coalition Provisional Authority, and operating in a hostile environment which severely restricted its ability to implement and monitor program activities. This led to the cancellation of some activities and delays in the implementation of many others.

Since these challenges were beyond USAID's control, no recommendations were made. However, the audit identified two areas where improvements could be made to the Mission's record management procedures and its contractor reporting requirements.

The OIG recommended that USAID/Iraq (1) properly document actions or decisions impacting the design and status of activities and (2) develop procedures to ensure that contractors furnish needed information in their monthly financial reports.

Final action was taken on the recommendations.

(Audit Report No. E-266-04-004-P)

Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract

In 2004, USAID awarded a contract to support the Iraqi Ministry of Education in its efforts to improve the quality of Iraqi education by improving procurement and distribution of educational materials, community education grants, teacher training, early childhood development, model schools and the development and establishment of a modern decentralized education system. This contract covers a five-year period, which includes a 24-month base period plus three one-year option periods with a total value of \$191.4 million. In an effort to conform with Congressional wishes and to promote full and open competition, USAID decided not to extend the Phase I contract for the second option year but to award a new contract instead, as part of the second phase of contracts awarded for work in Iraq.

The OIG has developed an audit strategy to address performance and financial issues being faced by USAID during its implementation of reconstruction efforts in Iraq. The purpose of this audit was to determine if USAID complied with Federal regulations in awarding the "Support to Iraqi Basic Education (Education II)" contract.

For the areas reviewed, the auditors determined that USAID complied with Federal regulations in awarding the Education II contract under full and open competition.

The OIG did not make any recommendations.

(Audit Report No. A-000-04-004-P)

Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract

In 2004 USAID awarded a \$86.8 million contract to provide experienced personnel for the implementation of development assistance promoting the reconstruction effort in Iraq. USAID determined that, unlike the previous contract, the needs of USAID would best be met by awarding this new contract under full and open competition.

The purpose of this audit was to determine if USAID complied with Federal regulations in awarding the contract.

For the areas reviewed, the OIG determined that USAID complied with applicable Federal regulations in awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight contract under full and open competition.

The OIG did not make any recommendations.

(Audit Report No. E-266-04-003-P)



Photograph of a subcontractor removing defective asphalt. An OIG auditor and U.S. military personnel observing a subcontractor applying asphalt. The photographs were taken about 120 kilometers west of Kabul, Afghanistan.

Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program

The OIG conducted this audit to determine whether USAID/Afghanistan monitored its road reconstruction activities to achieve planned results along the Kabul to Kandahar highway under the Rehabilitation of Economic Facilities and Services program in accordance with USAID policies and procedures. The audit found that USAID/Afghanistan did not fully monitor its road reconstruction activities to achieve planned results in accordance with USAID policies and procedures.

USAID/Afghanistan generally checked the timeliness of the reconstruction activities, but did not fully monitor the quality of the road reconstruction, in part due to security restrictions that limited travel outside of Kabul. In addition, USAID/Afghanistan did not verify that the contractor's performance conformed to the terms of the contract. As a result, quality problems affected eight percent of the road's first layer of asphalt, and 30 kilometers of road, which had been paved last year, had to be removed and repaved.

The OIG recommended that USAID/Afghanistan (1) develop a monitoring plan to ensure quality, timeliness, and contractor performance and (2) review contractor claims to ensure that USAID does not pay for the defective work that had to be redone.

Management decisions have been reached on both recommendations.

(Audit Report No. 5-306-04-006-P)

Audit of the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan

The purpose of USAID/Afghanistan's SEPIRS program is to assist the Transitional Afghan Authority in implementing and institutionalizing reforms to improve economic management and develop institutions for economic governance. More specifically, the SEPIRS program targets five economic governance areas for reform: fiscal, banking, legal/regulatory, trade, and privatization. In December 2002, USAID/Afghanistan hired a contractor to carry out the SEPIRS program.

The objective of the audit was to determine whether USAID/Afghanistan's economic governance activities were on schedule to achieve planned results. The OIG could not determine whether the SEPIRS program was on schedule to achieve planned results because there was no current work plan for the program that contained expected accomplishments and milestones against which to measure progress. This occurred because USAID/Afghanistan did not require the contractor to prepare quarterly work plans with expected accomplishments and milestones, even though such work plans were required under the SEPIRS contract.

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However, the OIG found that progress was being made and that USAID/Afghanistan monitored the program in other ways.

The OIG recommended that USAID/Afghanistan require the contractor to submit to USAID/Afghanistan for approval quarterly work plan reports that include expected accomplishments and milestones.

Final action was taken on the recommendation.

(Audit Report No. 5-306-04-005-P)

Investigation Results in Fines for Former Corporate Officers

During the prior period, it was reported that two former corporate officers of a U.S. company pled guilty to felony fraud charges. The U.S. company had received a subcontract as part of a USAID-financed telecommunications project in Egypt. The former corporate officers had aided and abetted other employees in the removal of manufacturer labels for an ineligible source country and the placement of "Made in USA" designations on parts and packaging shipped to the USAID-funded prime contractor, knowing that funding for the purchase of the parts was contingent on those parts being of U.S. origin. Subsequently, a U.S. District Court Judge for the Central District of California sentenced the former corporate officers to two years' probation and ordered each to pay a \$5,000 fine. One of the corporate officers was sentenced during the prior reporting period.

Investigation Yields \$3.6 Million Recovery

An OIG investigation resulted in a recovery of \$3.6 million on a USAID contract. Based on a tip provided by USAID/Iraq, the OIG initiated an investigation into potential fraudulent activity by a contractor firm operating in Iraq. As a result of initial investigative efforts, and with the assistance of USAID/Iraq, the contractor credited USAID a total of \$3.6 million for equipment delivered that did not meet specifications. In addition, the contractor agreed not to bill USAID for shipping costs associated with the equipment, which resulted in a savings of over \$900,000.

Bureau for Europe and Eurasia

Report on the Risk Assessment of USAID/Kosovo

The purpose of the risk assessment was to identify significant areas of vulnerability within USAID/Kosovo's administrative and program operations and to assist the OIG in planning future audits.

The OIG assigned a risk level of moderate to the Economic Growth Office and the Democracy and Governance Office, and a risk level of low to the Executive Office and Controller's Office.

The report identified three significant risk factors that might affect program success: (1) USAID/Kosovo's high turnover and reliance on temporary or intermittent U.S. managers in many key functions; (2) prior to 2004, the Mission had not been required to develop USAID's standard results framework and a related performance measurement system; and (3) the uncertainty of political and economic reforms, as well as the continued incidents of political violence and disputes. In addition, the OIG suggested improved procedures to strengthen program controls.

USAID/Kosovo management agreed with the report's conclusions and concurred with the report's suggestions.

(Report No. B-167-04-003-S)

Investigation Yields Settlement of \$1.5 Million and Summary Judgments

As a result of an OIG investigation, the United States Attorney for the Judicial District of Massachusetts entered into an agreement to resolve claims with a U.S.-based firm. The United States alleged that the firm improperly used USAID-funded resources and staff and thus improperly diverted U.S. taxpayer monies for its own purposes and profit. The settlement originated from the misuse of resources in the USAID Russia Project between 1995 and 1997. The Russia Project provided impartial and unbiased technical assistance to Russia in privatizing its companies, developing a capital market, instituting legal reform and supporting other activities. The terms of the agreement ordered the firm to pay the United States \$1.5 million to resolve all claims.

In a related development, a Federal judge in the Judicial District of Massachusetts entered a civil judgment against an entity USAID contracted with to carry out a major portion of the assistance program in Russia during the 1990's. The United States District Court ordered a summary judgment against the entity for breach of its contract with USAID by virtue of the self-dealing and conflicts of interest on the part of two of its employees who headed the program. In addition, a summary judgment was entered against the two employees for conspiring to defraud the United States by having false or fraudulent claims paid in violation of the False Claims Act. The investigation found that the two employees made investments and assisted their spouses in establishing local businesses in Russia. Additionally, the investigation found that the two employees used their influence with Russian government officials to obtain favorable licensing, funding, and other benefits for themselves and their spouses in violation of the terms of the agreement between USAID and the entity. The program was suspended and ultimately terminated after USAID discovered evidence of the prohibited investments and activities.

Bureau for Latin America and the Caribbean

Audit of Regional Activities Administered by USAID's Bureau for Latin America and the Caribbean

The OIG conducted this audit to determine (1) regional activities funded by the Bureau for Latin America and the Caribbean (LAC), (2) how the LAC Bureau was managing its regional activities and the responsibilities assigned to others, and (3) if the LAC Bureau ensured that financial audits were conducted for its centrally funded awards to non-U.S.-based recipients. The OIG determined that:

- Activities funded by the LAC Bureau supported eight strategic objectives that included, among other things, health and environmental programs, and education and training improvements.
- The LAC Bureau managed and monitored its activities through four phases: planning, awarding, implementing, and reporting/monitoring.
- The LAC Bureau did not ensure that financial audits were conducted for its centrally funded awards to non-U.S.-based recipients in accordance with USAID policies.

Responsibilities for managing each strategic objective were primarily assigned to the team leaders and Cognizant Technical Officers (CTOs), as well as to the LAC missions and other USAID Bureaus for consultation purposes. Occasionally, independent contractors were assigned monitoring and evaluation responsibilities and reported directly to the team leader and/or the CTO. The LAC Bureau utilized data quality assessments, work plans, performance monitoring plans, progress and financial reports, and performed site visits.

The OIG recommended that the LAC Bureau send the audit reports already received to the OIG and that it obtain audit reports for the organizations that have not conducted audits for fiscal years 2002 and 2003 and submit those audit reports to the OIG.

A management decision has been reached for the recommendation.

(Audit Report No. 1-598-04-007-P)

Investigation Results in Reimbursement of over \$100,000 to USAID

An OIG investigation resulted in repayments and adjustments of over \$100,000 to USAID. The OIG initiated the investigation on information received from USAID/Peru that a U.S.-based private voluntary organization (PVO) working in Peru had improperly kept a percentage of sales tax rebates on items initially acquired with USAID project funds.

