

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

**Office of
Inspector
General**

Annual Plan 2004



Statement of the Inspector General

I am pleased to present the Office of Inspector General's (OIG) annual plan for fiscal year (FY) 2004. Our plan consolidates needed audit and investigative activities into a single document that articulates our goals and objectives for our work in FY 2004 at the United States USAID for International Development (USAID), the African Development Foundation (ADF), and the Inter-American Foundation (IAF).

This annual plan is based on our current strategic plan that was developed in FY 2002 after extensive consultations with USAID, Office of Management and Budget (OMB) officials, and Congress. Also included in the plan are our "standards for success." The OIG developed standards for success for each objective set forth in the OIG's strategic plan as well as in this FY 2004 annual plan. What constitutes success generally derives from such sources as OMB circulars, legislation (GPRA, GMRA, FFMIA, etc.), USAID policy documents and notices, and USAID administration priorities. They were developed with the intent that by meeting the standards, USAID would be on a solid track to addressing its major challenges and the OIG would thereby have accomplished its objectives.

We designed the standards for success to address major management challenges that we have identified at USAID. The standards for success are our approach to seeking agreement with USAID management on its major management challenges as well as on the solutions or goals for achieving success in each major management challenge area.

We have had extensive discussions with the USAID Administrator and USAID managers about the standards for success. We sought and received their concurrence on the major management challenges as well as on the standards for success so that we were working in unison toward the same goal: a more efficient and effective USAID. We also discussed the standards for success with officials from OMB

and with congressional staff and received their comments.

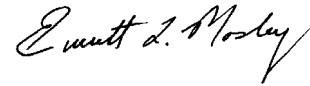
Our standards for success are in concert with the *Management Reform Agenda* launched by the President in August of 2001 to "address the most apparent deficiencies where the opportunity to improve performance is the greatest."* Five areas were identified: Strategic Management of Human Capital; Expanded Electronic Government; Competitive Sourcing; Improved Financial Performance; and Budget and Performance Integration. Working with the President's Management Council, the OMB developed standards for success in each of these five initiatives areas.

Our overriding goal is to support USAID, ADF, and IAF management in the delivery of their programs. We do this through our audit and investigative activities and through our day-to-day operational interactions by advising management on program risks and the need for associated internal controls for protecting and promoting the most effective and efficient program delivery. In performing our duties, we work very closely with the organization's management and staff as well as with members of Congress and their staffs to seek their input and to provide them with information that they can use in developing and administering the organization's programs and activities.

We can do this because we have a professional and well-trained staff operating under the professional standards mandated by law and promulgated by the Comptroller General of the United States as well as under the professional standards developed by the President's Council on Integrity and Efficiency. Under these standards, our audit operations are subject to receiving an external peer review performed by another independent Inspector General's office. Our most recent review, completed in 2001, reported that our operations meet the professional standards in all respects.

In addition, and most important, we can serve the organization's management and Congress by providing them with timely recommendations, suggestions, and advice that they can depend on because of the independence that the Inspector General Act provides. The Act creates an independent Inspector General by requiring the Inspector General to report both to the head of the respective organization and to Congress, keeping both fully informed on problems identified during the course of our work. We accomplish this task through our regular reporting processes, including our audit and investigation reports and our semiannual reports

to Congress, and through frequent briefings of both organization management and members of Congress and their staffs. Our goal through this cooperative approach is to assist the organization's management by providing solid information and recommendations for solutions to problems as they carry out their day-to-day business.



Everett L. Mosley
Inspector General

U.S. USAID for International Development

Office of Inspector General

Annual Plan

Fiscal Year 2004



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Authority and Responsibility

The USAID Office of Inspector General (OIG) was established on December 16, 1980, by Public Law 96-533, which amended the Foreign Assistance Act of 1961. On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981, bringing the USAID Inspector General under the purview of the Inspector General Act of 1978. The OIG assumed audit and investigative oversight of the African Development Foundation (ADF) and the Inter-American Foundation (IAF) in 1999 in accordance with Public Law 106-113.

The Inspector General Act of 1978 (IG Act), as amended, authorizes the Inspector General to conduct and supervise audits and investigations. In doing this work, the OIG (1) promotes economy, efficiency, and effectiveness and (2) detects and prevents fraud, waste, and abuse in the programs and operations. The Inspector General is responsible for keeping the head of the respective organization and Congress fully informed of the results of audits and investigations related to the organization’s programs and operations, as well as of the necessity for, and progress of, corrective actions.

Mission

The mission of the OIG is to contribute to and support integrity, efficiency, and effectiveness in all activities of USAID, ADF, and IAF.

Values

In accomplishing our mission, we are committed to the following:

Integrity. Strive to display character, decency, and honor in everything we do; work openly and fairly with our colleagues and partners; show respect for one another; maintain independence to ensure objectivity and impartiality; and accept responsibility for our actions.

Excellence. Strive to produce work that has distinction, merit, quality, and a positive effect; work efficiently with highly trained people who enjoy equal opportunities to excel; deliver products that are accurate, timely, complete, concise, and meaningful; and present work in a way that is most useful to those who are responsible for implementing the organization’s goals and objectives.

Teamwork. Work with USAID, ADF, and IAF management to understand their program objectives; team with the three organizations, demonstrating and encouraging integrity and achieving excellence; understand the entire OIG program and its effect on the organization’s programs; help management find solutions to problems; and remember that our success is measured in part by the success of our colleagues and partners.

Strategic Goals and Objectives

On the basis of the overarching philosophy described in the mission and values statements, the OIG developed its strategic goals and objectives. They are driven by legislative mandates, USAID goals, the major challenges facing management, and the activities identified as having high risks of fraud, waste, and abuse. Each strategic goal has accompanying strategic objectives, performance measures, and annual objectives that describe what we expect to accomplish and the measurements we will use to determine if we are achieving our objectives.

Strategic Goal 1: Keep the Administrator and Congress fully informed of the status of USAID’s administration and operations and the need for and progress of corrective actions.

Objective 1.1: Provide timely reports and briefings to the Administrator and Congress on the major challenges identified by audits and investigations.

The OIG will accomplish this objective by doing the following:

- Prepare and submit the semiannual report to Congress as required.
- Present timely briefings to the Administrator and key USAID officials on critical problem issues identified by OIG audits and investigations.
- Present timely briefings to key congressional staff on the status of significant OIG audit and investigative activities, problems and issues identified by these efforts, and the necessity for and progress of corrective actions being taken by USAID.
- Conduct audits and distribute audit reports to USAID management and congressional staff in a timely manner.

The OIG plans to undertake the following specific activities to address objective 1.1.

1.1.1: Continuing refinement of the OIG semiannual report to Congress

The IG Act requires that the OIG provide Congress with written reports of its activities and accomplishments every six months. The OIG continually updates and refines its message in the semiannual report in tune with new OIG initiatives and USAID management challenges. For example, the semiannual report was revised recently to focus information on presenting OIG efforts to help USAID address its primary management challenges. In future reports, we will further refine our presentation by introducing our efforts to help the USAID achieve its agreed-upon standards for success.

1.1.2: Periodic briefings for USAID officials

As a matter of routine, senior OIG officials participate in the USAID Administrator's weekly organization briefing sessions. At the meetings, senior OIG managers have taken advantage of the

opportunity to bring matters of importance to the attention of USAID management in a time frame enabling those managers to take effective remedial action. Senior OIG officials also participate as observers on high-visibility USAID task forces, such as the Business Transformation Executive Committee (BTEC). In this observer capacity, OIG officials respond to questions in the OIG's areas of expertise and provide suggestions for consideration. In addition, the OIG continually tries to identify issue areas of priority importance, and it establishes a schedule of formal presentations to brief USAID managers on the status of internal controls and OIG activity in those areas.

1.1.3: Periodic briefings for congressional officials

The OIG continually tries to identify issue areas of priority importance, and it also establishes a schedule of formal presentations to brief congressional members and staff on the status of internal controls and OIG activity in those areas.

1.1.4: Providing for timely reports and more efficient and more effective report distribution

The OIG continually assesses its planning information to help identify issues and areas of potential audit and investigative concern as expeditiously as possible. The OIG also continually reviews report distribution and dissemination procedures to bring its message more efficiently to its congressional, USAID, and public clients. Audit reports are placed on the Internet in a format complying with all federal requirements. In addition, the OIG has instituted a new procedure for electronically distributing audit reports directly to congressional members and staffs.

Performance Measures for Objective 1

- Prepare and submit the semiannual report to Congress as required.

- Periodically brief the Administrator and key USAID officials on critical issues identified by OIG audits and investigations.
- Periodically brief key congressional staff on the status of significant OIG audit and investigative activities, and issues identified by those efforts, and the necessity for and progress of corrective actions being taken by USAID.
- Distribute audit and other appropriate reports to USAID management and congressional staff in a timely manner.

Strategic Goal 2: Promote improvements in the way that USAID manages for results.

Objective 2.1: Provide timely, high-quality services that contribute to improvements in USAID's processes for planning, monitoring, and reporting on program activities and integrating performance information with budget decision-making.

The OIG will accomplish this objective by assisting USAID to achieve agreed-upon standards for success, including the following:

- Maintain a performance-measurement process that verifies and validates the reliability of data in the annual reports of individual operating units.
- Ensure that USAID's food aid reaches the intended beneficiaries and is accurately tracked and reported.
- Provide timely, reliable, and economical program and administrative support to USAID field missions.
- Ensure that child survival and health funds are used in accordance with federal laws and achieve desired results.

- Reduce HIV transmission rates and the negative effect of HIV/AIDS on developing countries.
- Respond rapidly and effectively to requests for disaster assistance.

The OIG plans to undertake the following audits to address objective 2.1.

2.1.1: Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2004 Consolidated Financial Statements

The Government Management and Reform Act (GMRA) of 1994 requires the annual preparation and audit of organizationwide financial statements for certain departments and agencies of the federal government. According to OMB Bulletin No. 01-09, "Form and Content of USAID Financial Statements," in addition to the principal financial statements, agencies are required to prepare a section titled "Management's Discussion and Analysis" (MD&A). The section consists of a brief narrative overview that describes the reporting entity and its mission, activities, program and financial results, and financial condition. The review will focus on understanding the internal controls related to the performance information included in the MD&A.

2.1.2: Audit of USAID/Bolivia's Costs of Implementing Public Law 480 Title II Food Program

At the request of the mission, in June 2003, the OIG conducted an audit of the Public Law (P.L.) 480 Title II Food program in USAID/Haiti. This audit focused on the business practices being followed by the four cooperating sponsors in Haiti and resulted in significant cost savings. Second only to Haiti, USAID/Bolivia has the largest projected fiscal year (FY) 2004 P.L. 480 Title II program in the Latin America and Caribbean region—\$22 million. As in Haiti, nonemergency food aid is implemented by four cooperating sponsors: Adventist Development and Relief USAID International, CARE International, Food

for the Hungry International, and Save the Children. This audit will determine if USAID/Bolivia's P.L. 480 Title II program is managed efficiently in accordance with USAID Regulation 11 and best practices for managing food distribution programs. In addition, because a similar audit was already done in Haiti, this audit will serve as a cost comparison not only among cooperating sponsors in one country but also among different cooperating sponsors in two countries.

