FOREWORD

The Fiscal Year (FY) 2001 Accountability Report is one of three reports the United States Agency for International Development (USAID) prepares annually to describe its financial position and the results of its operations. For FY 2001, the two other reports are the Agency's FY 2001 Performance Report and its FY 2003 Budget Justification.

The focus of the Accountability Report is on the Agency's consolidated financial statements and the adequacy of its controls over the obligation and expenditure of budgetary resources. However, the Accountability Report also includes brief descriptions of USAID and the results of its operations, management's discussion and analysis of the Agency's financial and program performance, the Inspector General's reports on USAID's financial statements, internal controls and compliance, and USAID's progress on strengthening its financial systems. This additional information is intended to help the public, the Administration and the Congress assess management performance and stewardship. The Performance Report and Budget Justification documents, on the other hand, provide detailed descriptions of the results achieved by USAID programs around the world at the country, operating unit and strategic objective levels.

Electronic copies of all three of these documents are available through the Agency's World Wide Web site: *www.usaid.gov*.

All comments regarding the content and presentation of this report are welcome. Comments may be addressed to:

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MESSAGE FROM THE ADMINISTRATOR: Andrew S. Natsios

Fiscal Year 2001 marked 40 years that USAID has provided assistance to countries recovering from disaster, trying to escape poverty and engaging in democratic reforms. The Agency's programs have improved the lives of millions of citizens in the developing world, while also helping to advance foreign policy objectives.

During my first year as Administrator at USAID, I initiated a new strategic orientation and incorporated a new way of doing business to ensure that the Agency's long-term development assistance and humanitarian relief programs respond to the changing world and U.S. national interests.

We reoriented USAID's programs to focus on "Four Pillars." Three new program pillars - Global Health (GH), Economic Growth, Agriculture and Trade (EGAT) and Democracy, Conflict, and Humanitarian Assistance (DCHA) - have simplified and integrated our current programs. Aggregating our programs into these pillars will enable us to use scarce budget and human resources more effectively and to describe our programs more clearly. The fourth pillar introduces the Global Development Alliance as our new model for doing business. Under this pillar, we will serve as a catalyst to mobilize the ideas, efforts and resources of the public sector, corporate America, the higher education community and non-governmental organizations in support of shared objectives.

Reforming the Agency's management systems is key to improving the delivery of development and humanitarian assistance. We are focussing on five systems -- financial management, human resources management, information technology, procurement and administrative services. Reforms are aimed at reducing operating costs, increasing accountability and compliance, improving the timeliness of delivery, promoting customer service, improving program performance, facilitating partner inclusiveness and ensuring transparency. The actions underway will directly support the President's management agenda.

We have made progress in the achievement of Agency program and management goals. We are committed to ensuring that those who use our performance information to make decisions can do so with the assurance that our data are valid and reliable. During FY 2001, we continued working to improve the quality and availability of performance data. The Bureau for Policy and Program Coordination worked closely with the Office of the Inspector General (OIG) to develop an appropriate performance management audit methodology which, without compromising OIG's independence, is geared towards providing guidance on needed improvements. We also improved guidance and provided Agency-wide training on performance reporting.

We successfully launched a commercial off-the shelf accounting system in Washington that is compliant with Federal requirements. We implemented tools to extract financial information from overseas missions, established a linkage to the procurement system and completed the work necessary to interface the accounting system with supporting systems for credit and grants management support. USAID is now meeting government-wide quarterly financial reporting requirements with more accurate and complete financial information.

There were also accomplishments in the areas of human resources, procurement, and information resources management. For the first time in over a decade, the direct-hire staffing level did not decrease significantly from the previous year. The Agency received a "green light" on the Executive Branch Management Scorecard for plans in human capital management. The Agency streamlined contract preparation through worldwide implementation of a new document generation system which also permits timely and accurate collection of statistical information on procurements. Steps were also taken to improve the security of information systems and field access to Agency systems.

Although progress has been made, USAID still faces a number of management and performance challenges. We must implement an interfaced financial management system worldwide and remove barriers to achieving an unqualified opinion on the Agency's financial statements. We must address weaknesses in the management of information technology resources and achieve compliance with Federal requirements in this area. Improvements in workforce planning, recruitment and training must be accomplished to fully address human capital challenges. Finally, we must continue to improve our performance measurement and reporting systems.

During FY 2002, we will carry out a detailed review of how our management systems are working overseas and at headquarters and finalize plans for changes that will produce more effective and efficient world-wide operations. This review will have a significant impact on our efforts to implement and further deploy an interfaced financial management system.

This FY 2001 Accountability Report highlights our accomplishments, as well as our challenges. We are confident that the changes that have taken place and those under way will further strengthen accountability and put us in an increasingly better position to demonstrate results.

Andrew S. Natsios
Administrator
U.S. Agency for
International Development

The Agency celebrated its fortieth anniversary in 2001 reflecting a long tradition of development and humanitarian assistance that has helped reshape the world and the lives of countless millions of people. The United States Agency for International Development Accountability Report for FY 2001 provides a comprehensive and compelling story about the efforts and accomplishments of managers and employees in USAID Missions and in Washington who are committed to improving program and management performance.

During FY 2001, the Agency implemented its new accounting system (Phoenix) in Washington. The system's implementation was a complex undertaking that involved the training of nearly 1,000 Washington users. In addition, thirty-eight Mission Controller sites were interfaced with the Washington accounting system. For the first time the Agency was able to submit its worldwide financial information to the Office of Management and Budget (OMB) in a timely and comprehensive manner; and best, to provide information to internal users. The new systems processed 138,000 transactions, greatly improving data integrity and internal controls over current and prior year financial information.

We face many challenges in conforming to Federal standards as we continue to implement the new accounting system and to gain benefits from this new and valuable asset. Making change manageable is our greatest challenge. OMB is eager to see the system expanded overseas. Users are looking for more and better services.

The 25 Chief Financial Officers of the United States Government have many stakeholders. The most important is the taxpayer. We are accountable for ensuring that the money entrusted to the agencies we serve is well managed and safeguarded. We are accountable to report fairly on the products and services that are used and created in executing our Agency mission. As an illustration, USAID obligated $6.8 billion and had cash outlays of $5.7 billion. These numbers have importance because they represent the magnitude of help we are providing to people in our programs.

USAID's practice is to publish as part of this report, a record of the plans we undertake to solve problems and improve. We have accomplished a great deal, but more needs to be done. In the coming year, we will build upon the progress USAID has achieved, and focus in particular on improving the comprehensiveness and availability of standard reports, and on implementing processes for tracking the status of vendor invoices.

This report tells the story of how we are working hard to manage the taxpayers' money well. Our people work very hard to manage this money because there will always be more development and relief problems than there is money. As a result, nearly every employee in USAID is a money manager. We are working hard to give them the systems, the tools, and the training to do the best job possible for the taxpayer. I assure you that you can be proud of them.

Michael T. Smokovich
Chief Financial Officer
U.S. Agency for International Development

MISSION STATEMENT

The mission of the United States Agency for International Development is to contribute to U.S. national interests by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and the world.