The investigation confirmed that under Peruvian law, certain procured items are taxed at 19 percent. According to local law, organizations with developmental bi-lateral agreements are entitled to a full refund of that money. In this instance, the PVO unilaterally decided to keep 10 percent of the funds it received back from the Government of Peru instead of making it all available for continued project work. The PVO did not apprise the Mission of this fact.

Immediately after meeting with the OIG, the PVO suspended this policy. After determining the amount of funding retained, the OIG referred the matter to the Mission. Subsequently, repayments and adjustments totaling over \$100,000 were made to USAID and the project.

Investigation Leads To Civil Lawsuit Against Construction Firm

The OIG conducted a four-year investigation resulting in the filing of a civil fraud complaint on behalf of USAID in U.S. District Court, Judicial District of Columbia, seeking recovery of damages and civil penalties from a U.S.-based construction company. The OIG investigation uncovered that the company knowingly made material false statements in its pre-qualification submission to USAID and the Honduran government pursuant to a \$17 million contract award for the construction of potable water and sewer infrastructure in Honduras, devastated by Hurricane Mitch in 1998. According to the complaint, the company claimed construction equipment and personnel it did not own or employ, pledged not to assign work to subcontractors but did and violated its contractual responsibilities by employing subcontractors without the prior written consent of USAID and the Honduran government. Additionally, the complaint alleged that the company submitted 28 false invoices for which it was paid over \$12 million. If USAID prevails in the civil action, the company may be liable for triple damages on the money received from the false invoices and up to an \$11,000 fine for each false invoice submitted.

**Investigation Yields Recovery of
\$452,602**

As a result of an OIG investigation, a USAID Mission in South America issued a debt determination letter in the amount of \$452,602 to a U.S.-based contractor. The OIG investigated an allegation that the contractor diverted plant material from a project intended to provide local farmers with alternate, legal and viable crops to cultivate. The investigation found that U.S. citizens working the project failed to exercise appropriate management controls, fostering an environment ripe for the theft of plant material. For instance, OIG investigators found that neither the contractor nor its subcontractor reconciled plants ordered from nurseries with plants delivered to farmers. The investigation determined that local nationals working the project diverted plant material for personal gain. As a result of the OIG investigation, the contractor terminated 17 local staff members, valued the missing plant material at \$452,602, and implemented additional internal controls over plant material distribution and staff functions, as well as created an on-site audit unit.

Bureau for Management

Audit of USAID Missions’ Management of U.S. Personal Services Contractors

This worldwide audit was conducted to determine whether (1) USAID missions had established their requirements for U.S. personal services contractors (USPSCs) in accordance with USAID policies and procedures and (2) USAID missions awarded U.S. personal services contracts in accordance with selected USAID policies and procedures. The audit report summarized the results of audits at eight USAID missions and showed that USAID missions had determined their USPSC staffing requirements in accordance with USAID policies and procedures. Also, except for isolated exceptions, USAID missions had awarded their U.S. personal services contracts in accordance with selected USAID policies and procedures.

However, the audit also concluded that USAID’s policies on USPSC contract extensions and renewals needed additional clarification to ensure consistency in application at all USAID missions. The report recommended that the Office of Acquisition and Assistance issue interim guidance that requires (1) contracts (including extensions/renewals) with personal services contractors be limited to 5 years, and (2) contracts with personal services contractors be re-competed if major changes have been made in the associated position description—even if such changes occur prior to the fifth year of the contract.

USAID management concurred with the report’s recommendation and has identified actions to address the recommendation.

(Audit Report No. 9-000-04-006-P)

Capping Report on the Audit of USAID’s Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts

In May 2004, the OIG issued a report that summarized its individual procurement audits of the first ten contracts awarded for Iraq reconstruction. This report contained two recommendations with USAID-wide applications.

For contracts awarded under less than full and open competition, the OIG recommended that USAID (1) develop and maintain a procurement process checklist to ensure that important procurement steps and procedures specified in the regulations are not overlooked and (2) develop a standardized illustrative budget to be used

in its requests for proposals and require the use of this standardized format in the cost proposals submitted to USAID by its offerors.

A management decision was reached on both recommendations.

(Audit Report No. A-000-04-003-P)

Investigation Results in Recovery of Over \$861,000 to USAID

As previously reported, an OIG investigation of a Virginia-based USAID-funded Private Voluntary Organization resulted in the company’s president pleading guilty to one count of Obstruction of a Federal Audit. The company had received approximately \$71 million in USAID contracts and fraudulently overcharged USAID over \$861,000. The investigation disclosed that the president created and certified fraudulent costs for his company on annual reports submitted to USAID, enabling the company to obtain inflated reimbursements. The president also lied and provided false documentation to government auditors responsible for reviewing those reports. The company and its president have been debarred from future procurement contracts with USAID and other United States government agencies. In addition, two other companies linked to this individual have also been debarred.

During the current reporting period, the president of the company was sentenced in the U.S. District Court for the Eastern District of Virginia to 21 months’ incarceration and ordered to pay restitution of over \$861,000. At sentencing, the president produced a check for that amount, which was processed and returned to the USAID operating budget. In addition, he was fined \$10,000 and ordered to pay a special assessment of \$100.

Investigation Results in Systemic Changes in USAID Travel Policy

The OIG initiated an investigation based on allegations that USAID senior staff, on a routine basis, improperly upgraded to business class air accommodations in violation of the Federal Travel Regulations. The investigation confirmed that the upgrades had been improperly granted through an intra-agency policy in place since 1992. The investigative findings were referred to USAID for its review and action. Upon concluding its review of the OIG findings, USAID issued a business class travel policy that is in conformance with the Federal Travel Regulations.

African Development Foundation

In November 1999, the President signed Public Law 106-113, which amended the Inspector General Act of 1978 by assigning audit and investigative responsibilities for the African Development Foundation (ADF) to the USAID/OIG. ADF is a U.S. government corporation.

ADF began field operations in 1984 and provides grants directly to community groups in Africa. Based in Washington, D.C., and governed by a seven-member Board of Directors appointed by the President of the United States, ADF receives its funding from congressional appropriations and obtains supplemental funding from public and private sources. Currently, ADF is supporting approximately 220 projects and grants in 15 African countries. With an appropriation of \$18.6 million in fiscal year 2004, ADF provides development grants directly to local organizations in Africa.

OIG Strategy

OIG is implementing a comprehensive strategy, including financial and performance audits, to maintain effective oversight of ADF operations. An important aspect of the strategy lies in the OIG's annual audit of ADF's financial statements. To achieve the most timely and cost-effective audits, the OIG coordinates this audit work with non-Federal auditors and provides technical audit advice and liaison to ADF and its auditors on a continual basis. Also, the OIG advises the auditors and, where appropriate, ADF of any deficiencies found in the audits. The OIG presents audit recommendations to ADF through its annual financial statement audit report.

Performance audits also play a key role in maintaining ADF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected ADF operations. These assessments were used to determine where selected ADF operations could be vulnerable and to assist in developing future plans.

Management Challenges

In pursuit of its mission, ADF faces a number of problems, concerns, and difficult issues.

Performance Monitoring

Prior to fiscal year 2002, ADF had established and funded Country Liaison Offices (CLOs) in countries with active grantee projects to help grantees establish benchmarks, prepare monitoring and assessment plans, maintain accounting systems, and submit performance reports to ADF. In addition, CLOs submitted their own periodic reports to ADF, describing the grantees' progress and the condition of the grantees' financial systems. Nevertheless, ADF's project-monitoring guidelines were not always followed, and grantees' progress reports did not always include accurate and useful information.

In response to an OIG audit, ADF terminated its agreements with the CLOs and adopted a new field operations model. This new model has two components:

- Cooperative agreements with a local community development non-government organization (NGO) in each program country (referred to as partners) designed to strengthen the NGO's capacity to assist grassroots groups, including ADF's clients.
- Representative offices at the country level to represent ADF with host country public and private entities; coordinate with the United States Government and other donor agencies; conduct program outreach; screen and evaluate applications; and provide ongoing oversight, monitoring, and evaluation of ADF-approved grants and operations. ADF has further refined the roles and responsibilities of this position by creating a handbook and organizing visits between ADF headquarters staff and the representatives.

ADF also faces a challenge with its indigenous partner organizations that provide technical support and training to ADF grantees, visit projects regularly to monitor progress, and assist with on-the-ground trouble-shooting. ADF's goal is to help these partners become financially sustainable and widely recognized as development experts in their respective countries.

In further response to the audit, ADF has also strengthened its performance-monitoring system by (1) aligning grantee project performance indicators with ADF's strategic plan objectives, (2) instituting quarterly monitoring and reporting on projects, and (3) conducting

semiannual reviews of its country project portfolios. These reviews are providing ADF with greater insight into the strengths and weaknesses of its project development and approval processes.

Implementing an Integrated Financial Management System

ADF prepares a complete set of financial statements, and a private accounting firm, with OIG oversight, audits those statements. Even though ADF again received an unqualified opinion on its financial statements for fiscal year 2003, the OIG identified a number of significant challenges. For instance, ADF performed significant accounting functions in systems not connected to its general ledger. Information from these separate accounting systems is used to compile elements of ADF's financial statements. ADF recently entered into an interagency agreement with the Department of the Interior's National Business Center for accounting and general ledger services and anticipates that this change will fully address ADF's challenges in this area.

OIG Oversight Activities

Current Activities

At this time, the OIG is conducting an audit of ADF's financial statements for the fiscal year ending September 30, 2004. In addition, in fiscal year 2005, the OIG plans to conduct an audit of ADF's monitoring, reporting, and evaluation system.

Inter-American Foundation

In November 1999, the President signed Public Law 106-113, which amended the Inspector General Act of 1978 by assigning audit and investigative responsibilities for the Inter-American Foundation (IAF) to the USAID/OIG. IAF is a U.S. government corporation.

IAF was established in 1969 and provides grants directly to local organizations in Latin America and the Caribbean. Based in Arlington, Virginia, IAF has 47 employees and is governed by a nine-member Board of Directors appointed by the President of the United States. IAF's operating budget and program budget consist of congressional appropriations and funds derived through the Social Progress Trust Fund. Currently, IAF supports 218 projects in 21 countries. With an appropriation of \$16.3 million in fiscal year 2004, it provides development grants directly to local organizations in Latin America and the Caribbean.