2.1.3: Follow-up Audit of Recommendations Included in Audit of USAID-Funded Activities in Nonpresence Countries, Audit Report No. 9-000-99-005-P, dated February 26, 1999

In FY 1999, IG Audit's Performance Audit Division performed an audit of USAID-Funded Activities in Nonpresence Countries.¹ The audit objective was to determine if USAID was able to identify and report on its activities in nonpresence countries (NPC). The answer was no. The audit report contained two recommendations: one calling for USAID's Bureau for Policy and Program Coordination (PPC) to include appropriate guidance on NPC programming in the USAID Automated Directives System, and one recommending that PPC, in collaboration with the Bureau for Management, Office of Budget, issue procedures that will result in the periodic collection of basic information on activities in NPC's. This follow-up audit will determine if USAID implemented the two recommendations from the audit report.

2.1.4: Survey and Overseas Pilot for Worldwide Audit of USAID's Operating Unit Performance Monitoring for Indicators Appearing in Their Annual Reports

In December 2001, USAID announced that an annual report would replace the Results Review and Resource Request (R4) submittals and provide

a simplified reporting format for other required USAID reports, including a streamlined Congressional Budget Justification (CBJ). The annual report informs readers within and outside USAID of the results attained with USAID resources, requests additional resources, and explains the use of and results expected from the additional resources. The audit aims to determine if operating units prepared and submitted FY 2003 annual reports in accordance with USAID guidance and if USAID's annual reporting system provides sufficient timely, accurate, and reliable information to meet internal and external reporting requirements.

2.1.5: Audit of USAID/Russia's Democracy Program

Since the beginning of USAID activities in Russia, the USAID has invested approximately \$215 million in democracy-related activities. The activities have focused on increasing citizen participation in decision-making and on strengthening the rule of law and respect for human rights. The Mission anticipates that these activities will result in, among other things, free and fair elections, a more independent Russian judiciary, and more effective advocacy for human rights. Although Russia's civil society has flourished over the last 10 years, the Putin Administration continues to have centralized power that has facilitated some important reforms while leaving a few checks on federal executive power. The relationships among the state, the media, and independent citizen groups remain unsteady and difficult to define. As a result, the independent mass media often struggles to ensure government accountability in its reporting. Although Russia is making some progress in strengthening its rule of law, the country's reforms have been impeded by the absence of strong enforcement mechanisms. This audit will determine how USAID/Russia funds have been spent under the democracy program as we review annual program funding data. The audit also will assess whether the mission has achieved intended results from its democracy program.

¹Audit of USAID-Funded Activities in Nonpresence Countries, Audit Report No. 9-000-99-005-P, February 26, 1999.

2.1.6: Follow-up on Recommendation No. 2 in Audit of USAID Mission for Caucasus' Monitoring of American International Health Alliance's Performance in Georgia, Audit Report No. B-123-03-001-P, dated December 11, 2002

Recommendation No. 2 from the Audit of USAID/Caucasus' Monitoring of American International Health Alliance's Performance in Georgia (Audit Report No. B-123-03-001-P, dated December 11, 2002) was that USAID/Caucasus develop a field site-visit plan for its American International Health Alliance activities based on a risk assessment of its portfolio. Our recommendation follow-up work will focus on whether USAID/Caucasus performed a risk assessment on its portfolio and identified vulnerabilities that could negatively affect its project, functions, locations, and partners. Furthermore, in our follow-up, we will determine whether the Mission has strengthened its monitoring and reporting elements to include less reliance on its development partners for performance-results reporting and more reliance on first-hand management observations and verifications. If these actions have not been taken, Regional Inspector General (RIG)/Budapest will determine why and will reopen the recommendation. The Inspector General Act mandates audit follow-up on audit recommendations after final action has been taken.

2.1.7: Audit of USAID/Egypt's Basic Education Activities

USAID/Egypt's strategic objective for "Basic Education Improved to Meet Market Demands" provides technical assistance, training, and school construction support to the basic education sector. The strategic objective has not received any significant performance audit coverage in the last five years, and planned funding for FY 2003 was about \$49 million. To compliment the priority being placed on basic education activities by the Bush Administration, our audit will determine the

status of the Mission's activities, whether they are monitored in accordance with USAID policies and procedures, and whether the activities are achieving their intended results.

2.1.8: Audit of USAID/Egypt's Population and Health Activities

Egypt's population is approximately 68 million, and the growth rate is well above the replacement fertility rate, thus complicating Egypt's economic development. To address this issue, USAID/Egypt's strategic objective for "Healthier, Planned Families" emphasizes the increased effect of primary health care and family planning services, infectious-disease control, polio eradication, and safe birthing practices. The strategic objective has not received any significant performance audit coverage in the last five years, and planned funding for FY 2003 was about \$39 million. The scope of the audit will cover population and health expenditures and activities during FY 2003. Accountability and control of population and health program funds also will be examined. Our audit will assess the status of the Mission's population and health activities and determine whether the activities are achieving their intended results.

2.1.9: Audit of USAID/Jordan's Water Resources Management Activities

USAID/Jordan's strategic objective for "Improved Water Resources Management," which received about \$47 million in FY 2003, includes three components: stronger water-sector institutions; increased efficiency in use of water resources; and improved quality of wastewater. An important part of the Mission's water resource management activities is the construction of the Ma'in Water Supply Project, which will augment Amman's water resources by 40 percent as well as provide much needed water to tourist facilities along the Dead Sea. USAID/Jordan suggested that we perform this audit in FY 2004. Our audit will assess the status of the Mission's water resources management activities and determine whether they are achieving their intended results.

2.1.10: Follow Up of USAID/Egypt's Implementation of Recommendation No. 1, Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities, Audit Report No. 6-263-03-001-P, dated March 12, 2003

Recommendation No. 1 from the Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities (Audit Report No. 6-263-03-001-P, dated March 12, 2003) was that USAID/Egypt implement Automated Directives System Chapter 324.5.6, End-use Checks, which requires missions to carry out, or arrange to have carried out, end-use checks on commodities purchased with USAID funds. Our recommendation follow-up work will focus on whether USAID/Egypt developed a Mission Order to explain roles and responsibilities for conducting end-use verifications, whether its Financial Management Office has been designated as the cognizant office for developing an end-use verification plan, and whether the Mission has implemented its end-use verification plan for purchases of prior-year commodities and vehicles. If these actions have not been taken, RIG/Cairo will determine why and will reopen the recommendation. The Inspector General Act mandates audit follow up on audit recommendations after final action has been taken.

2.1.11: Audit of USAID/Ghana's Annual Reporting Process

USAID/Ghana is developing a new strategy that is expected to be fully operational by FY 2004. During the transition period, the Mission is consolidating current programs to focus on the elements that have proven successful and is expected to continue successful elements in some form during the next strategic period. In its 2003 annual report, USAID/Ghana reported that three out of its four strategic objectives (SO's) had met their intended targets. Overall, the Mission is expected to receive more than \$36 million in funding for its economic, education, health, and democracy programs in FY 2004. The annual

report recently replaced the previous Results Review and Resource Request (R4) submittals and provides a simplified reporting format for other required USAID reports. USAID/Ghana's portfolio of projects represents a significant portion of the region's activity, and this audit will determine if the Mission is meeting the new reporting requirements.

2.1.12: Audit of USAID/REDSO/ESA's Performance Monitoring of East and Central Africa Global Competitiveness Hub

In October 2001, President George W. Bush announced creation of the Trade for Africa Development and Enterprise (TRADE) initiative, noting that TRADE "will establish regional hubs for global competitiveness that will help African businesses take advantage of AGOA (Africa Growth and Opportunities Act), to sell more of their products on the global markets." The East and Central Africa Global Competitiveness Trade Hub (Hub), based in Nairobi, Kenya, is one of three trade hubs regionally based and funded by USAID and has three components: trade-capacity building regarding individual-country tariff-reduction offers and issues associated with remaining nontariff barriers to trade; AGOA business development for educating the region's private sector about AGOA opportunities; and transportation for improving the efficiency of major transportation corridors to reduce costs of trade-related transportation. The audit will determine whether the program complies with the President's objectives of establishing a hub for global competitiveness to (1) enhance competitiveness of African products and services; (2) expand the role that trade can play in African poverty reduction strategies; (3) promote U.S.-African business linkages; (4) improve the delivery of public services supporting trade; (5) build African capacity for formulating and implementing trade policy; and (6) strengthen the enabling environment for business.

2.1.13: Audit of USAID/Ecuador's Northern Border Development Program

In June 2002, the OIG conducted a risk assessment of major functions at USAID/Ecuador. The results of the assessment determined that the Mission's Northern Border Development Program, intended to improve the lives of the population living along Ecuador's northern border, was among those deemed at high risk. Estimated funding levels for the program between 2001 and 2004 total approximately \$49 million. This audit will determine what types of activities are funded under the program, whether these activities are on schedule, and whether the Mission is monitoring the program in accordance with USAID policies. This audit should be beneficial not only for USAID/Ecuador but also for other USAID missions in the Andean countries engaged in similar activities.

2.1.14 Audit of Field Support Mechanisms in Global Health Bureau

The Global Health (GH) Bureau handles about 75 percent of all field support² in the USAID. In FY 2002, the GH Bureau received more than 1,000 separate field support requests, totaling \$390 million, from 67 missions that accessed 82 GH-managed agreements. GH officials believe that the administration of field support is burdensome to all participants. One estimate of the labor cost alone to administer the field support is about \$2 million a year. This audit will determine if the GH Bureau manages its field support agreements to ensure desired results and if field support agreements can be managed more efficiently.

2.1.15: Audit of USAID Office of Security Warehouse Operations

USAID's Office of Security rents a warehouse from the General Services Administration for about \$125,000 per year. Additional costs associated with the operations of this warehouse include those for physical security, property management, and maintenance of the stored equipment. In addition, the high-value, sensitive

equipment is stored in the warehouse, which is in Springfield, Virginia. The Office of Security was formerly part of the OIG organization. However, subsequent to its placement outside of the OIG, it has not been audited. The OIG detected indications of problems in USAID/Washington's management of warehouse operations for disaster-assistance equipment in the Capitol Heights warehouse and believes it likely that other USAID/Washington-managed warehouses are having similar problems. This audit will determine whether the Office of Security (1) manages its warehouse operations effectively and efficiently and (2) maintains adequate controls and physical security for sensitive equipment.