OIG Strategy

The OIG is implementing a comprehensive strategy to maintain effective oversight of IAF operations that includes financial and performance audits. The first key aspect of the strategy lies in the OIG's annual audit of IAF's financial statements. The OIG contracts with non-Federal auditors directly, coordinates the work to achieve the most timely and cost-effective audit, and provides technical audit advice and liaison to IAF and its auditors on a continual basis. Also, the OIG advises the auditor and, where appropriate, IAF of any deficiencies found in the audits. The OIG presents audit recommendations to IAF through its annual financial statement audit report.

Performance audits also play a key role in maintaining IAF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected IAF operations. These assessments were used to determine where selected operations could be vulnerable and to assist in developing future plans.

Management Challenges

In pursuit of its mission, IAF faces a number of programmatic challenges and difficult issues.

Performance Monitoring and Results Documentation

IAF has formed partnerships with 25 corporate foundations throughout Latin America to co-fund development projects. IAF is using this network to transfer its project methodology and approach to these foundations, thereby fostering sustainability. Still, these partnerships present IAF with a management challenge—how to monitor the progress of grants made through the partnerships. In response, IAF developed a system for auditing IAF's corporate foundation partnerships and introduced this new system to IAF field auditors. In addition, IAF held a workshop with other foundations to determine performance indicators and evaluation measures that will be incorporated into a Grassroots Development Framework for data gathering and analysis. Grant results will then be reported annually to the Office of Management and Budget, Congress, and foundations within IAF's network.

Now that the IAF has consolidated tangible grant performance results reporting, its management is focusing greater attention on performance indicators of democracy-building and other societal changes. IAF is engaged in dialogue with leading experts regarding the effective articulation of such gains. In addition, IAF has awarded a contract for project evaluations that will assess how the grantee and IAF performed and examine the suitability and effectiveness of the performance indicators. IAF is also reaching out to groups of migrants in the U.S. to help them channel some of the \$32 billion in annual remittances they send home to Latin America into development activities.

Administrative and Organizational Structure

IAF implemented several major management initiatives, including (1) outsourcing of several administrative functions, (2) significant changes in organizational structure, and (3) formulation of new program vehicles. Some of the benefits that IAF has gained from outsourcing include timelier financial reporting, swifter procurements, and enhanced management of its budget.

OIG Oversight Activities

Current Activities

At this time, the OIG is conducting an audit of IAF's financial statements for the fiscal year ending September 30, 2004.

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REPORTS ISSUED

April 1, 2004 through September 30, 2004

USAID

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>
		—PROGRAMS AND OPERATIONS—		
5-306-04-001-F	05/11/04	Audit of USAID/Afghanistan's Cashiering Operations		
E-266-04-001-F	06/09/04	Audit of USAID/Iraq's Cashiering Operations		
		—FOREIGN-BASED ORGANIZATIONS—		
0-000-04-006-D	06/08/04	Caucasus Environment NGO Network, Report on Preaward Survey		
0-000-04-014-D	05/19/04	Royal Netherlands Tuberculosis Association, Report on Audit of Contract Year 2001 and 2002 Incurred Costs	688	QC
0-000-04-016-D	06/17/04	Centre for Humanitarian Dialogue, Report on Preaward Accounting System Survey		
0-000-04-018-D	06/17/04	Norwegian Refugee Council, Report on Preaward Accounting System Survey		
0-000-04-033-D	09/23/04	RedR - Engineers for Disaster Relief, Report on Audit of Accounting System Survey		
1-521-04-001-D	04/07/04	Report on Audit of the Contract Cost Summary Report, Contract No. 521-0257-C-00-7025-00, Managed by Winrock International, for the Period of March 31, 1997 to January 31, 2003	310 151	QC UN
7-625-04-002-D	07/16/04	Consolidated Audit of Donor Resources Granted to the Permanent Interstate Committee for Drought Control in the Sahel for the Period January 1, 2002 to December 31, 2002	214 73	QC UN
1-519-04-008-N	06/02/04	Quarterly Financial Audit of USAID Resources, Managed by the National Popular Housing Fund, Under the Special Objective Grant Agreement No. 519-9458, "Earthquake Recovery Program" Housing Activity, for the Quarter Ended December 31, 2003		
1-519-04-009-N	06/04/04	Quarterly Financial Audit of the Special Objective Grant Agreement, Earthquake Recovery Program, Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, Activity No. 519-0458, Managed by the Social Investment Fund for Local Development, for the Quarter Ended December 31, 2003		
1-519-04-010-N	06/28/04	Quarterly Financial Statement Audit of the Special Objective Grant Agreement, Earthquake Recovery Program (EREP), Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, Activity No. 519-0458, Managed by the Social Investment Fund for Local Development (FISDL), for the Quarter Ended March 31, 2004		
1-524-04-011-N	07/08/04	Close-out Audit of the Fund Accountability Statement of the USAID Resources for the Execution of the Voter Documentation Support Program Under Grant Agreement No. 524-0373, Managed by the Supreme Electoral Council, for the Period July 20 through November 30, 2001	209 1	QC UN
1-519-04-012-N	08/17/04	Quarterly Financial Audit of USAID Resources, Managed by the National Popular Housing Fund, Under the Special Objective Grant Agreement No. 519-0458, "Earthquake Recovery Program" Housing Activity, for the Quarter Ended March 31, 2004	6	QC

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

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<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
1-519-04-013-N	09/03/04	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Quarter Ended December 31, 2003		
4-656-04-004-N	04/06/04	Audit of the Foundation for Community Development, USAID Cooperative Agreement No. 656-A-00-01-00077-00 for the Period October 1, 2001 to September 30, 2002	174	QC
6-294-04-011-N	07/07/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Afaq General Contracting Group Ltd. Under Contract No. 294-C-00-02-00234-00, "Emergency Water Pipeline-Ein Sultan" for the Period from September 30, 2002 to March 17, 2003	17	QC
6-263-04-017-N	08/17/04	Financial Audit of Deposits and Releases of Funds from the Government of Egypt's Dollar Separate Accounts Under the USAID/Egypt's Sector Policy Reform Programs, for the Period from July 1, 2001 through June 30, 2003		
1-522-04-051-R	04/02/04	Financial Statement Audit of the Municipal Development Program, USAID/Honduras Project No. 522-A-00-93-00324-00, Managed by the Foundation for Municipal Development, for the Year Ended December 31, 2002		
1-520-04-052-R	04/19/04	Close-out Audit of the Fund Accountability Statement for the Mayan Biosphere Project No. 520-0395, Managed by the Tropical Agriculture Research and Training Center in Coalition with the National Council for Protected Areas, for the Period January 1, 2002 through July 31, 2002		
1-527-04-053-R	04/27/04	Close-out Financial Statement Audit of USAID Contract No. 527-C-00-97-00201-00, Participation and Private Administration Program, Managed by the Peruvian Society for Environmental Law for the Period from January 1 to August 31, 2002, and Audit of the General Purpose Financial Statements of SPDA as of December 31, 2002	2 1	QC UN
1-520-04-054-R	04/27/04	Financial Statement Audit of USAID/Guatemala's Industrias para la Paz, Cooperative Agreement No. 520-A-00-99-00069-00, Managed by Asociacion Gremial de Exportadores de Productos no Tradicionales de Guatemala for the Period July 1, 2002 to June 30, 2003		
1-527-04-055-R	05/28/04	Close-Out Financial Statement Audit of USAID Grant Agreement No. 527-0366, Project 2000, Managed by the Government of Peru Ministry of Health, through Project 2000 Special Unit, for the Period from January 1 to December 31, 2002	28 39 28	QC BU UN
1-527-04-056-R	05/28/04	Financial Statement Audit for the Following Three Projects: (1) Reproductive Health in the Community-REPROSALUD, Cooperative Agreement No. 527-A-00-95-00372-13, for the Year Ending December 31, 2002; (2) Coalition for the Reform of Congress, Cooperative Agreement No. 527-A-00-02-00167-00, for the Period August 1 to December 31, 2002; and (3) Mercomujer, Cooperative Agreement No. GEG-A-00-01-00002-00, for the Year Ended December 31, 2002, Managed by Movimiento Manuela Ramos-MMR, and the General Purpose Financial Statements for the Year Ended December 31, 2002	4	QC
1-521-04-057-R	06/02/04	Audit of the Fund Accountability Statement for USAID/Haiti's Resources Under Cooperative Agreement No. 521-A-00-02-00023-00, Managed by La Fondation Heritage Pour Haiti, for the Period August 28, 2002 to September 30, 2003		
1-521-04-058-R	06/02/04	Audit of the Fund Accountability Statement for USAID/Haiti's Resources Under Cooperative Agreement No. 521-A-00-02-00025-00, Managed by L'Association des Oeuvres Privees de Sante, for the Period August 28, 2002 to December 31, 2003		
1-521-04-059-R	06/02/04	Audit of the Fund Accountability Statement for USAID/Haiti's Resources Under Cooperative Agreement No. 521-A-00-02-00036-00, for the Period September 25, 2002 to September 30, 2003, and the Financial Statement Audit, for the Year Ended September 30, 2003, Managed by La Fondation Haitienne de L'Environnement	1	QC
1-522-04-060-R	06/14/04	Audit of the Fund Accountability Statement for Component I of the Project No. 522-0388, Basic Education and Skills Training, Managed by the Secretary of Public Education, for the Period of January 1, 2000 to December 31, 2002	32	QC
1-519-04-061-R	06/04/04	Audit of the Fund Accountability Statement for the Sustainable Reproductive Health Project, USAID/El Salvador Cooperative Agreement No. 519-A-00-99-000-92-00, Managed by Salvadoran Demographic Association, for the Period January 1 to December 31, 2003		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-522-04-062-R	06/16/04	Fund Accountability Statement Audit of the Strengthened Rule of Law and Respect for Human Rights Program, Project No. 522-0394, Managed by the Public Ministry, for the Period January 1, 2001 to December 31, 2002		
1-598-04-063-R	06/18/04	Audit of the Fund Accountability Statement for Cooperative Agreement No. EDG-A-00-02-00030-00, Project "Psychological Support for Victims of Torture," Managed by the Inter-American Institute of Human Rights, for the Period of Fifteen Months Ended December 31, 2003		
1-598-04-064-R	06/18/04	Audit of the Fund Accountability Statement for Cooperative Agreement No. LAG-A-00-02-00001-00, Project "Promoting Human Rights through Inclusion, Conflict Prevention and Democratization in Latin America," Managed by the Inter-American Institute of Human Rights, for the Periods of 12 and 10 Months Ended December 31, 2003 and 2002		
1-527-04-065-R	06/24/04	Close-out Audit of the Fund Accountability Statement of the Framework Sub-Agreement for Execution of the Alternative Development Program Subscribed Between Contradrogas (Today National Commission for Development and Life Without Drugs) and the National Institute for Development Financed by Grant Agreement No. 527-0348, for the Year Ending December 31, 2002, and for the Period January 1 to June 30, 2003, Managed by the Special Project Alto Huallaga	35 1	QC UN
1-517-04-066-R	06/24/04	Audit of the Fund Accountability Statement for the Consolidation and Expansion of Opportunities for Citizen Participation and Political Culture Project No. 517-A-00-03-00105-00, for the Period January 1 to August 31, 2003, Managed by Participacion Ciudadana		
1-520-04-067-R	06/29/04	Audit of the Fund Accountability Statement of SHARE PL 480 Title II Commodity Program , Managed by Asociacion SHARE Guatemala, for the Year Ending June 30,2003		
1-511-04-068-R	06/29/04	Financial Statement Audit of Child Survival Activities, Extension of Sexual and Reproductive Health Activities and Support in Supervision and Control of Infectious Diseases, Grant Agreement No. 511-A-00-98-00156-00, for the Year Ended December 31, 2002, Managed by Programa de Coordinacion en Salud Integral PROCOSI)	38 11	QC UN
1-522-04-069-R	07/06/04	Close-out Audit of the Urban Water Project Under the Hurricane Reconstruction Program No. 527-0410.03 and 522-0410.05, Managed by the Honduran Social Investment Funds through the Water and Sanitation Emergency Reconstruction Unit, for the Period from March 1 to August 31, 2003		
1-518-04-070-R	07/06/04	Audit of the Fund Accountability Statement for the Law Strengthening Rule in Ecuador Project, Agreement No. 518-A-00-02-00160-00, Managed by Fundacion Hacia La Seguridad Imperio de la Ley, for the Year Ending September 30, 2003		
1-527-04-071-R	07/06/04	Close-Out Audit of the Fund Accountability Statement for the Program" Construccion de Casos Paradigmaticos y Consolidacion de Red de Instituciones y Profesionales Para la Defensa y Promocion de los Derechos Humanos" No. 527-G-00-00137-00, Managed by Instituto de Defensa Legal for the Period January 1 to August 31, 2002 (Termination of Agreement)		
1-527-04-072-R	07/08/04	Audit of the Fund Accountability Statement for the Program No. 527-A-00-02-00221, "Participacion y Fiscalizacion de la Sociedad Civil en el Cambio y Desempeno del Sistema de Administracion de Justicia," Managed by Instituto de Defensa Legal for the Period from June 1 to December 31, 2002		
1-532-04-073-R	07/13/04	Audit of the Fund Accountability Statement of the Inncercity Peace and Prosperity Project Under Grant No. 532-A-00-01-00116-00, Managed by Kingston Restoration Company Limited, for the Period from July 1, 2002 to June 30, 2003	8	QC
1-527-04-074-R	07/22/04	Financial Statement Audit of Instituto de Alta Calidad de Atencion a la Salud - MAX SALUD, Cooperative Agreement No. 527-00-99-00307-00, for the Year Ended December 31, 2003		
1-527-04-075-R	07/22/04	Fund Accountability Statement Audit of the Sustainable Environmental and Natural Resources Management Project, Agreement No. 527-0368, Managed by the National Environment Council, for the Year Ending December 31, 2002	3 1	QC UN
1-596-04-076-R	07/22/04	Audit of the Fund Accountability Statement for USAID/G-CAP Project No. 596-0184.20, "Greater Competitiveness for Central America in the Global Markets," Managed by the Secretariat for the Central American Economical Integration, for the Year Ended December 31, 2003		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-538-04-077-R	07/27/04	Audit of the Fund Accountability Statement for the Limited Scope Sub Grant Agreement No. 538-004, Managed by the Organization of Eastern Caribbean States, for the Period from April 25, 2001 to June 30, 2003		
1-527-04-078-R	07/27/04	Close-out Audit of the Fund Accountability Statement of the Framework Sub-Agreement for Execution of the Alternative Development Program Subscribed Between CONTRADROGAS (Today National Commission for Development and Life Without Drugs - DEVIDA) and the National Institute for Development, Financed by Grant Agreement No. 527-0348, Managed by the Special Project Huallaga Central and Bajo Mayo, for January 1, 2002 through June 30, 2003		
1-522-04-079-R	08/02/04	Close-out Audit of the Fund Accountability Statement of the Participation in the Design and Implementation of Honduran Public Policies Project, for the Period October 1, 2001 to July 31, 2002, Managed by the Federacion de Organizaciones Privadas de Desarrollo de Honduras		
1-519-04-080-R	08/10/04	Fund Accountability Statement Audit of the Healthy Salvadorans Project, Grant Agreement No. 519-0430, Managed by the Ministry of Public Health and Social Assistance through the Project Coordinator Unit, for the Year Ended December 31, 2002		
1-527-04-081-R	08/13/04	Close-out Audit of the Fund Accountability Statement of Micro-Enterprises and Small Producers Project - MSP, Cooperative Agreement No. 527-A-00-91-00275-00, Managed by the Asociacion de Exportadores - ADEX, for January 1, 2001 through September 30, 2002	84 72	QC UN
1-527-04-082-R	08/13/04	Fund Accountability Statement Audit of the Coverage with Quality Project, Grant Agreement No. 527-0375, Managed by the Government of Peru (Ministry of Health) Through the Project 2000 Special Unit, for the Year Ended December 31, 2002	39 29	QC UN
1-522-04-083-R	08/13/04	Audit of the Fund Accountability Statement of the Sustainable Improvements in Family Health Project No. 522-0403, Managed by the Secretary of Public Health, for the Period October 1, 2001 to January 30, 2003	2 1	QC UN
1-522-04-084-R	08/13/04	Fund Accountability Statement Audit of the Strengthening the Democratic Process in Honduras Project, Cooperative Agreement No. 522-A-00-02-00350-00, Managed by the Federacion de Organizaciones Privadas de Desarrollo de Honduras, for the Period from October 18, 2002 to September 30, 2003		