2.1.16: Audit of USAID Missions Office and Residential Building Security in Latin America and the Caribbean

USAID's Office of Security has overall responsibility for physical security at all USAID offices worldwide. The Department of State, through Regional Security Offices overseas, has overall responsibility for physical security of all residences occupied by U.S. government employees. The Executive Officer of a USAID mission has the responsibility to ensure that all properties receive approval from the Regional Security Office before entering into a lease. In January 2003, the OIG performed an audit of Executive Office operations at USAID/Haiti. During the audit, the OIG determined that none of the leased residences managed by USAID/Haiti and used by U.S. government employees had received approval from the Regional Security Office before the properties were leased. During the course of our audit, we also were led to believe that many changes were needed to both the USAID office and the residential buildings for all properties to meet security standards. Because Haiti is a country where security concerns are high, we believe that weaknesses found there may be prevalent throughout the region. This audit will determine if USAID office and residential buildings in the Latin America and Caribbean region meet U.S. Department of State security guidelines. As such, the audit will inform interested parties if USAID is meeting security

² "Field support" is the process by which missions and other technical operating units acquire specific commodities or services through provision of funds to the Global Bureau for use in contract and grant mechanisms.

guidelines in the region and also may help USAID/Washington set priorities for its security upgrades.

2.1.17: Audit of USAID/Kosovo Private Enterprise Growth Program

After more than 10 years of military and civilian involvement seeking peace in Kosovo and the Balkan region, the United States continues to have strong national interests in the political and economic development of a stable country. The country has adopted a cautious approach to privatization and economic reform, although funding levels and an international presence within the country remain substantial. USAID has funded approximately \$88 million in activities to promote effective economic policy, market-related public-sector institutional development, and private-sector development—including support to the agricultural sector. Moreover, the Mission has requested an additional \$14 million to expand these activities. Kosovo is a country in transition—it is struggling to overcome the legacy of a communist government and the ethnic cleansing perpetrated throughout the 1990's. One of the Mission's key program objectives continues to be economic reform that concentrates on expanding a private-sector-led economy. To achieve its objectives, USAID/Kosovo has focused its programs on promoting reforms in fiscal and monetary policy management, financial markets, commercial law, and privatization, with direct support for private businesses to generate income and employment. This audit will allow the OIG to determine if USAID/Kosovo monitored the performance of its Private Enterprise Growth Program in accordance with USAID's Automated Directive System (ADS) Guidance and the roles and responsibilities of contractors/grantees in delivering services as compared to contract and grant agreements. In addition, we also will determine if the program achieved intended results.

2.1.18: Audit of USAID/Macedonia's Democracy Program

Historically within the region, Macedonia's democratic institutions and practices have been weak, highly centralized, and generally lacking the confidence of the people are meant to be served. The inability of the country's leaders to resolve conflicts has helped to weaken democratic institutions further. Many state-owned institutions have dominated the party system, leaving the majority of citizens with a feeling of isolation in an elite-dominated party system. USAID/Macedonia's primary strategic objective is to improve the legitimacy of key democratic institutions through its programs for promoting a more efficient, responsive, and accountable local government. The Mission's development challenge is to provide programs that complement U.S. national interests not only in democratization but also in political stability and economic prosperity. The audit will determine the types of activities that the Mission has funded to facilitate its democracy program as we review pertinent Mission and USAID guidance, the Mission's recent internal control assessments required under the Federal Managers' Financial Integrity Act, progress and activity reports, and evaluations that have been conducted by the Mission, the host-country counterpart, or the contractor/grantee.

2.1.19: Audit of USAID/Serbia's Community Revitalization Through Democratic Action Program

Serbia has been an axis of instability in the Balkan Region since the end of the Cold War. Even after a decade of military and civil conflict, an international presence within the country continues to seek a lasting peace and some stability within the region. Despite what has been called a dramatic political transition, the country's democratic future revolves around its leaders, meeting the challenges of building consensus on many social, economic, and political concerns through a peaceful legal means to avert regression. Unreformed bureaucracies and a system of pervasive grand and petty corruption continue within the country. Exacerbating the situation, the general population's attitudes toward Balkan war criminals range from apathy to anger. After a

decade of suffering from economic instability, the people suffer from a fragile public confidence about the reforms needed in the basic economic, political, and financial market institutions.

USAID/Serbia's \$46 million Community Revitalization Through Democratic Action Program is active in more than 340 communities throughout the country. The program is geared toward introducing and increasing civic participation in local decisions and projects. The Mission has requested an additional \$43 million in funding for this program for FY 2004 and anticipates that another 1,000 new local civic projects will be initiated. This program faces high risk, because Serbia is a country in transition from both a communist style of government and from being an integral part of another country—Yugoslavia—for 50 years. This audit will determine how USAID/Serbia spent funds under its Community Revitalization Through Democratic Action Program, as well as determine how the Mission monitored the program to ensure that intended results were achieved.

2.1.20: Follow-up of USAID/India's Implementation of Recommendation No. 5 of the Audit of USAID/India's Monitoring of the Performance of Its HIV/AIDS Program, Audit Report No. 5-386-02-001-P, dated December 14, 2001

On September 15, 1999, USAID/India and the Government of India (GOI) signed a bilateral agreement to implement a seven-year \$41.5 million project for combatting a growing HIV/AIDS epidemic in the Indian state of Maharashtra. This state accounted for about 50 percent of HIV/AIDS cases reported in India. The project, called "AVERT," required the GOI to satisfy four conditions precedent within 90 days from the date the agreement was signed. However, the date for satisfying the conditions precedent was extended several times and, at the time of our previous audit, was September 15, 2001. The previous audit concluded that the GOI still had not satisfied one condition precedent, and that the implementation of the \$41.5 million

project was held up for two years because USAID funding could not be released until the conditions precedent had been met. As part of the OIG's recommendation follow-up program, we will examine whether USAID/India implemented Recommendation No. 5 of the audit to coordinate with the GOI on setting a timeframe for meeting the remaining condition precedent in order to start HIV/AIDS interventions in Maharashtra and whether the AVERT program is being implemented in the state of Maharashtra.

2.1.21: Audit of USAID/Democratic Republic of Congo's Monitoring and Reporting of Its Health Program

The ongoing, externally imposed conflict in Democratic Republic of the Congo (DRC) denies its citizens the benefits of its natural resources and causes major stability problems throughout the country. The problems that have been encountered by the USAID Mission include (1) a war that involved armies from six countries in the region on DRC's soil; (2) lack of accessibility due to political restrictions and insecurity brought on by the war; and (3) the country's economic decline due to decades of mismanagement of its resources and corruption. In May of 2002, the Survey of USAID-financed assistance to the DRC³ was performed, and various weaknesses associated with the Mission's monitoring control system and its results reporting control system were identified. FY 2003 health funds (more than \$13 billion) were targeted to implement ongoing programs in health (strengthen key health facilities, support national health campaigns, strengthen HIV/AIDS education and referral services) and constitute more than half of the Mission's funding. This audit will determine if the health program is being monitored effectively and the results are being reported in accordance with guidelines.

³Survey of USAID-financed Assistance to the Democratic Republic of the Congo, Report No. 7-660-03-001-S, dated October 1, 2002

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

Guinea's health indicators are among the worst in the world, with infant, child, and maternal mortality rates at unacceptably high levels, a weak health infrastructure, and a growing HIV/AIDS crisis. In FY 2002, USAID made significant gains in addressing these problems by continuing to improve the quality of services at the health-center level, raising awareness about HIV/AIDS and other health issues, increasing the sale of family planning and child health products through social marketing, and developing a strategy for combatting the spread of AIDS in newly identified high-prevalence areas. In FY 2004, the Mission expects to continue with these activities to (1) improve maternal and child health (\$2,524,000) (2) prevent the spread of HIV/AIDS (\$2,200,000) and (3) improve reproductive health services (\$1,935,000). The Mission's health program is a significant part of its portfolio, and has not received RIG/Dakar coverage. Furthermore, HIV/AIDS and health programs in the region are highly visible and are expected to receive substantial increases in funding in the near future. This audit will determine if the health program is being monitored effectively and the results are being reported in accordance with USAID guidelines.

2.1.23: Audit of USAID/Mali's Monitoring and Reporting of Its Health Program

In FY 2003, USAID/Mali began to implement its new 10 year strategy aimed at providing high-impact health services to improve the health and welfare of women and children and to prevent an HIV/AIDS epidemic. The health program aims to increase access to and use of key health services in three areas: child survival, family planning/reproductive health, and HIV/AIDS. In FY 2003, major components of USAID/Mali's health program included activities to (1) improve child survival and maternal health (\$4,300,000) (2) improve family planning and reproductive health (\$5,821,000), and (3) control HIV/AIDS

(\$3,167,000). Under the Mission's new strategy, the health program is a significant part of the Mission's portfolio, and it has not received RIG/Dakar coverage. Furthermore, HIV/AIDS and health programs in the region are highly visible and are expected to receive substantial increases in funding in the near future. This audit will determine if USAID/Mali's health program is being monitored effectively and the results are being reported in accordance with USAID guidelines.

2.1.24: Audit of USAID's Regional Quality Coffee Program in Latin America and Caribbean Region

During 2000 and 2001, coffee prices dropped to their lowest levels in 30 years because of worldwide oversupply. In Central America and the Dominican Republic coffee bean prices at the farm level have plummeted below the cost of production for most coffee producers, causing serious hardships to coffee farmers in the region. This program, funded at approximately \$17 million, focuses on "quality" coffee growers and is primarily managed by the Latin America and Caribbean (LAC) Bureau in USAID/Washington and the Central American Program in Guatemala (G-CAP). This audit will determine if USAID is on schedule to improve the competitiveness and sustainability of high-quality coffee exports in the countries it provided funds to do so. The audit will have the added benefit of gaining insights into how the LAC Bureau and G-CAP manage and coordinate their activities regionally.

2.1.25 Audit of Central America Mitigation Initiative

In October 1998, Hurricane Mitch swept through Central America. USAID/OFDA announced a three-year \$11 million Central America Mitigation Initiative (CAMI) for the region, preference being given to the most severely affected countries of El Salvador, Guatemala, Honduras, and Nicaragua. CAMI's goal is to reduce or negate the effect of natural disasters in Central America by financing activities that increase the capability of regional,

national, and community authorities and organizations to forecast, respond to, and prevent disasters. However, of the original \$11 million budgeted, \$4,735,000 apparently remains unused. This audit will determine if CAMI activities have achieved planned results and if unused funds have been either reprogrammed or deobligated.

Performance Measures for Objective 2.1

- Provide recommendations for improving USAID strategic management and program management processes, identify questioned costs, and identify opportunities for putting funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Objective 2.2: Provide timely, high-quality services that contribute to improvements in USAID's processes for awarding and administering contracts and grants.

The OIG will accomplish this objective by assisting USAID to achieve the following agreed-upon standards for success:

USAID ensures increased competitiveness and access to procurement opportunities for U.S. small businesses.

- USAID ensures consistent application of acquisition and assistance procurement policies.
- USAID ensures that contractors and grantees meet applicable integrity standards.

The OIG plans to undertake the following audits to address objective 2.2.