1-519-04-085-R	08/16/04	Audit of the Fund Accountability Statement of Grant Agreement No. 519-A-00-01-00219-00, Institutional Strengthening, Managed by the Municipal Corporation of the Republic of El Salvador, for the Period September 24, 2001 to December 31, 2002		
1-527-04-086-R	08/16/04	Fund Accountability Statement and Its Reconciliation with the Balance of Cash - Commodity Status Report of the PL480 Title II (Monetization) Program, Managed by Caritas del Peru, for the Period October 1, 2001 to September 30, 2002		
1-527-04-087-R	08/16/04	Close-out Audit of the Fund Accountability Statement of Project Para Promover Los Mecanismos Alternativos Para la Solucion de Conflictos en la Zona de Ayacucho y el Valle del Rio Apurimac -- Ene, Grant Agreement No. 527-G-00-98-00282-00, Managed by APENAC, for August 1, 1998 through December 31, 2003	112 111	QC UN
1-518-04-088-R	08/17/04	Financial Statement Audit of Programa de Sostenibilidad Financiera y Alianzas Estrategicas, Agreement No. 518-A-00-98-00-00187-00, Managed by Fundacion Grupo Esquel - Ecuador, for the Year Ending December 31, 2003		
1-527-04-089-R	08/19/04	Close-out Audit of the Fund Accountability Statement of the Support for the Implementation of the Office of the Ombudsman, and Amendments Thereto, Grant Agreement No. 527-0352, Administered by the Office of the Ombudsman, for the Year Ended December 30, 2002		
1-522-04-090-R	08/19/04	Closeout Audit of the Fund Accountability Statement of the Municipal Training and Development Program, Cooperative Agreement No. 522-A-00-95-00108-00, Managed by the Universidad Tecnologica Centroamericana, for the Period from January 1, 2002 to September 30, 2003		
1-527-04-091-R	09/02/04	Fund Accountability Statement Audit of the "2002 Regional and Municipal Elections" Activity, Letter of Understanding No. LA-527-0402-ONPE-01, Grant Agreement No. 527-0402, Managed by the National Office of Electoral Processes, for the Period from August 1, 2002 to February 28, 2003	4	QC
1-518-04-092-R	09/02/04	Audit of the Fund Accountability Statement of the Biodiversity Conservation Program in the Galapagos Marine Reserve, Cooperative Agreement No. 518-A-00-98-00105-00, Managed by the Fundacion Charles Darwin para las Islas Galapagos, for the Year Ended December 31, 2002		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
1-527-04-093-R	09/17/04	Fund Accountability Statement Audit of the Program "Increase in Microfinance Services for the Activities of the Poor," Cooperative Agreement No. 527-A-00-02-00224-00, Managed by Consorcio de Organizaciones Privadas de Promocion al Desarrollo de la Micro y Pequeña Empresa - COPEME, for the Period from October 1, 2002 to September 30, 2003	10	QC
4-615-04-026-R	04/29/04	Audit of the Small and Micro-Enterprise Program Under USAID/Kenya Award No. 623-A-00-99-00056-00 for the Period January 1, 2000 to January 5, 2003	48	QC
4-663-04-027-R	04/30/04	Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission Under USAID Food Security Program PL 480 Title II Development Activity Proposal as per Cooperative Agreement No. FSP-A-00-98-00032-05 and Grant No. 663-G-00-01-00358-00 for the Period from October 1, 2001 to December 31, 2002	86	QC
4-623-04-028-R	05/20/04	Audit of the Horn of Africa Support Project to the Inter-Governmental Authority on Development Under USAID Award No. 623-0006 for the Period January 1, 2002 to December 31, 2002	155 56	QC UN
4-617-04-029-R	06/01/04	Audit of the Grants Management Unit Under USAID Project Implementation Letter No. 617-0124-18 for the Period January 1, 2000 to August 31, 2000		
4-617-04-030-R	06/04/04	Audit of the AIDS Support Organisation Uganda Limited Under USAID Award No. 623-A-00-96-00030-00 for the Year Ending December 31, 2002		
4-674-04-031-R	07/20/04	Audit of READ Educational Trust Under USAID Cooperative Agreement No. 674-A-00-01-00002-00 for the Period December 15, 2000 to March 31, 2002	198	QC
4-663-04-032-R	07/27/04	Audit of Tigray Development Association Basic Education System Overhaul Project and Establishment of a Law Faculty at the Mekelle University, Under USAID Agreement Nos. 663-G-00-00-00308-00 and 663-0015-A-00-5010-00 for the Eighteen Months Ended June 30, 2001	9 3	QC UN
4-663-04-033-R	07/29/04	Audit of the Relief Society of Tigray's Implementation of USAID Award Nos. FFP-A-00-99-00095-07, 663-G-00-01-00362-00, 663-A-00-02-00366-00, and 663-G-00-01-00322-00 for the Period January 1, 2002 to December 31, 2002	101	QC
4-674-04-034-R	08/02/04	Audit of Umalusi Council for Quality Assurance in General and Further Education and Training Under USAID Bilateral Grant Agreement No. 674-0302-G-00-5031 for the Period April 1, 2002 to March 31, 2003	273	QC
4-617-04-035-R	08/04/04	Closeout Audit of Improving Mother and Child Care at Lacor Hospital, USAID Funded Project Award No. 617-G-00-01-00003-00 for the Period July 1, 2002 to June 30, 2003	4	QC
4-663-04-036-R	08/24/04	Audit of the Disaster Prevention and Preparedness Commission's Strengthening Emergency Response Abilities Project No. 663-021, Implementation Letter Nos. IL-663-0110-04 and IL-663-0110-07 for the Period July 1, 1999 to June 30, 2001	22	QC
4-663-04-037-R	08/25/04	Audit of the Disaster Prevention and Preparedness Commission's Strategic Objective Grant Agreement, Project No. 663-011, Implementation Letter Nos. IL-663-0110-03, IL-663-0110-05 and IL-663-0110-08 for the Period July 1, 2001 to June 30, 2002	15	QC
4-663-04-038-R	09/08/04	Audit of Tigray Development Association, Basic Education System Overhaul (BESO-I) and Basic Education Strategic Objective (BESO-II) Projects, USAID Grant No. 663-0015-A-00-5010-00 (BESO-I) and 663-A-00-02-00321-00 (BESO-II) for the Periods July 1, 2001 to June 30, 2002 (BESO-I) and January 30, 2002 to June 30, 2002 (BESO-II)	13 13	QC UN
4-623-04-039-R	09/09/04	Audit of the Common Market for Eastern and Southern Africa, USAID Limited Scope Grant Agreement Nos. 6231001-80001 and 6231001-80002 for the Period January 1, 2001 to December 31, 2001	84 13	QC UN
4-617-04-040-R	09/15/04	Audit of the Environmental Conservation Trust of Uganda Under USAID Cooperative Agreement No. 617-A-00-01-00002-00 for the Year Ended December 31, 2002	2 2	QC UN
4-663-04-041-R	09/29/04	Audit of the Federal Supreme Court Judicial Training Program Under USAID/Ethiopia Award Nos. 663-0007-19, 663-0007-17 and 663-000-04 for the Year Ended July 7, 2001		
4-663-04-042-R	09/29/04	Audit of the Federal Supreme Court Judicial Training Program Under USAID/Ethiopia Award Nos. 663-0007-19 and 23 for the Year Ended July 7, 2002		
4-617-04-043-R	09/30/04	Closeout Audit of the Law Development Centre/Legal Aid Clinic Under USAID Grant Agreement No. 617-0128, Policy Analysis and Capacity Building - PIL No. 13 for the Period January 1, 2001 to March 31, 2002	9 9	QC UN
5-386-04-011-R	04/06/04	Financial Audit of the Innovations in Family Planning Services Project, USAID/India Project No. 386-0527, Managed by the State Innovations in Family Planning Services Project Agency, for the Period from April 1, 2001 to March 31, 2003		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
5-492-04-012-R	04/06/04	Financial Audit of the Trade and Investment Policy Analysis and Advocacy Support Project - Advocacy for Trade and Investment Liberalization, USAID/Philippines Cooperative Agreement No. AID-492-A-00-00-00012-00, Managed by the Philippine Exporters Confederation, Inc., for the Period from January 1, 2002 to December 31, 2002	18	QC
5-492-04-013-R	04/27/04	Financial Audit of the Project Titled "Strengthening Capacity to Identify and Reduce the Threat of Leading Infectious Diseases," USAID/Philippines Grant A.I.D. No. 492-A-00-00-00004-00, Managed by the New Tropical Medicine Foundation, Inc., for the Period from January 1, 2001 to December 31, 2001	33 33	QC UN
5-386-04-014-R	04/28/04	Financial Audit of the Greenhouse Gas Pollution Prevention Project, USAID/India Project No. 386-0534, Managed by the Industrial Development Bank of India, for the Period from April 1, 2001 to March 31, 2003		
5-497-04-015-R	04/28/04	Financial Audit of the Programs Titled "Indonesian Democratization through Research and Publications, Civic Education and Training, and Grant Making," USAID/Indonesia Cooperative Agreement No. 497-0385-A-00-6030-00 for the Period from January 1, 2000 to June 30, 2000, and "Democracy Study and Development," Cooperative Agreement No. 497-A-00-00-00061-00 for the Period from September 30, 2000 to December 31, 2002; Managed by the Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial	80 63	QC UN
5-386-04-016-R	05/26/04	Financial Audit of the Financial Institution's Reform and Expansion Project (FIRE D-II), USAID/India Grant Agreement No. 386-A-00-99-00075-00, Managed by the National Institute of Urban Affairs, for the Period from April 1, 2002 to March 31, 2003		
5-386-04-019-R	07/28/04	Financial Audit of the Trade in Environmental Services and Technologies Program, USAID/India Project No. 386-0530, Managed by the Industrial Credit & Investment Corporation of India Bank Ltd., for the Period from April 1, 2002 to March 31, 2003	383	QC
5-386-04-020-R	07/30/04	Financial Audit of the Program for the Advancement of Commercial Technology, Child Reproductive Health, USAID/India Project No. 386-0496, Managed by the Industrial Credit & Investment Corporation of India Bank Ltd., for the Period from April 1, 2002 to March 31, 2003	4 2	QC UN
5-497-04-021-R	08/19/04	Financial Audit of USAID/Indonesia Cooperative Agreement No. 497-A-00-02-00014-00, Managed by Yayasan Kemala, for the Period from May 21, 2002 to December 31, 2003	5 3	QC UN
5-497-04-022-R	08/19/04	Financial Audit of the Indonesian Biodiversity Foundation Project, Cooperative Agreement No. AID-497-0384-A-00-5011-00, Managed by Yayasan Keanekaragaman Hayati Indonesia (Yayasan KEHATI), Endowment Income Fund for the Period from January 1, 2003 to December 31, 2003		
5-497-04-023-R	08/30/04	Financial Audit of Cooperative Agreement No. 497-A-00-02-00060-00 (for the Period from September 30, 2002 to June 30, 2003), Cooperative Agreement No. 497-A-00-00-00002-00 (for the Period from July 1, 2002 to October 27, 2002), Grant Agreement No. 497-G-00-01-00020-00 (for the Period from July 1, 2002 to May 15, 2003), and Grant Agreement No. 497-G-00-01-00059-00 (for the Period from July 1, 2002 to June 30, 2003), Managed by Yayasan WWF Indonesia	398 106	QC UN
5-367-04-024-R	09/17/04	Financial Audit of the Employment Generation Rural Infrastructure Project, USAID Grant Agreement No. 367-A-00-03-00004-00, Managed by the Sustainable Infrastructure Development Foundation, for the Period from November 1, 2002 to December 31, 2003		
5-367-04-025-R	09/20/04	Financial Audit of USAID Agreement Nos. 367-XXX-000-7626 and OSGM/416 DDP: G-367-1/643-00, Managed by the Dairy Development Corporation, for the Period from July 16, 2001 to December 31, 2003		
6-263-04-011-R	05/19/04	Closeout Financial Audit of the National Population Council, USAID/Egypt Project No. 263-0267, Implementation Letter No. Six, for the Period from January 1, 2003 through March 31, 2003		
6-268-04-013-R	06/16/04	Audit of Makhzoumi Foundation, Micro-Credit Unit Program, USAID Grant No. 268-G-00-99-00073-00, Covering the Period from July 15, 1999 through November 30, 2000		
6-263-04-014-R	09/29/04	Financial Audit of USAID Resources Managed by the Ministry of Health and Population, Healthy Mother/Healthy Child Project No. 263-0242, Implementation Letter No. Four, for the Year Ended June 30, 2003	18	QC