2.2.1: Audit of Effectiveness of USAID/Regional Center South Africa Contractor Performance Evaluation Program

USAID's ADS 302.5.9, *Evaluation of Contractor Performance*, states that contracts in excess of \$100,000, including individual task orders under indefinite-quantity contracts, must be evaluated at least annually and on completion of activities, as required by Federal Acquisition Regulations (FAR) 42.1502. Audit coverage of this program will indicate USAID's consistency of

(1) conducting annual performance evaluations for contracts above \$100,000, (2) reporting the information in the past-performance database, and (3) analyzing this information when awarding new contracts. The audit will be designed to determine whether USAID/Regional Center South Africa officials have complied with the guidelines in evaluating and reporting contractor performance.

2.2.2: Audit of USAID/Colombia-financed Subgrants

USAID/Colombia is the largest mission in the LAC region, with about \$150 million in planned obligations in both FY 2003 and FY 2004. There is considerable congressional interest in the Mission's programs. The Mission implements its programs through a small group of U.S. contractors and private voluntary organizations that in turn make subgrants (approximately 300–400 valued at about \$70 million) to local nongovernmental organizations. USAID/Colombia's director and contracting officer both believe that the U.S. contractors and private voluntary organizations lack the expertise to award and administer subgrants in accordance with USAID requirements incorporated in their contracts and cooperative-agreements. This audit will determine if USAID/Colombia's contractors and grantees are following contract and cooperative agreement provisions for awarding and administering subgrants.

2.2.3: Worldwide Audit of Small and Disadvantaged Business Utilization Practices

An Office of Small and Disadvantaged Business Utilization (OSDBU) exists in all U.S. federal agencies to ensure the participation of U.S. small businesses, small businesses located in Historically Underutilized Business (HUB) Zones, and service-disabled veteran small businesses in federal procurement opportunities. The Small Business Administration (SBA) established the federal small business goal for FY 2002 and FY 2003 that all federal agencies establish goals to award a total of 23 percent of all federal procurements to small businesses. The audit will determine whether USAID has ensured increased competitiveness and access to procurement opportunities for U.S. small businesses in accordance with applicable laws and regulations.

2.2.4: Audit of USAID/Ecuador's Small and Disadvantaged Business Utilization Practices

This audit is part of a worldwide audit. It will be centrally directed. See 2.2.3.

2.2.5: Audit of USAID/Jordan's Small and Disadvantaged Businesses Utilization Practices

This audit is part of a worldwide audit. It will be centrally directed. See 2.2.3.

2.2.6: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (E&E Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 2.2.3.

2.2.7: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (East Asia Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 2.2.3.

2.2.8: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (West Africa Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 2.2.3.

2.2.9: Follow-Up of USAID/Mali's Implementation of Recommendation No. 1, Audit of Expenditures Made by the Project Management and Coordinating Unit under Animal Productivity and Export Project in Mali (688-0244) from September 1, 1993, to December 31, 1997; Audit Report No. 7-688-99-005-R: dated July 1, 1999

On July 1, 1999, Coopers and Lybrand issued an audit report of the expenditures made under the Animal Productivity and Export Project from September 1, 1993, to December 31, 1997. The audit revealed \$17,576 in unauthorized expenditures that resulted in the below recommendation that USAID/Mali determine the allowability of and recover, as appropriate, questioned ineligible costs of \$17,576. The Mission made an initial determination that \$2,208 of the questioned costs was allowable and \$15,368 was unallowable and to recover the unallowable portion from the Government of Mali or Washington State University. Subsequently the Mission decided not to sustain the questioned costs due to difficulties in determining the party responsible for the project funds. Finally, the Mission took final action on the recommendation by requiring the Government of Mali to make a payment to a new grant for which no host country contributions were required. The Inspector General Act mandates audit follow up on audit recommendations after final action has been taken. Furthermore, this recommendation warrants a follow up due to the difficulties encountered and the manner in which the Mission chose to recover the sustained costs.

Performance Measures for Objective 2.2

- Provide recommendations for improving USAID procurement processes, identifying questioned costs, and/or identifying opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit

recommendations within six months of report issuance.

- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Objective 2.3: Provide timely, high-quality services that contribute to better management of USAID activities that address significant, often unplanned, conditions or engender intense congressional interest.

The OIG will accomplish this objective by assisting USAID to achieve the following agreed-upon standards for success:

- Effective use of, and accountability for, resources in implementing humanitarian and relief programs as well as other emergency and unforeseen activities.
- Efficient and economical delivery of desired results in executing significant, unforeseen activities.

The OIG plans to undertake the following audits to address objective 2.3.

2.3.1: Financial and Performance Audits of USAID/West Bank and Gaza Activities

On May 8, 2003, the House International Relations Committee passed its version of the Foreign Relations Authorization Act for FY 2004 and FY 2005. Section 1346 of the Act, titled "West Bank and Gaza Program," requires the USAID Administrator to ensure that independent audits of all contractors and grantees and significant subcontractors and subgrantees are conducted at least annually. Of the Economic Support Funds available for the West Bank and Gaza, the House International Relations Committee authorized up to \$1 million for use by the OIG for audits, inspections, and other activities. Objectives for these audits and inspections will vary,

depending on the assignment. Generally, financial audits focus on costs incurred, and performance audits focus on reported results.

2.3.2: Risk Assessment Update of USAID Programs in Afghanistan

The terrorist attacks of September 11 and subsequent U.S. military actions in Afghanistan have placed that country near the top of the U.S. foreign policy agenda. This risk assessment of USAID/Afghanistan is a follow-up of the OIG risk assessment conducted in FY 2003. The reason a follow-up is necessary is that the earlier risk assessment was limited because the Mission had opened recently, had a minimal staff, and had just begun to implement economic and development activities. The risk assessment during FY 2004 will update the earlier assessment of the Mission's program activities, and it will include operational activities, such as procurement and property management. The purpose is to identify areas where major USAID program and operational activities may be vulnerable. We will issue a survey/informational report presenting our assessment of risk exposure for these program and operational activities.

2.3.3: Two Information Reports on the Road Project Work Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program

In September 2002, USAID awarded a contract to Louis Berger Group, Inc., to implement the Rehabilitation of Economic Facilities and Services (REFS) program in Afghanistan. The program includes the reconstruction of the Kabul-Kandahar highway a section of the country's major east-west highway. The initial schedule called for completion of the Kabul-Kandahar highway by December 2004. However, USAID moved the completion date up to December 2003. To meet the accelerated schedule, USAID added \$104 million to the REFS contract in May 2003. Thus, the total estimated cost of the contract is now \$247 million through December 2005, of which \$194 million is budgeted for the reconstruction of

the Kabul-Kandahar highway. This survey work will determine (1) whether USAID/Afghanistan has established plans and milestones to implement and monitor road reconstruction activities financed under the REFS program, (2) which road reconstruction activities have begun, and (3) whether the road reconstruction activities are on schedule to achieve planned output. We plan on issuing two information reports.

2.3.4: Audit of USAID/Pakistan-Financed Education Activities

Pakistan is a key U.S. ally, and education is an important issue there. For example, only 41 percent of Pakistan's children are enrolled in school, and 70 percent of those enrolled drop out within 5 years. To address the issue of education, USAID/Pakistan, in August 2002, signed a five-year \$100 million bilateral agreement with the Government of Pakistan to fund the Pakistan Education Sector Reform program. The program's purpose is to improve primary and secondary education through grants to U.S. and Pakistani nongovernmental organizations. Planned activities include capacity building for teachers and administrators, building sustainable public and private partnerships for education, increasing youth and adult literacy, and strengthening education-sector policy and planning. These activities will focus largely on the Baluchistan and Sindh provinces. The audit will determine whether these educational development and reform activities are on schedule to achieve planned output.

2.3.5: Audit of Sustainable Economic Policy and Institutional Reform Support Program at USAID/Afghanistan

In December 2002, USAID awarded a 3-year \$40 million contract to the Barents Group for implementing the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program in Afghanistan. This contract has an option for an additional two years at \$24.2 million. The purpose of the SEPIRS program is to provide economic governance assistance more

specifically, to assist the Transitional Afghan Authority in implementing fiscal and banking reforms, trade policy, legal and regulatory policy, and privatization. The audit will determine whether the economic governance activities are on schedule to achieve planned output.

2.3.6: Follow-Up Review on Recommendation Nos. 1 and 2 from Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities under Southern Africa Floods Supplemental Appropriations, Audit Report No. 4-656-03-001-P, dated January 31, 2003

RIG/Pretoria performed the original audit as part of its FY 2002 audit plan and issued the audit report on January 31, 2003. The audit found that USAID/Mozambique had not formalized a definitive plan or timeframe for completing the road segment EN 211. Construction problems on the road segment persisted and resulted in substantial delays in the progress of the work, as well as substandard quality. RIG/Pretoria recommended that USAID/Mozambique (1) develop a plan of action to overcome the known shortfalls in the reconstruction of the EN 211 road segment and (2) conduct a performance evaluation of the two engineering consulting firms and prepare a "Contractor Performance Report" documenting the results of the evaluations. This follow-up audit will verify if USAID/Mozambique has taken effective corrective action to justify final action on the recommendations.

2.3.7: Audit of USAID/Madagascar's Performance Monitoring of Road and Rail Repair and Reconstruction under Southern Africa Flood Relief Supplemental

Madagascar received \$16.4 million for USAID-managed activities under the Supplemental Appropriation for Southern Africa Floods Relief Program, signed on July 13, 2000, that provided an initial \$25 million. Congress appropriated an additional \$135 million on October 25, 2000, to respond more fully to the remaining need for

assistance to Mozambique, Madagascar, and Botswana. Of these funds, \$10 million is obligated to rehabilitate agricultural infrastructure in the form of farm-to-market road repair (233 kilometers) and national rail line repair and rehabilitation (163 kilometers). This audit will determine if USAID/Madagascar monitored performance related to farm-to-market road repair and national rail line repair and rehabilitation under Southern Africa Flood Relief Supplemental funding in accordance with USAID policies and procedures.

2.3.8: Audit of USAID/Mozambique's Performance Monitoring of Railroad Rehabilitation under Southern Africa Food Relief Supplemental

Because of heavy and persistent rains, upstream dams were opened and the Limpopo, Save, and Búzi rivers reached their highest recorded levels, submerging four Mozambican provinces and affecting two million people. The Limpopo Railway Line, a major domestic and regional transport artery, was severely damaged by the floods. A program was approved for rebuilding and improving the 225-kilometer section of the Limpopo Railway Line affected by the floods and replacing a bridge. USAID/Mozambique will use \$56.6 million on the railway rehabilitation project. This audit will determine if USAID/Mozambique has implemented and monitored its railroad reconstruction under Southern Africa Flood Relief Supplemental funding in accordance with USAID policies and procedures.

2.3.9: Financial and Performance Audits of USAID-Financed Activities in Iraq

The OIG received a special allocation of funds under the Iraq Supplemental for audits, investigations, and other activities concerning USAID's program in Iraq. During FY 2004, the OIG will increase its field presence in Iraq and begin a program of performance audits done by OIG staff as well as oversee a continuing program of financial and financial-related audits contracted to the Defense Contract Audit USAID. The

financial audits will examine contractors' operating and reporting systems as well as incurred costs. In addition, as OIG staff presence increases, the staff will provide training in fraud awareness to USAID employees, contractors and nongovernmental organizations working in Iraq.

2.3.10: Audit of Economic Assistance Activities Under USAID/Colombia's Human Rights Program

During FY 2003, the OIG conducted an audit of USAID/Colombia's human rights program. During that audit, we noted that the program included the high-risk activity of providing economic assistance to people who may suffer from human rights abuses. Specifically, USAID provided funds for airline travel for people who might be at risk of being human rights victims. USAID also provided cash stipends to potential human rights victims. Finally, cell phones were provided in some instances. This audit will determine if USAID/Colombia implemented criteria and procedures for providing benefits to individuals, if the government of Colombia followed approved criteria and procedures when providing benefits under its human rights activities, and if beneficiaries used the awards for approved purposes.

2.3.11: Follow-Up Audit of USAID/El Salvador-Financed Housing Reconstruction Activities, Audit Report No. 1-519-03-001-P, dated November 19, 2002

Implementation of USAID/El Salvador's \$103.5 million housing project under the Earthquake Reconstruction Program began in FY 2001 and is scheduled for completion in FY 2004. Under the project, the Government of El Salvador and eight nongovernmental organizations will construct 26,400 houses throughout El Salvador. The OIG conducted an initial audit of the project covering the period May 18, 2001, through July 31, 2002, and found that the program, primarily the government of El Salvador part, was not on schedule. As a result, we recommended that USAID/El Salvador implement timeliness

standards that include procedures and a clear statement of responsibilities for preparing and reviewing environmental assessments. We also made a specific recommendation to develop an action plan for completing the planned number of houses by March 31, 2003. However, after the audit, plans changed. Therefore, given the continued congressional interest in this program, this follow-up audit will determine the status of the first recommendation mentioned above and if currently planned activities are on schedule.

2.3.12: Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects Under the Earthquake Reconstruction Program

Implementation of USAID/El Salvador's \$13.2 million Schools, Healthcare Facilities, and Other Infrastructure Project under the Earthquake Reconstruction Program began in FY 2001 and is scheduled for completion in FY 2004. During the life of the project, the government of El Salvador plans to construct up to 28 schools, 5 healthcare facilities, 30 childcare centers, 22 municipal buildings, 5 local markets, and water systems providing potable water to 120,000 beneficiaries throughout El Salvador. There have been problems in implementing the reconstruction program because of, among other things, delays in getting construction plans approved. In a report issued in May 2003, the General Accounting Office stated that as of February 28, 2003, construction had begun on only 1 of 28 planned schools and 10 of 30 planned childcare centers. Construction had not begun on the health clinics, the municipal buildings, and the local markets. This audit will determine if the reconstruction activities of schools, healthcare facilities, and other infrastructure are on schedule to achieve the planned results by December 31, 2003; if activities are sustainable; and if USAID/El Salvador implemented a monitoring system for its reconstruction activities in accordance with USAID policies.

Performance Measures for Objective 2.3

- Provide recommendations for improving USAID's management of audited activities, identifying questioned costs, and identifying opportunities to put funds to better use.
- Achieve management agreement and develop plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Strategic Goal 3: Promote improvements in the way USAID manages its human capital.

Objective 3.1: Provide timely, high-quality services that contribute to the acquisition and development of a workforce whose number, skills, and deployment meet USAID needs; strategies for succession planning and leadership continuity; and strategies for integrating workforce planning into the USAID's budget and strategic plans.

The OIG will accomplish this objective by assisting USAID to achieve the following agreed-upon standards for success:

- No skill gaps or deficiencies exist in mission-critical positions.
- USAID's human capital strategy is consistent with the Office of Personnel Management's (OPM) Human Capital Scorecard.

The OIG plans to undertake the following audits to address objective 3.1.

3.1.1: Audit of Regionalization Efforts in Latin America and the Caribbean

The Bureau for Latin America and the Caribbean (LAC) has been discussing and changing the structure of its support functions within the LAC region. For example, the LAC Bureau recently decided to move all Mission Accounting and Control System (MACS) functions in Central America, currently being done by several missions, to the controller's office at USAID/El Salvador. Support functions primarily include financial management, executive office, and contracting functions. Because this issue is part of the President's Management Agenda and is probably the most important management issue being addressed by the LAC Bureau, this audit will determine what process the LAC is following to make decisions on regionalizing support functions, what plans it has for regionalizing support functions, and if it is considering competitive outsourcing in regionalizing its support functions in accordance with USAID policies and U.S. laws and regulations.

3.1.2: Capping Report for Worldwide Audit of USAID's Management of U.S. Personal Service Contractors

USAID's enormously complex personnel system encompasses several categories of employees. As of December 30, 2002, USAID had 7,912 employees, of which 2,156 were U.S. direct-hire (Civil Service and Foreign Service) employees, 682 of them overseas. The other personnel include 587 U.S. personal service contractors (PSCs), 471 of them overseas, and 5,240 foreign nationals or third-country nationals, 4,653 of them PSC's, and other categories. The source of USAID policy and procedures for U.S. PSC's is the USAID for International Development Acquisition Regulation (AIDAR). AIDAR Appendix D states that USAID may finance, with either program or operating expense funds, the cost of personal service contracts as part of its program of foreign assistance by entering into a direct contract with an individual U.S. citizen or U.S. resident alien for personal services abroad.

The worldwide audit will determine if (1) USAID follows its policy and procedures in determining its requirements for U.S. personal service contractors and (2) USAID awards U.S. personal service contracts in accordance with its policies and procedures. This capping report will consolidate the issues found at audited missions and USAID/Washington.

3.1.3: Audit of USAID/XX's Management of U.S. Personal Service Contractors (E&E Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.4: Audit of USAID/XX's Management of U.S. Personal Service Contractors (Asia Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.5: Audit of USAID/REDSO/ESA and USAID/Kenya's Management of U.S. Personal Service Contractors

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.6: Audit of USAID XX's Management of U.S. Personal Service Contractors (West Africa Mission TBD)

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.7: Audit of USAID/Egypt's Management of U.S. Personal Service Contractors

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.8: Audit of USAID/Peru's Management of U.S. Personal Service Contractors

This audit is part of a worldwide audit. It will be centrally directed. See 3.1.2.

3.1.9: Audit of USAID/Morocco's Management Controls after Implementation of Reduction-in-Force

To address Morocco's development challenges USAID/Morocco's FY 2003 budget request included funding for two key strategic objectives and one special objective, and its FY 2004 request included \$5.4 million for programs associated with the new strategic plan. The Department of State and USAID are conducting a joint review of the overall strategic direction of USAID/Morocco's portfolio to bring them into line with the goals and objectives of the Middle East Partnership Initiative. The new strategy will focus on building sustainable economic growth activities in three mutually reinforcing areas: increasing economic opportunities for all Moroccans through free trade and investment; relevant workforce preparation for the new Moroccan economy; and responsiveness of government to the priorities of its citizens. With the new Mission strategy, USAID/Morocco has reorganized, and financial functions have been transferred to USAID/Egypt in a memorandum of understanding that became effective on May 1, 2003. The reorganization has led to a significant reduction-in-force (50 percent reduction in US Direct Hire (USDH) staff). The audit will determine if USAID/Morocco is properly staffed to meet the challenges of the newly established strategy and will include recommendations for increasing efficiency and improving processes.

3.1.10: Audit of USAID's Human Capital Strategy

Human capital challenges, if not properly managed, could impede USAID's ability to fulfill its foreign assistance mission. The OIG has repeatedly identified human capital management as one of the serious management challenges facing the USAID. To help federal agencies improve their human capital management, Office of Personnel Management (OPM) issued a Human Capital Scorecard in December 2001 that focuses on five dimensions that require critical monitoring and management: alignment, strategic competencies, leadership, performance culture,

and learning. For each dimension, the scorecard requires reporting on USAID-specific performance goals, performance measures, and implementation measures. OMB policy requires all agencies to align their human capital strategy with these dimensions. The audit aims to determine if USAID can improve its human capital strategic management.

Performance Measures for Objective 3.1

- Provide recommendations for improving USAID's human capital management, identifying questioned costs, and identifying opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Strategic Goal 4: Promote improvements in USAID's accounting for and reporting on financial and program activities and protecting information.

Objective 4.1: Provide timely, high-quality services that assist USAID in improving financial systems that contribute to preparation of reliable and useful information that managers can use to manage the USAID.

To contribute to this objective, the OIG will assist USAID in achieving the following agreed-upon standards for success:

- USAID has financial management systems that substantially meet federal financial management system requirements and applicable accounting standards.

- USAID provides accurate and timely interim financial information.
- USAID has integrated financial and performance management systems supporting day-to-day operations, including accurate and timely posting of all financial transactions for both Washington and overseas accounting stations.
- USAID provides timely reconciliation of financial data.
- USAID posts all financial transactions accurately and on a timely schedule.

The OIG plans to undertake the following audits to address objective 4.1.

4.1.1: Audit of USAID's Fiscal Year 2004 Consolidated Financial Statements

The Government Management Reform Act (GMRA) requires OIG's to conduct audits of federal agencies' consolidated financial statements. Conforming to GMRA, the OIG will conduct the audit of USAID's FY 2004 consolidated financial statements.

Our audit objectives are to determine whether USAID's principal financial statements are presented fairly in all material respects and conform to generally accepted accounting principles. We also will obtain an understanding of USAID's internal control structure. In addition, we will perform tests of compliance with laws and regulations that could have a direct and material effect on the principal financial statements and required supplementary stewardship information, and we will report on whether USAID financial management systems substantially comply with the requirements of the Federal Financial Management Improvement Act.

OIG regional audit offices in Budapest, Cairo, and Manila will participate in this audit at their home locations. In addition, OIG-contracted auditors will

perform the audit at additional missions to be selected on a statistical sampling basis.

4.1.2: GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2004

This audit is part of the worldwide audit of USAID's FY 2004 consolidated financial statements led by the OIG's Washington audit office. See 4.1.1 above.

4.1.3: GMRA Audit of Financial Systems of USAID/Philippines for Fiscal Year 2004

This audit is part of the worldwide audit of USAID's FY 2004 consolidated financial statements led by the OIG's Washington audit office. See 4.1.1 above.

4.1.4: GMRA Audit of Financial Systems of USAID/RSC Budapest for FY 2004

This audit is part of the worldwide audit of USAID's FY 2004 consolidated financial statements led by the OIG's Washington audit office. See 4.1.1 above.