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
7-641-04-004-R	04/28/04	Recipient-Contracted Audit of USAID's Grant to Ghana Registered Midwives Association Under the Ghana Population and AIDS Project No. CA-641-0131-A-00-5017-00 for the 16-Month Period October 1, 2000 to January 31, 2002		
7-688-04-005-R	07/16/04	Recipient-Contracted Audit of the Local Currency Expenses Incurred by the Ministry of Education Under the Youth Strategic Objective Agreement No. 688-0272 in Mali for the Period January 1, 2001 through June 30, 2003	9	QC
7-641-04-006-R	08/25/04	Recipient-Contracted Audit of USAID's Grant to Planned Parenthood Association of Ghana Under Agreement No. CA-641-A00-00-00022 for the Period January 1, 2002 to December 31, 2002		
7-641-04-007-R	08/27/04	Recipient-Contracted Audit of USAID's Grant to Planned Parenthood Association of Ghana Under Agreement No. CA-641-A00-00-00022 for the Period January 1, 2003 to December 31, 2003		
B-121-04-026-R	08/15/04	Audit of the Center for Ukrainian Reform Education Under USAID Cooperative Agreement No. 121-A-00-02-00002-00 for the Year Ended December 31, 2002	2	QC
B-115-04-027-R	04/13/04	Audit of the Soros Foundation Kazakhstan Under USAID Grant No. 115-G-00-00-00001, Cooperative Agreement No. 115-A-00-02-00002, and Cooperative Agreement No. 122-A-00-02-00042 for the Year Ended December 31, 2002		
B-000-04-028-R	04/16/04	Audit of the Association Handicap International Under USAID Cooperative Agreement No. 685-A-00-01-00159-00 and Two Sub-agreements for the Year Ended December 31, 2002		
B-118-04-029-R	05/14/04	Audit of the Academy of Management and the Market in Moscow, Russia Under USAID Cooperative Agreements Nos. 118-A-00-01-00101-00, 118-A-00-00-00178 and 118-A-00-00-00065 for the Year Ended December 31, 2002		
B-118-04-030-R	05/15/04	Audit of the Institute for Election Systems Development Under USAID Cooperative Agreement No. 118-A-00-00-00106-00 for the Year Ended December 31, 2003	27	QC
B-114-04-031-R	05/15/04	Horizonti:Foundation for the Third Sector Under USAID Cooperative Agreements Nos. 114-A-00-01-00199-00 and 114-A-00-03-00190-00 for the Year Ended December 31, 2003	3	QC
B-118-04-032-R	05/15/04	Audit of the Academy of Management and the Market in Moscow, Russia Under USAID Cooperative Agreement Nos. 118-A-00-01-00101-00, 118-A-00-00-00178 and 118-A-00-00-00065 and a subagreement for the Six Months Ended June 30, 2003	60	QC
B-165-04-033-R	07/15/04	Audit of the Foundation Open Society Institute Macedonia Under USAID Grant Agreements Nos. 165-G-00-02-00113-00 and 165-G-00-03-00101-00 for the Period Ended December 31, 2003	13	QC
B-183-04-034-R	07/27/04	Audit of the Foundation for Local Government Reform Under USAID Grant Award No. 183-G-00-01-00103-01 for the Period Ended September 30, 2003		
B-000-04-035-R	07/29/04	Audit of the University of Aberdeen Under USAID Grant No. GPH-G-00-02-00015-00 for the Year Ended September 30, 2003		
B-118-04-036-R	07/29/04	Audit of the Moscow Public Science Foundation Under USAID Cooperative Agreement Nos. 118-A-00-99-00142-00 and 118-A-00-02-00135-00 for the Year Ended December 31, 2003		
B-183-04-037-R	08/15/04	Audit of the Partners Bulgaria Foundation Under USAID Grant Award No. 183-A-00-00-00117-00 for the Period Ended December 31, 2002	11	QC
B-000-04-038-R	08/15/04	Audit of Norwegian People's Aid Under USAID Grant No. AOT-G-00-98-00112-00 for the Year Ended December 31, 2000	219	QC
B-000-04-039-R	08/15/04	Norwegian People's Aid Under Three Separate USAID Grants for the Period Ended December 31, 2001	214	UN
			366	QC
			323	UN
—U.S.-BASED GRANTEES—				
1-519-04-007-N	05/03/04	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Period July 1, 2003 to September 30, 2003		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-656-04-005-N	09/30/04	Agreed Upon Procedures Review of Air Serv Cooperative Agreement No. 656-A-00-00-00019-00 for the Period March 1, 2000 to April 30, 2002	237 185	QC UN
6-294-04-012-N	07/11/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Save the Children Federation Under Award No. 294-A-00-99-00144-00 "Community and Rural Service Program" for the Period from April 1, 2002 to March 31, 2003		
6-294-04-013-N	07/12/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Save the Children Federation Under Award No. 294-A-00-01-00119-00 "Emergency Employment Generation Program" for the Period from July 1, 2002 to June 30, 2003		
6-294-04-014-N	07/13/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Save the Children Federation Under Award No. 294-A-00-02-00233-00 "Job Opportunities through Basic Services" for the Period from September 25, 2002 to July 31, 2003		
6-294-04-015-N	07/14/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Save the Children Federation Under Award No. 294-A-00-00-00073-00 "Village Service Program" for the Period from October 1, 2001 to September 30, 2002		
6-294-04-016-N	07/26/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Camp Dresser & McKee International, Inc., Under Contract No. HRN-I-804-00-99-00011-00, Emergency Water Operations Center, for the Period from June 21, 2002 to June 20, 2003		
5-388-04-017-R	06/07/04	Financial Audit of PL-480 Title II Monetized Local Currency Under USAID/Bangladesh Integrated Food for Security Program, Grant Agreement No. 388-G-00-94-00040-00, Managed by CARE Bangladesh, for the Period from July 1, 2001 to June 30, 2002	3	QC
5-388-04-018-R	06/17/04	Financial Audit of PL-480 Title II Monetized Local Currency Under USAID/Bangladesh Food Security Enhancement Initiative Program, Transfer Authorization Award No. FFP-A-00-00-00070-00, Managed by the World Vision Bangladesh, for the Period from October 1, 2001 to September 30, 2002	1 1	QC UN
6-278-04-012-R	05/25/04	Audit of the USAID Resources Provided through Project Agreement Number 278-A-00-98-00002-00, Managed by the Cooperative Housing Foundation, for the Jordan Access to Credit Project, Covering the Period from October 1, 2000 through September 30, 2001		
0-000-04-023-T	05/19/04	Review of the Audit of EnterpriseWorks Worldwide, Inc. for the Fiscal Year Ended December 31, 2002		
0-000-04-024-T	05/20/04	Review of the Audit of Adventist Development and Relief Agency International for the Fiscal Year Ended December 31, 2002		
0-000-04-025-T	05/19/04	Review of the Audit of Heifer Project International for the Fiscal Year Ended June 30, 2003		
0-000-04-026-T	05/19/04	Review of the Audit of Internews Network, Inc. for the Fiscal Year Ended December 31, 2002		
0-000-04-027-T	05/19/04	Review of the Audit of International Real Property Foundation for the Fifteen Month Period Ended December 31, 2002		
0-000-04-028-T	05/19/04	Review of the Audit of American Near East Refugee Aid for the Fiscal Year Ended May 31, 2003		
0-000-04-030-T	06/17/04	Review of the Audit of Corporate Council on Africa, Inc. for the Fiscal Year Ending December 31, 2002		
0-000-04-031-T	06/17/04	Review of the Audit of Alfalit International, Inc. for the Fiscal Year Ending December 31, 2002		
0-000-04-034-T	09/23/04	Review of the Audit Report of Catholic Relief Services for the Fiscal Year Ending September 30, 2003		
0-000-04-036-T	09/23/04	Review of the Audit Report of International Medical Corps for Fiscal Year Ending June 30, 200		
0-000-04-037-T	09/23/04	Review of the Audit Report of the Asia Foundation for Fiscal Year Ending September 30, 2002		
0-000-04-040-T	09/23/04	Review of the Audit Report of International Foundation for Election Systems for Fiscal Year Ending September 30, 2003		
0-000-04-042-T	09/23/04	Review of the Audit Report of the Asia Foundation for Fiscal Year Ending September 30, 2001		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
—U.S.-BASED CONTRACTORS—				
0-000-04-012-D	05/03/04	Ronco Consulting Corporation, Report on Audit of FY 2001 Incurred Costs	1	QC
0-000-04-013-D	05/03/04	Associates in Rural Development, Inc., Report on Audit of FY 1999 Incurred Costs		
0-000-04-015-D	06/08/04	Ronco Consulting Corporation, Report on Audit of Fiscal Year 2002 Incurred Costs		
0-000-04-017-D	09/13/04	Creative Associates International, Inc., Report on Adequacy and CAS Compliance, Initial Disclosure Statement Effective August 1, 2003		
0-000-04-019-D	06/17/04	LTG Associates, Inc., Report on Audit of Fiscal Year 2001 Incurred Costs		
0-000-04-020-D	06/17/04	The Futures Group International, Report on Audit of Fiscal Year 2000 Incurred Costs		
0-000-04-021-D	06/17/04	The Futures Group International, Report on Audit of Fiscal Year 2001 Incurred Costs		
0-000-04-022-D	06/17/04	The Futures Group International, Report on Audit of Fiscal Year 2002 Incurred Costs		
0-000-04-024-D	08/19/04	Land O' Lakes - International Development Division, Report on Audit of Fiscal Year 2002 Incurred Costs	2	QC
0-000-04-025-D	09/09/04	Land O' Lakes - International Development Division, Report on Audit of Fiscal Year 2000 Incurred Costs		
0-000-04-027-D	09/09/04	Associates in Rural Development, Incorporated, Report on Audit of Fiscal Year 2000 Incurred Costs		
5-306-04-002-D	05/17/04	Report on the Application of Agreed-Upon Procedures on Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from September 30, 2002 to June 30, 2003	93	QC
			35	UN
5-306-04-003-D	09/16/04	Report on the Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2003 to September 30, 2003	109	QC
			2	UN
E-266-04-034-D	04/12/04	Costs Incurred and Billed by Development Alternatives, Inc. Under USAID Prime Contract No. HDA-I-00-03-00061-00 and Subcontract No. 3825-100-03S-001, for the Period January 6, 2003 to December 31, 2003	96	QC
E-266-04-035-D	05/14/04	Report on Audit of Proposed Iraq Infrastructure Reconstruction Project Controller Procedures 5AP-A01-018 for Estimating, Accumulating and Recovering Direct Common Costs		
E-266-04-036-D	05/27/04	Costs Incurred and Billed by Creative Associates International Inc.'s Under USAID Contract No. EDG-C-00-03-00011-00 for the Period Ended November 1, 2003 through February 28, 2004	45	QC
E-266-04-037-D	06/18/04	Report on Audit of Bechtel National, Inc.'s Proposed Common Cost Pool Recovery Rate Under Iraq Infrastructure Reconstruction Project Phase I and II		
E-266-04-038-D	06/20/04	Report on Audit of Costs Incurred by Abt Associates, Inc. from October 25, 2003 through March 26, 2004 Under USAID Contract No. RAN-C-00-03-00010-00	120	QC
E-266-04-039-D	06/30/04	Audit Report on Review of Costs Incurred and Billed by SSA Marine (SSA) on Voucher Nos. 3 through 7 Under Contract No. TRN-C-00--3-0005400	1,131	QC
E-266-04-040-D	07/19/04	Audit Report on Review of Billed Costs by SkyLink Air and Logistic Support from November 1, 2003 to February 29, 2004 Under Contract DFD-C-00-03-00026-00	49	QC
E-266-04-041-D	08/05/04	Report of Labor Timekeeping System Used by Bechtel National Inc. Under Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00		
E-266-04-042-D	08/09/04	Audit of Costs Incurred and Billed by Research Triangle Institute Under USAID Contract No. EDG-C-00-03-00010-00 from December 1, 2003 through March 25, 2004	512	QC
			132	UN
E-266-04-043-D	09/02/04	Audit of Costs Incurred and Billed to USAID by BearingPoint, Inc. Under Contract No. RAN-C-00-03-00043-00 from December 1, 2003 to March 31, 2004	5,931	QC
			4,597	UN
E-266-04-044-D	09/04/04	Audit of Incurred Direct Costs Under Iraq Infrastructure Reconstruction by Bechtel National, Inc. Under Contract No. EEE-C-00-03-00018-00 from September 1, 2003 to February 29, 2004	1,793	QC