4.1.5: Audit of USAID's Data Flow of Standard Accounts-Payable Transactions Within Phoenix

In December 2000, USAID deployed its new core accounting system, Phoenix, in Washington. Phoenix soon will be deployed to USAID's missions, enabling USAID to meet system requirements more fully. That system, developed by American Management Systems (AMS) is commercial off-the-shelf. In addition, USAID awarded a contract to AMS, along with Pricewaterhouse Coopers and PRIME, for supporting the system. USAID places extensive reliance on the contractors, particularly AMS. Specifically, during its audit work, the OIG has determined that only AMS employees have knowledge of the data flow within Phoenix. This audit will determine the transaction flow for accounts payable because accounts payable is a material line item on USAID's financial statements

and has been reported as a material weakness by the USAID.

Performance Measures for Objective 4.1

- Conduct audit of USAID's annual financial statement.
- Provide recommendations for improving USAID's financial management systems, identifying questioned costs, and identifying opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Objective 4.2: Provide timely, high-quality services to assist USAID in ensuring the proper accountability of funds provided to contractors, grantees, and host governments.

To contribute toward this objective, the OIG will assist USAID in achieving the following agreed-upon standards for success:

- Enhance accountability of U.S. based grantees and contractors.
- Enhance accountability of non-U.S. based grantees and contractors.
- Enhance accountability of USAID's Enterprise Funds

The OIG plans to undertake the following audits to address objective 4.2.

4.2.1: Audit the Effectiveness of USAID's Recovery Audit Program

The current Bush administration's improved financial performance initiative, part of the President's Management Agenda, includes an initiative for reducing erroneous payments made by the federal government. Erroneous payments waste taxpayer dollars and divert resources from their intended beneficiaries. Agencies are required to undertake a recovery audit program to provide reports to OMB by December 31, 2004, 2005, and 2006. This audit will determine whether USAID is in compliance with OMB's requirements for preventing, detecting, and recovering overpayments to contractors resulting from payment errors.

4.2.2: Follow-up of final actions taken on financial audit recommendations for which unallowable costs were sustained and collected

The OIG will review recommendations from selected DCAA and OMB Circular A-133 audits judged to have reached the point of final action. The OIG will determine whether the management decision(s) regarding those recommendations fully addressed the direction and intent of the recommendation(s) and whether the Action Office sent appropriate documentation to M/MPI/MIC for that office's consideration of the final management action.

4.2.3: Audit of Europe, Eurasia, and Regional Division's Monitoring of Enterprise Fund Financial Audits

Audit reports containing findings and recommendations are referred to the appropriate Action Office for review and action. To ensure that the findings have been addressed, the Bureau for Management, Office of Procurement, Europe, Eurasia, and Regional Division (M/OP/EER), should implement a monitoring system to provide the status of open issues and recommendations and serve as a measuring guide for any additional follow-up or service. The objective of this audit is to determine whether M/OP/EER performs effective oversight to ensure that deficiencies identified during financial audits of Enterprise Funds are corrected.

4.2.4: Oversight of (1) OMB Circular A-133 audit program, (2) services provided to USAID by Defense Contract Audit USAID, (3) Enterprise Fund audit program, (4) audits contracted by USAID, and (5) audits contracted by overseas grantee recipients

Under the terms of OMB Circular A-133, the Support for Eastern European Democracy Act, the FAR, and the terms of grant and cooperative agreements, annual audits are required and conducted in accordance with generally accepted government auditing standards. USAID relies on nonfederal auditors to audit the operations of nonprofit grantees and USAID Enterprise Funds, and it relies on the Defense Contract Audit USAID to audit the operations of its for-profit contractors.

The OIG oversight activities ensure the following:

- Nonfederal auditors have adequately assessed allowability of USAID award expenditures.
- Federal audits meet USAID's needs.
- Bills for federal audits are reviewed before being paid.
- Adequate internal control assessments have been made.
- Nonfederal auditors are familiar with the compliance auditing requirements of the Enterprise Fund programs.
- The independence of the nonfederal auditors has not been compromised in appearance or fact.

The objective of the OIG oversight is to ensure that federal and nonfederal auditors are independent, familiar with the compliance auditing requirements for USAID's programs, adequately assess the allowability of USAID award expenditures, and assess the adequacy of the audited entity's internal controls in relation to the audit awards.

4.2.5: Audit of USAID/South Africa's Monitoring of Awards Not Requiring Annual Financial Audits

In 1998, USAID's Automated Directives System, Chapter 591, was amended to increase the threshold for requiring an annual audit of foreign nonprofit and host-government organizations from expenditures of \$100,000 to expenditures of \$300,000 for their fiscal years. This change was made to be consistent with the increase implemented by OMB Circular A-133 earlier in the year. As a result, a significant number of organizations spending between \$100,000 and \$299,999 during their fiscal years no longer were required to have annual audits. However, missions still were required to ensure proper accountability for the funds. The ADS strongly recommends that missions use the "Recipient Control Environment Assessment Checklist" to determine the level of monitoring necessary for the organizations not required to have audits performed. The audit will determine if USAID/South Africa effectively monitored recipients expending less than \$300,000 of USAID funds during its fiscal year to ensure proper accountability.

4.2.6: Quality-control reviews of audits performed by independent public accounting firms under OMB Circular A-133, Enterprise Fund, and USAID- and recipient-contracted audit programs

We conduct quality-control reviews to ensure that nonfederal auditors are independent, familiar with the compliance auditing requirements of USAID's programs, and have adequately assessed internal controls as well as the allowability of USAID award expenditures.

Performance Measures for Objective 4.2

- Perform quality-control reviews of financial audits done by independent accounting firms to ensure that the audits comply with federal auditing standards.

- Provide recommendations for improving accountability for funds provided to contractors, grantees, and host governments, identifying questioned costs, and identifying opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of recommendations resulting from contracted financial audits that have final action to ensure that proper actions were taken.

Objective 4.3: Provide timely, high-quality services that will promote improvements in the creation of systems and information technology (IT) infrastructures that are able to leverage capital investments, provide blueprints for IT solutions, and share data and information within USAID and with its customers.

To contribute toward this objective, the OIG will assist USAID in achieving the following agreed-upon standards for success:

- USAID attains full compliance with the Clinger-Cohen Act of 1996.
- USAID's major system investments comply with OMB Circular A-11 requirements.
- E-government and Government Paperwork Elimination Act are implemented.

The OIG plans to undertake the following audits to address objective 4.3.

4.3.1: Audit of USAID's Investment Technology Capital Planning in Accordance with Clinger-Cohen Act

The Clinger-Cohen Act of 1996 requires that each Federal Government agency establish a chief information officer position and vests the

procurement authority of the General Services Administration in each USAID. The purpose of the Act is to improve the productivity, efficiency, and effectiveness of federal programs through the improved acquisition, use and disposal of IT resources. It creates incentives to break IT acquisitions into smaller, more manageable pieces. It also mandates that agencies manage their IT as a capital investment and implement a process for maximizing the value, assessing and managing risks involved in IT investments, and monitoring progress in terms of costs, system capabilities, timeliness, and quality. This audit will determine whether USAID's process for selecting, monitoring and evaluating capital IT investments complies with legislative and OMB requirements.

4.3.2: Audit of USAID Information Systems Contractor, PRIME Contractor, and Subcontractor Performance Standards

The General Services Administration's Federal Simulation Center awarded a task order to the Computer Services Corporation (CSC) in May 1998 in support of USAID's Principal Resource for Information Management Enterprise-wide (PRIME) program. CSC employed several subcontractors for this tasking. The task order was for five years and a total estimated cost of \$54.3 million. Annual costs incurred under this contract were estimated at about \$15 million. The CSC task was to consolidate IT operations and implement a comprehensive approach to the acquisition, integration, total life-cycle management, and operation of USAID's IT resources. The contract task order was to be primarily performed on a cost-plus-fixed-fee basis. USAID decided to recompute this task order. The audit will determine whether USAID designed appropriate contract-performance objectives and quality standards for contract deliverables to permit performance monitoring.

4.3.3: Audit of USAID's Plans for Using E-Commerce Solutions to Implement Government Paperwork Elimination Act

The Government Paperwork Elimination Act requires federal agencies to give individuals or entities that deal with the agencies the option to submit information or transact with the USAID electronically when practical and to maintain records electronically when practical. The actions required to implement this objective are supposed to be completed by October 21, 2003. USAID can better realize the benefits of the Internet by building collaborative electronic communities, known as “e-marketplaces.” The communities can be established with the acquisition and implementation of e-commerce software solutions. A viable USAID e-marketplace would enable the USAID to integrate its supply chains and gain efficiencies in the procurement of goods and services while strengthening USAID and supplier relationships. The audit will determine whether USAID adequately integrated e-commerce software solutions in the USAID’s system architecture.

Performance Measures for Objective 4.3

- Provide recommendations that will enhance information system development, identify questioned costs, and identify opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

Objective 4.4: Provide timely, high-quality services that will contribute to the development, promotion, and monitoring of security awareness and processes to protect USAID’s critical information systems from loss, misuse, or unauthorized access or modification.

The OIG will accomplish this objective by assisting USAID to achieve agreed-upon standards for success for full compliance with the following federal requirements for the security of USAID’s information systems:

- Federal Information Security Management Act of 2002
- Computer Security Act of 1987
- OMB Circular A-130, Appendix III.

The OIG plans to undertake the following audits to address objective 4.4.

4.4.1: Audit of USAID/Washington’s Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2004

General computer controls are the architecture, policies, and procedures that apply to all or a large segment of an entity’s information systems and help ensure their proper operation. The primary objectives of general controls are to safeguard data, protect computer application programs and system software from unauthorized access, and ensure continued computer operations in case of unexpected interruptions. As categorized in GAO’s Federal Information System Controls Audit Manual, access controls are one of six categories of general controls that an entity can use to ensure the proper operation of an entity’s information systems. One type of access control is logical access control. Logical access controls prevent or detect unauthorized access to sensitive files. This audit will be conducted in support of the annual financial statement audit required by the Government Management Reform Act of 1994. Specifically, it will determine whether USAID/Washington implemented logical access controls over its general support and core accounting systems to mitigate the risk of unauthorized modification, loss, destruction, and disclosure of its financial data. It also will determine whether the USAID complies with selected laws and regulations, including the

Federal Financial Management Improvement Act of 1996.

4.4.2: Audit of USAID Missions' Access Controls Over Their Financial Management Systems for Fiscal Year 2004

General computer controls are the architecture, policies, and procedures that apply to all or a large segment of an entity's information systems and help ensure their proper operation. As categorized in GAO's Federal Information System Controls Audit Manual (FISCAM), access controls are one of six categories of general controls that an entity can use to ensure the proper operation of an entity's information systems. The objectives of access controls are to ensure that users' access rights to computer resources are compatible with their job functions and that sensitive resources are accessible only to appropriate users. Access controls limit or detect access to computer resources, such as data files, application programs, and computer-related facilities and equipment. In effect, they prevent unauthorized modification, loss, and disclosure of an entity's computer resources.

As required by the Computer Security Act of 1987 and the OMB Circular A-130, federal agencies must identify and protect computer systems that contain "sensitive" information and establish a minimum set of controls in a computer system security program. This audit will determine whether USAID missions protected their data files from unauthorized access, modification, and destruction. The audit is part of a worldwide audit effort to determine whether USAID complies with USAID policies and procedures, federal laws and regulations, and industry best practices. Mission audits will be performed at USAID's Egypt and Philippines, and Regional Support Center Budapest, as well as at additional locations selected on the basis of statistical sampling.

4.4.3: Audit of USAID/Egypt's Access Controls Over Its Financial Management Systems for Fiscal Year 2004

This audit is part of the centrally directed audit of Missions' access controls. See 4.4.2.

4.4.4: Audit of USAID RSC/Budapest's Access Controls Over Its Financial Management Systems for Fiscal Year 2004

This audit is part of the centrally directed Audit of Missions' Access Controls. See 4.4.2.

4.4.5: Audit of USAID/Philippines' Access Controls Over Its Financial Management Systems for Fiscal Year 2004

This audit is part of the centrally directed Audit of Missions' Access Controls. See 4.4.2.

4.4.6: Audit of USAID's Progress in Implementing Recommendations From Prior General and Application Controls Audits

Previous audits showed that USAID did not have adequate computer security controls in place to mitigate the risks to critical information systems. For instance, those audits found that USAID needed to implement an effective security program for the USAID's information systems as well as correct other computer security weaknesses. Consequently, those previous audits recommended corrective actions to address the deficiencies. In response to our recommendations, USAID has made substantial computer security improvements. However, a substantial number of audit recommendations remained outstanding. This audit will assess USAID's corrective actions to implement recommendations from past OIG audits of USAID's controls over its financial data and systems. It will also determine whether USAID is complying with laws and regulations, including the Federal Financial Management Improvement Act of 1996. Finally, the audit will help determine whether USAID/Washington's financial data are reliable.

4.4.7: Audit of USAID's Compliance with Federal Financial Management Improvement Act of 1996 – Fiscal Year 2004

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that each USAID implement and maintain financial management system that comply with federal financial management systems requirements, including OMB circular A-127. That OMB circular requires agencies to implement a single, integrated financial management system, which is a unified set of financial systems and the financial parts of mixed systems (systems that support both financial and nonfinancial activities). A statutory requirement is that the Inspector General report on USAID's compliance with FFMIA as part of the annual financial statement audit process to ensure that USAID develops and uses systems that generate reliable, timely, and consistent financial information.

4.4.8: Audit of USAID's Compliance with the Provisions of Federal Information Security Management Act of 2002–Fiscal Year 2004

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107-347, which superseded Government Information Security Reform (GISR), states the following:

Each USAID shall develop, document, and implement an USAID-wide information security program...to provide information security for the information and information security systems that support the operations and assets of the USAID, including those provided or managed by another USAID, contractor, or other source....

This audit will contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether USAID's information system security program meets the requirements of the Federal Information Security Management Act of 2002.

4.4.9: Audit of the Contingency Plans in Latin America and the Caribbean Missions

The Federal Information System Controls and Audit Manual (FISCAM) identifies six major control areas: security program planning and management, access control, software development and change control, system software, segregation of duties, and service continuity. Within the final area of service continuity, contingency plans address an organization's ability to continue functioning after a disruption in services. Creating and testing contingency plans is a fundamental activity for ensuring continued operations, and ADS 545 states that missions must develop contingency plans. They also must review, update (if necessary), and test all plans annually or when significant modifications are made to system hardware, software, or system personnel. We believe that it is highly unlikely that any mission in the LAC region has tested its information system contingency plans. Previous audits have indicated that missions prepare incomplete plans that rarely include provisions to test those plans. This audit will determine if all LAC missions developed and tested emergency contingency plans as required by ADS 545. One mission also will be randomly selected to determine if, according to contingency plan test results, it could restore and continue operations following a disruption in services.

4.4.10: Audit of USAID's Information Systems Security Planning Process

OMB Circular No. A-130, Appendix III, "Security of Federal Automated Information Resources," as revised in February 1996, requires agencies to assign responsibility for security and have a security plan for the general support system and major applications. It also states explicitly that the security plans should be consistent with guidance issued by the National Institute of Standards and Technology (NIST). In an April 2001 audit report, the OIG determined that USAID had not prepared security plans, as required. This audit will determine whether USAID's Washington and missions prepared security plans, as required.

Performance Measures for Objective 4.4

- Conduct audits of information security.
- Provide recommendations for improving information security, identifying questioned costs, and identifying opportunities to put funds to better use.
- Achieve management agreement and plans for corrective action or management improvement on at least 90 percent of audit recommendations within six months of report issuance.
- Follow up on a sample of previous recommendations to ensure that they have been implemented effectively.

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

Objective 5.1: Investigate allegations of fraud, waste, and abuse in the programs and operations of USAID.

Under this objective, USAID and the OIG have endorsed the following standards for success:

- USAID maintains the highest possible level of program integrity.
- USAID reduces fraud and corruption in major programs and operations.

During FY2004, the OIG will conduct the following activities to help USAID achieve these standards.

5.1.1: Investigate allegations of fraud, waste and abuse in USAID programs and operations

OIG/Investigations (OIG/I) will investigate all allegations of fraud, waste, and abuse received from USAID personnel, OIG/A, contractors, grantees, the Hotline, or other sources. OIG/I will

refer actions to OIG/A or USAID, as considered appropriate, and continue to conduct joint activities when appropriate. As warranted, investigations will be presented to the appropriate United States Attorney for criminal and/or civil action(s).

5.1.2: Prioritize cases involving major fraud

OIG/I will continue to prioritize program integrity cases involving major fraud in the programs and operations of USAID, ADF, and IAF. Major fraud investigations are the investigations involving large dollar losses by USAID, ADF, and IAF.

5.1.3: Measure and report the results of OIG/Investigations

OIG/I will report the number of referrals and allegations received, the number of investigations conducted, and the number of criminal, civil, and administrative actions taken. The appropriate members of Congress and the Executive Branch will be briefed thoroughly on all major investigations and their outcomes.

Performance Measures for Objective 5.1

- Measure and report the number of allegations investigated by OIG/I.
- Measure and report the number of criminal, civil, and administrative actions.

Objective 5.2: Prevent fraud, waste, and abuse in USAID programs

Under this objective, USAID and the OIG have endorsed the following standards for success:

- USAID proactively prevents fraud in its programs and operations.
- USAID corrects identified systemic problems.

- USAID is able to identify potential threats and vulnerabilities of programs and operations before major problems develop.
- USAID employees, contractors, grantees, and others are aware of procedures for reporting fraud, waste, and abuse.

During FY2004, the OIG will conduct the following activities to help USAID achieve these standards.

5.2.1: Audit of Payments for Value-Added Taxes to Host Governments in Latin America and Caribbean Region

During an April 2003 risk assessment of USAID/Mexico, the OIG noted that, contrary to USAID policy and U.S. laws and regulations, USAID/Mexico was reimbursing its partners between \$420,000 and \$735,000 per year for Value-Added Tax (VAT) payments made to the Mexican government. These payments were being made because of differences in interpretation of the terms of the 1951 bilateral agreement between Mexico and the United States. Many other USAID missions in the region have experienced serious difficulties in obtaining tax exemptions or timely reimbursement of taxes paid to the host governments. The audit will determine if LAC missions and their partners have eliminated VAT payments to host governments.

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

The LAC Bureau's FY 2004 proposed budget is approximately \$58 million for regional activities. These activities contribute to 10 strategic objectives and are implemented by dozens of different organizations. Regional activities have, in the past, been difficult to control because of confusion over monitoring responsibilities, communications difficulties, and inadequate travel funds. This audit will determine what regional activities the LAC Bureau is funding, how it is managing these activities, and what

responsibilities for management have been assigned to others. Additionally, the audit will determine if financial audits are being performed, and provided to the OIG, in accordance with USAID policies and U.S. laws and regulations. The LAC Bureau's regional activities absorb significant resources; however, these activities have not been examined by the OIG since at least the early 1990s. We expect that this audit will lead to one or more audits to be performed in FY 2005. As a side benefit, it should help open new lines of communication between LAC Bureau and RIG/San Salvador.

5.2.3: Risk Assessment of USAID/Kosovo

After more than 10 years military and civilian involvement seeking peace in Kosovo and the Balkan region, the United States continues to have strong national interests in the political and economic development of a stable country. The country has adopted a cautious approach to privatization and economic reform although funding levels and an international presence within the country remain substantial. USAID/Kosovo program covers three program objectives and one support objective that provide support for economic reform, democracy and governance, and a "return to normalcy" program. The Mission expects its "return to normalcy" program to improve the quality of and access to basic services through repairing municipal and local infrastructure. In addition, the Mission has expanded some of its ongoing programs in response to changing circumstances and continues to fund special initiatives. This assessment will determine what significant risks USAID/Kosovo faces in its administrative and program operations.

5.2.4 Risk Assessment of USAID/Macedonia

USAID/Macedonia has received about \$130 million in program funds over the past three years and is requesting an additional \$39 million in FY 2004. Its program faces particularly high risk, since Macedonia is a country transitioning from both a communist style of government and from being an integral part of another country—

Yugoslavia—for 50 years. The E&E Bureau has continued to increase the levels of funding at the Mission during the past five years. The fact that the USAID OIG has not performed any performance audits of USAID/Macedonia in the past four years is another risk factor. This assessment will determine the significant risks faced by USAID/Macedonia's administrative and program operations.

5.2.5: Conduct briefings on fraud awareness

OIG/I will continue its fraud awareness program by providing training in fraud awareness to USAID employees, contractors, and grantees. OIG/I also will offer support and advice to USAID, ADF, and IAF on proactive law enforcement and antifraud strategies through meetings, presentations, conferences, and other forums. OIG/I will continue to develop and widely disseminate fraud awareness pamphlets, handbooks, literature, videotapes, and CD's to USAID and its partners. OIG/I will continue providing joint audit and investigative training programs whenever possible.

5.2.6: Recommend systemic improvements

OIG/I will make recommendations for systemic improvements if weaknesses are uncovered in USAID programs or operations and will work with the USAID to correct the problems.

5.2.7: Promote the Hotline

OIG/I will continue to promote the Hotline as a tool for reporting fraud, waste, and abuse in fraud awareness presentations and other forums. OIG/I believes that the Hotline is both an effective medium for receiving allegations and an active deterrent against fraud.

Performance Measures for Objective 5.2

- Conduct fraud awareness training sessions, briefings, or presentations, increasing the sessions by 5 percent over the previous fiscal year.

- Conduct two initiatives to identify vulnerabilities in multimilliondollar USAID programs involving U.S. contractors and grantees.
- Record the number of recipients of fraud awareness training and identify their responsibility for USAID programs.
- Promote the Hotline through OIG publications, Internet publications, and agencywide exposure.

Objective 5.3: Preserve USAID employee integrity by investigating and resolving employee-integrity investigations efficiently and expeditiously.