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
5-306-04-004-N	05/17/04	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2003 to December 31, 2003	115	QC
			115	UN
5-306-04-005-N	07/09/04	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2004 to March 31, 2004	138	QC
			138	UN
5-306-04-006-N	08/23/04	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2004 to June 30, 2004	14	QC
			14	UN
6-294-04-010-N	05/10/04	Audit of USAID Resources Managed by Chemonics International Incorporated, Under Contract No. 294-C-00-00-00077-00, for the Period from October 1, 2000 to September 30, 2002		
6-294-04-016-N	07/26/04	Audit of the Fund Accountability Statement of USAID Resources Managed by Camp Dresser & McKee International, Inc., Under Contract No. HRN-I-804-00-99-00011-00, Emergency Water Operations Center, for the Period from June 21, 2002 to June 20, 2003		
		—ENTERPRISE FUNDS—		
0-000-04-003-E	05/13/04	The Polish-American Enterprise Fund, Fiscal Year 2002 Financial Statement Audit Reports		
0-000-04-004-E	05/13/04	The Albanian-American Enterprise Fund, for the Fiscal Year Ended September 30, 2002		
0-000-04-005-E	04/15/04	The Western New Independent States Enterprise Fund, for the Fiscal Year Ended September 30, 2002		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

USAID Miscellaneous Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
—QUALITY CONTROL REVIEWS—				
0-000-04-001-Q	06/30/04	Quality Control Review of the Audit of National Cooperative Business Association Performed by Grant Thornton for the Fiscal Year Ended September 30, 2002		
1-532-04-019-Q	06/07/04	Quality Control Review of the Fund Accountability Statement of the "Uplifting Adolescents Project 2 Under Grant Agreement No. 532-A-00-01-00002-00, Managed by the People's Action for Community Transformation," for the Period of November 1, 2000 to June 30, 2001		
1-504-04-020-Q	08/24/04	Quality Control Review of the Fund Accountability Statement of the "Audit of the Guyana Justice Improvement Project, No. 504-0109, Managed by the University of the West Indies -- Cave Hill, for the Period of June 1, 1996 to March 31, 2000"		
1-519-04-021-Q	08/27/04	Quality Control Review of the Fund Accountability Statement of the Fundacion Salvadorena para la Reconstruccion y el Desarrollo, Under the Cooperative Agreement No. 519-A-00-02-00040-00, for the Period from March 15 through October 31, 2002		
4-690-04-002-Q	04/21/04	Quality Control Review of Deloitte & Touche's General Purpose Financial Statement Audits of the Southern Africa Enterprise Development Fund for the Fiscal Years Ended September 30, 1999, 2000 and 2001		
4-621-04-003-Q	05/04/04	Quality Control Review of the Audit of the Family Planning Services Support Project of the Government of Tanzania's Ministry of Health, Reproductive and Child Health Section Under USAID/Tanzania's Project Implementation Letter No. 51, Project No. 621-0173 for the Six-Month Period Ended December 31, 2001		
4-674-04-004-Q	05/20/04	Quality Control Review of the Audit of the Educational Opportunities Council, USAID Cooperative Agreement No. 674-A-00-90-00038 for the Period January 1, 2002 to December 31, 2002 Performed by Deloitte & Touche (Woodmead, South Africa)		
4-623-04-005-Q	06/18/04	Quality Control Review of the Audit of the Association for Strengthening Agricultural Research in Eastern and Central Africa, USAID Cooperative Agreement Nos. 623-A-00-98-00054-00 and 623-A-00-02-00095-00 for the Period January 1, 2002 to December 31, 2002 Performed by Ernst & Young (Kampala, Uganda)		
4-674-04-006-Q	06/18/04	Quality Control Review of the Audit of Amy Biehl Foundation Trust Under USAID Agreement No. 674-0320-A-00-7082-00 for the 29 Months from November 10, 1998 to March 31, 2001 Performed by BDO Spencer Steward Inc. (Cape Town, South Africa)		
4-674-04-007-Q	06/18/04	Quality Control Review of the Audit of Amy Biehl Foundation Trust Under USAID Agreement No. 674-G-00-01-00021-00 for the Period April 1, 2001 to March 31, 2002 Performed by BDO Spencer Steward Inc., (Cape Town, South Africa)		
4-612-04-008-Q	06/23/04	Quality Control Review of the Recipient-Contracted Audit Performed by KPMG (Blantyre, Malawi) of Creative Centre for Community Mobilisation, for the Fourteen Months Ended March 31, 2002, USAID Agreement No. 690-A-00-00-00012-00		
4-612-04-009-Q	06/23/04	Quality Control Review of the Recipient-Contracted Audit Performed by KPMG Blantyre on USAID Funds Provided to Evangelical Baptist Church of Malawi Under USAID Agreement No. 690-G-00-01-00141-00 for the Period May 17, 2001 to April 30, 2002		
4-663-04-010-Q	07/23/04	Quality Control Review of the Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission Under Award Nos. FSP-A-00-98-00032-05 and 663-G-00-01-00358-00 for the Period October 1, 2001 to December 31, 2002 Performed by Getachew Kassaye & Co. (Addis Ababa, Ethiopia)		
4-690-04-011-Q	07/27/04	Quality Control Review of the Recipient-Contracted Audit on USAID Funds Provided to Botswana Education, Democracy and Development Initiatives Under USAID Limited Scope Grant Agreement No. 690-0302-01-00 for the Period December 1, 2000 to March 31, 2003 Performed by Deloitte & Touche (Gaborone, Botswana)		
4-674-04-012-Q	09/28/04	Quality Control Review of the Recipient-Contracted Audit of Business Against Crime - South Africa, USAID Cooperative Agreement No. 674-A-00-02-00012-00 for the Period June 1, 2003 to May 31, 2004 Performed by Deloitte & Touche (Woodmead, South Africa)		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
5-386-04-003-Q	07/27/04	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by Walker, Chandio & Co., New Delhi, India, of the Greenhouse Gas Pollution Prevention Project, USAID/India Project No. 386-0534, Managed by the Industrial Development Bank of India, for the Period from April 1, 2001 to March 31, 2003		
6-268-04-003-Q	06/27/04	Quality Control Review of KPMG's Financial Audit of the Makhzoumi Foundation, Micro Credit Unit Program, USAID Grant No. 268-G-00-99-00073-00, for the Period July 15, 1999 to November 30, 2000		
6-294-04-004-Q	08/15/04	Quality Control Review on the Audit of Resources Managed by DPK Consulting Inc. Under USAID Award No. 294-C-00-99-00159-00 for the Period from September 30, 1999 to January 31, 2003		
B-118-04-001-Q	06/14/04	Quality Control Review of the Audit of Moscow Public Science Foundation Under the USAID Cooperative Agreement No. 118-A-00-99-00142-00 Conducted by BDO Unicon for the Year Ended December 31, 2002		
B-118-04-002-Q	07/13/04	Quality Control Review for KPMG Limited Audits of the Institute for Urban Economics, Cooperative Agreement No. 118-A-00-01-00135 and No. 118-A-00-98-00168-00 for the Periods Ending December 31, 2001 and December 31, 2002		
		—OTHER—		
1-598-04-002-S	06/07/04	Survey of Payments for Value Added Taxes to Governments in Latin America and the Caribbean		
1-598-04-003-S	08/10/04	Report on the Survey of USAID Missions' Office and Residential Buildings Security in Latin America and the Caribbean		
5-306-04-002-S	04/15/04	Risk Assessment of Major Activities Managed by USAID/Afghanistan		
6-298-04-002-S	09/27/04	Survey of USAID's Activities Funded Under the Middle East Partnership Initiative		
B-167-04-003-S	07/30/04	Report on the Risk Assessment of USAID/Kosovo		
B-165-04-004-S	09/27/04	Report on the Risk Assessment of USAID/Macedonia		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

Semiannual Report to the Congress

USAID Performance Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
—ECONOMY AND EFFICIENCY—				
1-598-04-007-P	06/04/04	Audit of Regional Activities Administered by USAID's Bureau for Latin America and the Caribbean		
1-514-04-008-P	06/21/04	Audit of Benefits to Individuals and Organizations by USAID/Colombia Under Its Human Rights Protection Program		
1-519-04-009-P	08/10/04	Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects Under the Earthquake Reconstruction Program		
1-518-04-010-P	09/03/04	Audit of USAID/Ecuador's Northern Border Development Program		
1-520-04-011-P	09/09/04	Audit of USAID/Guatemala's Justice Program		
4-687-04-006-P	04/15/04	Audit of USAID/Madagascar's Performance Monitoring of Road and Rail Repair and Reconstruction for Southern Africa Flood Relief Supplemental Appropriations		
4-656-04-007-P	04/23/04	Audit Follow-up Review of Recommendation Nos. 1 and 2 from the Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities Funded by the Southern Africa Floods Supplemental Appropriations, Report No. 4-656-03-001-P		
4-674-04-008-P	08/04/04	Audit of USAID/South Africa's Monitoring of Awards That Do Not Require Annual Financial Audits		
5-497-04-003-P	04/06/04	Audit of USAID/Indonesia's Management of U.S. Personal Services Contractors		
5-442-04-004-P	04/30/04	Audit of USAID/Cambodia's Security Over Its Information Systems		
5-306-04-005-P	08/17/04	Audit of the Sustainable Economic Policy and Institutional Reform Support Program at USAID/Afghanistan		
5-306-04-006-P	09/21/04	Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program		
6-263-04-004-P	05/18/04	Audit of USAID/Egypt's Participant Training Activities	230	QC
6-263-04-005-P	05/19/04	Audit of USAID/Egypt's Management of U.S. Personal Services Contractors		
6-263-04-006-P	07/12/04	Audit of USAID-Financed Democracy and Governance Activities in Egypt		
7-688-04-003-P	04/02/04	Audit of USAID/Mali's Monitoring and Reporting of Its Sustainable Economic Growth Program		
7-620-04-004-P	04/23/04	Audit of USAID/Nigeria's Management of U.S. Personal Services Contractors		
7-675-04-005-P	06/17/04	Audit of USAID/Guinea's Monitoring and Reporting of Its Health Program		
7-641-04-006-P	07/22/04	Audit of USAID/Ghana's Annual Reporting Process		
9-000-04-004-P	09/03/04	Audit of USAID's Small and Disadvantaged Business Utilization Practices		
9-000-04-005-P	09/09/04	Audit of USAID's Participant Training Activities		
9-000-04-006-P	09/16/04	Audit of USAID Missions' Management of U.S. Personal Services Contractors		
A-000-04-003-P	05/19/04	Capping Report on the Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts		
A-000-04-004-P	09/23/04	Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract		
E-266-04-002-P	06/03/04	Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program		
E-266-04-003-P	08/06/04	Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract		
E-266-04-004-P	09/20/04	Audit of USAID/Iraq's Economic Reform Program		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

African Development Foundation Audit Report

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000s)</i>	<i>Type of Findings</i>
		—ECONOMY AND EFFICIENCY—		
A-ADF-04-002-P	06/10/04	Audit of African Development Foundation's Computer Security Plans		

BU--Better Use of Funds
 QC--Questioned Costs
 UN--Unsupported Costs
 Note: UN is part of QC

**AUDIT REPORTS OVER SIX MONTHS OLD
WITH NO MANAGEMENT DECISION*****As of September 30, 2004**

Report Number	Auditee	Issue Date	Current Recommendation Status	Desired Decision Target Date
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NOTHING TO REPORT

*Applies to USAID, ADF, and IAF.

Semiannual Report to the Congress

SIGNIFICANT AUDIT RECOMMENDATIONS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS WITHOUT FINAL ACTION

As of September 30, 2004

USAID

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action Target Date
0-000-99-001-F	USAID's Financial Statements Internal Controls and Compliance for FY 1998	03/01/99	1.1	03/01/99	03/05
9-000-02-005-P	USAID's Staff Training and Development Activities	07/11/02	1	07/11/02	09/05
			2	07/11/02	09/05
			3	07/11/02	09/05
9-000-03-002-P	USAID's Human Capital Data	12/20/02	5	12/20/02	03/05
			7	03/24/03	12/05
0-000-03-001-C	USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Year 2002	01/24/03	2.2	01/24/03	03/05
7-641-04-001-P	USAID/Ghana's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribution Program	10/15/03	1	10/15/03	10/04
			4	10/15/03	10/04
			5	10/15/03	12/04
1-521-04-001-P	Management of USAID/Haiti's P.L. 480 Title II Food Program	10/20/03	1	10/20/03	01/05
			2	10/30/03	01/05
			3	10/20/03	01/05
			4	10/20/03	01/05
B-176-04-002-P	USAID/Central Asian Republics' Training, Use and Accountability of Cognizant Technical Officers	11/20/03	1	11/20/03	11/04
			2	11/20/03	11/04
			3	11/20/03	11/04
			4	11/20/03	11/04
4-663-04-002-P	USAID/Ethiopia's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribution Program	11/21/03	1	11/21/03	11/04
			2	11/21/03	11/04
			3	11/21/03	11/04
			4	11/21/03	11/04
			5	11/21/03	11/04
B-165-04-004-P	USAID/Macedonia's Democratic and Local Governance Program	03/25/04	1	03/25/04	03/05

African Development Foundation

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action Target Date
9-ADF-03-005-P	Audit of Awarding and Monitoring of Grants by the African Development Foundation	02/28/03	1	02/28/03	11/04
			2	02/28/03	11/04
			3	02/28/03	11/04
			5	02/28/03	11/04

Inter-American Foundation

NOTHING TO REPORT

Reports Issued With Questioned And Unsupported Costs

April 1, 2004 through September 30, 2004

REPORTS	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS ¹
A. For which no management decision had been made as of April 1, 2004	46	\$15,864,134 ^{2,3}	\$1,812,167 ³
B. Add: Reports issued April 1, 2004 through September 30, 2004	72	\$15,305,816 ⁴	\$6,538,055 ⁴
Subtotal	118	\$31,169,950	\$8,350,222
C. Less: Reports with a management decision made April 1, 2004 through September 30, 2004	88 ⁵	\$19,653,650 ⁶	\$2,471,569 ⁶
i. Value of Recommendations Disallowed by Agency Officials		\$4,848,265	\$679,183
ii. Value of Recommendations Allowed by Agency Officials		\$14,805,385	\$1,792,386
D. For which no management decision had been made as of September 30, 2004	33	\$11,516,300 ⁷	\$5,878,653 ⁷

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).

²The ending balance at March 31, 2004, for Questioned Costs totaling \$15,900,756 were decreased by \$36,622 to reflect adjustments in the finding amounts of recommendations contained in previously issued reports.

³Amounts include \$13,436,962 in Questioned Costs and \$135,987 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

⁴Amounts include \$11,095,994 in Questioned Costs and \$4,989,506 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

⁵Unlike the monetary figures of this row, this figure is not being subtracted from the subtotal.

⁶Amounts include \$15,370,082 in Questioned Costs and \$453,164 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

⁷Amounts include \$9,178,651 in Questioned Costs and \$4,672,329 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

Reports Issued With Recommendations That Funds Be Put To Better Use

USAID

April 1, 2004 through September 30, 2004

REPORTS	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
A. For which no management decision had been made as of April 1, 2004	0	\$0
B. Add: Reports issued April 1, 2004 through September 30, 2004	1	\$38,978
Subtotal	1	\$38,978
C. Less: Reports with a management decision made April 1, 2004 through September 30, 2004	1	\$38,978
i. Value of Recommendations Agreed to by Agency Officials		\$38,978
ii. Value of Recommendations Not Agreed to by Agency Officials		\$0
D. For which no management decision had been made as of September 30, 2004	0	\$0

Reporting Requirements

USAID

Remediation Plan

The Inspector General Act requires an update on issues outstanding under a remediation plan required by the Federal Financial Management Act of 1996 (FFMIA). FFMIA requires agencies to substantially comply with (1) Federal financial management system requirements, (2) Federal Accounting Standards, and (3) the U.S. Standard General Ledger at the transaction level. According to Office of Management and Budget Circular No. A-11, an agency that is not substantially compliant with FFMIA must prepare a remediation plan. The purpose of the remediation plan is to identify activities planned and underway that will allow an agency to achieve substantial compliance with FFMIA.

In prior audit reports, the Office of Inspector General stated that USAID needed to continue to improve in two key areas before the Agency can become substantially compliant with FFMIA. Specifically, USAID needed to:

- Improve its computer security.
- Implement a worldwide, integrated financial management system, allowing the Agency to use the U.S. Standard General Ledger at the transaction level.

Subsequently, in March 2004, USAID officials agreed to remove computer security as a material weakness.

In addition, during fiscal year 2004, USAID implemented a new core financial system at five of its missions. Currently, USAID plans to complete worldwide deployment of the system by the second quarter of fiscal year 2006. The integration of the procurement system is planned to occur at that time. Compliance with financial management system requirements will depend upon the completion of successful implementation of the systems.

The Office of Inspector General will continue to monitor USAID's progress in becoming substantially compliant with FFMIA.

OIG STATISTICAL SUMMARY

USAID

As of September 30, 2004

INVESTIGATIVE ACTIONS

WORK LOAD			CIVIL	
CASES PENDING (04/01/04)	94		CIVIL REFERRALS	3
CASES OPENED	80		COMPLAINTS	1
CASES CLOSED	63		JUDGEMENTS/RECOVERIES	3
CASES PENDING (09/30/04)	111		SETTLEMENTS	1
CRIMINAL			ADMINISTRATIVE	
PROSECUTIVE REFERRALS	5		REPRIMANDS/DEMOTIONS	1
PROSECUTIVE DECLINATIONS	2		PERSONNEL SUSPENSIONS	1
INDICTMENTS	0		RESIGNATIONS/TERMINATIONS	5
CONVICTIONS	0		OTHER ADMINISTRATIVE ACTIONS	1
FINES*	3		RECOVERIES	6
RESTITUTIONS	1		SUSPENSIONS / DEBARMENTS	0
			SAVINGS	1
			SYSTEMIC CHANGES	3

*One fine occurred during the prior period but was not previously reported.

INVESTIGATIVE RECOVERIES

JUDICIAL RECOVERIES	\$881,189
ADMINISTRATIVE RECOVERIES	\$5,894,249
SAVINGS	\$932,937
TOTAL INVESTIGATIVE SAVINGS/ RECOVERIES	\$7,708,375

**U.S. AGENCY FOR
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**THE SEMIANNUAL REPORT TO THE CONGRESS
IS AVAILABLE ON THE INTERNET AT
www.usaid.gov/oig/public/semiann/semiannual1.htm**