Under this objective, USAID and the OIG have endorsed the following standards for success:

- USAID maintains the highest possible level of personnel integrity.
- USAID has an expeditious process for investigating and resolving personnel integrity issues

During FY2004, the OIG will conduct the following activities to help USAID achieve these standards.

5.3.1: Investigate allegations of USAID personnel misconduct

OIG/I will investigate all allegations of personnel misconduct received from USAID personnel, contractors, grantees, the Hotline, and other sources in an objective and professional manner. Evidence of wrongdoing by any employee will be reported to the appropriate U.S. Attorney for criminal prosecution or to USAID officials for administrative action or both.

5.3.2: Investigate and resolve employee investigations expeditiously

Because OIG/I recognizes the effect that

employee investigations have on USAID programs and operations, OIG/I will complete employee integrity investigations within 120 days of receipt of an allegation.

Performance Measure for Objective 5.3

- Complete all employee integrity investigations referred to the OIG within 120 days of receipt of the allegation.

General Strategy for ADF and IAF

The African Development Foundation began field operations in 1984 and provides grants directly to community groups in Africa. Its budget in FY 2003 was approximately \$18.7 million. The Inter-American Foundation was established in 1969. Its budget in FY 2003 \$16.2 million. It provides development grants directly to local organizations in Latin America and the Caribbean. Both foundations are U.S. Government corporations. The OIG assumed audit and investigative oversight of the foundations in 1999.

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

Performance audits also will play an integral role in maintaining foundation accountability. After initially identifying relevant management controls at both organizations, the OIG plans to perform risk assessments of selected foundation operations. Such operations could include, for example, foundation procurement and human capital management. The assessments will help identify potential program and operational vulnerabilities that will become the subject of OIG performance audits. Scheduling of resulting performance audits will depend on both the gravity of a particular vulnerability and the

availability of OIG audit resources. Further, the OIG has disseminated information to the foundations and conducted employee briefings on the OIG Hotline. Foundation employees and others can contact the OIG Hotline or OIG investigators to report their accountability concerns. Finally, the OIG will, at all times, remain responsive to congressional concerns about the foundations' operations.

4.1.6: Audit of ADF's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2004

The audit of the ADF's FY 2004 financial statements will be conducted in accordance with the requirements of the Chief Financial Officers Act of 1990. ADF will contract an independent public accounting firm to conduct the audit under the OIG's supervision.

The audit objectives are to determine whether ADF's principal financial statements are presented fair, in all material respect, and in conformity with generally accepted accounting principles. The auditors also will obtain an understanding of ADF's internal control structure and its effectiveness. In addition, they will perform tests of compliance with laws and regulations that could have a direct and material effect on the specified elements, accounts, or items of the financial statements and any other applicable laws, regulations and government-wide policies.

4.4.11 Audit of ADF's Computer Security Plan

The ADF is a government-owned corporation established by Congress under the African Development Foundation Act in 1980. It began operations in 1984. ADF is the principal USAID of the U.S. Government that supports community-based self-help initiatives that alleviate poverty and promote sustainable economic and social development in Africa at the grassroots level. In accordance with the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization

Act of November 1999, Public Law 106-113, the OIG is mandated to provide IG services to the ADF. The audit will determine whether ADF prepared security plans for its automated information systems in accordance with the provisions of OMB Circular No. A-130.

4.1.7: Audit of the IAF's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2004

The audit of the IAF's FY 2004 financial statements will be conducted in accordance with the requirements of the Chief Financial Officers Act of 1990. IAF will contract an independent public accounting firm to conduct the audit under the OIG's supervision.

The audit objectives are to determine whether IAF's principal financial statements are presented fair, in all material respects and in conformity with generally accepted accounting principles. The auditors also will obtain an understanding of IAF's internal control structure and its effectiveness. In addition, they will perform tests of compliance with laws and regulations that could have a direct and material effect on the specified elements, accounts, or items of the financial statements and any other applicable laws, regulations, and governmentwide policies.

4.4.12: Risk Assessment of IAF's Program for Computer Security

The IAF is a government-owned corporation established by Congress in 1969. With a budget of about \$16 million, the IAF provides development grants directly to local organizations in Latin America and the Caribbean. In accordance with the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Public Law 106-113, the OIG is mandated to provide IG services to the IAF. As a federal government entity, IAF must comply with minimum federal requirements to ensure the security of its automated information systems. As

requested by the IAF, the OIG will perform a short-term risk assessment to identify the areas of greatest risk and vulnerability in IAF's program for computer security. The risk assessment also will give the OIG a basis for proposing a focused audit if deemed necessary.

Crosscutting Functions

An important element in carrying out our audit and investigative work is our collaboration with other organizations.

We consult other organizations to consider the work they have performed, seek opportunities for joint work, and obtain additional information that will have an effect on our planning.

External Consultations

General Accounting Office

The IG Act requires coordination with GAO to prevent duplication and ensure effective coordination and cooperation. The OIG has assigned a liaison to serve as the principal contact with GAO. The liaison is responsible for keeping the OIG advised on GAO's relevant audit work and reports, which are used for OIG planning. Consultation and coordination are undertaken in planning annual audits.

Defense Contract Audit USAID

DCAA performs audits, reviews, and preaward surveys as requested by the USAID. The OIG funds these efforts and works with DCAA and USAID to ensure that the work meets USAID's needs.

State Department

The State Department is responsible for the development of a strategic plan for international affairs agencies of the U.S. Government. Beginning in the year 2000, USAID aligned its strategic plan within this framework. Overseas planning and coordination among foreign affairs agencies have increased with the preparation of a mission

performance plan that reflects the national interests set forth in *U.S. Strategic Plan of International Affairs*.

The inspectors general of USAID and the State Department, along with their senior staffs, meet quarterly to discuss issues of mutual interest in the foreign affairs environment. In the last year, discussions have been under way to explore areas where joint audit work might be performed.

Other Agencies

Several other federal agencies have interests and activities in the foreign affairs community. For example, the Department of Agriculture obtains food commodities for USAID's P.L. 480 food distribution programs and manages USAID's payroll activities. The Department of Health and Human Services, the Federal Emergency Management Agency, the Environmental Protection Agency, and others, including the Department of State, receive funds through USAID to help manage foreign assistance and disaster assistance activities. We coordinate with each USAID's OIG in planning and carrying out our annual audits and investigations.

Factors Affecting OIG Audit and Investigative Activities

The OIG faces several factors, some of which are beyond its control, that could affect its ability to achieve its goals and objectives. For example, the OIG has no implementation authority and only makes recommendations to USAID on the basis of audit and investigative findings. USAID is not obligated to accept any of the OIG's recommendations. The OIG's recommendations, along with USAID's responses, are included in OIG audit reports and summarized in the semiannual report to Congress. In addition, factors both internal and external to USAID affect the OIG's ability to accomplish its work.

USAID's Internal Environment

The high-risk environment of USAID's internal operations has been documented by the OIG in audit reports and by the GAO in its recent High Risk Series (GAO-01-263, High Risk Series). USAID has made progress but still does not have accurate and reliable performance data and integrated information management systems. The financial accounting system does not fully meet government standards.

Human capital issues have not been addressed successfully despite long-standing recognition of the problem. For example, the staffing challenges that USAID faces make it difficult for the USAID's procurement workforce to maintain the appropriate levels of contract administration for ensuring the continuation of sound business practices. As a result, USAID could be vulnerable to higher contract costs, delays in contract awards, an increased number of bid protests, and costly contract modifications and revisions.

USAID continues to have problems developing performance measurements and reporting systems that meet internal and external reporting requirements, including the requirements of the Government Performance and Results Act of 1993.

These internal USAID factors pose significant challenges in our audit and investigative work. Because of the inability to rely on USAID's information systems, for example, our auditors must increase the amount of testing required for our audits, thereby increasing the cost and time required for audits.

USAID's High-Risk External Environment

USAID operates in more than 100 countries. The working environment is complex, given the differences in language, law, and standards of accountability. Further, both Congress and the

Administration set the priorities for USAID's overseas activity.

Besides the inherent difficulties in operating in an overseas environment, USAID is faced with implementing programs in countries susceptible to corruption. According to the World Bank, corruption—the abuse of public office for private gain—is a global problem that exists in varying degrees. Transparency International publishes its corruption-perception index, rating countries surveyed on a scale from 10 (least corrupt) to 0 (highly corrupt). Of 102 countries rated for 2002, 70 were perceived as being corrupt, after receiving a rating below 5. USAID has been providing assistance to 54 of the countries.

In carrying out its audits and investigations, OIG staff must be aware of these vulnerabilities and factor the high-risk environment into designing audit and investigative strategies.

Congressional and Stakeholder Consultations

Understanding the views of our customers and ensuring that those views are addressed in conducting our work are vital to the overall success of OIG operations. Traditionally, we have worked with both USAID and Congress in soliciting comments on our planned work. Managers in our audit and investigation offices hold discussions with USAID managers and congressional staff members when developing the OIG annual plan. The discussions have helped us to focus our limited resources on issues of greatest USAID, congressional, and taxpayer concern. In preparing this plan, we also held meetings with the OIG at the Department of State to discuss the issues related to the Foreign Affairs Strategic Plan. The information gained from the meetings was used to update the description of our environment. Meetings also have been held with management of both ADF and IAF.

To facilitate exchanges between the OIG staff and the customers for our work, the OIG held a week-long planning conference. The conference was

designed to involve participation by all the units within the OIG and gave representatives from both headquarters and field offices an opportunity to meet and discuss issues that affect audits and investigations.

Professional staff from key Hill appropriations and authorizing committees participated, as did officials from the Department of State and GAO. Management officials from USAID bureaus discussed their programs and vulnerabilities and where the OIG already is of assistance or could be in the future. The Vice Chair of the President's Council on Integrity and Efficiency addressed issues of common interest among offices of inspectors general. Senior officials of ADF and IAF also presented information on risk, vulnerabilities, and audit and investigation activities.

Standards for Success

The OIG developed standards for success for each of the objectives set forth in the OIG's strategic plan for 2003-2008 as well as in this annual plan. What constitutes success generally derives from such sources as OMB circulars, legislation (GPRA, GMRA, FFMIA, etc.), USAID policy documents and notices, and USAID administration priorities. The standards for success were developed with the intent that by meeting the standards, USAID would be on a solid track to addressing its major challenges and the OIG will thereby have accomplished its objectives.

A key to making the standard for success meaningful is that USAID “buys into them.” The OIG considered it essential that USAID and the OIG agree that the standards are relevant and attainable. To accomplish the necessary buy-in, we met with the Administrator and Deputy Administrator as well as with the Assistant and Deputy Assistant Administrators, Office Directors, and other USAID individuals identified as having an interest in meeting the standards. As a result of those meetings, USAID and the OIG are in substantial agreement that the standards for success, as presented in this annual plan, are relevant to USAID's success and are attainable by USAID. The audits and investigative activities planned for FY 2004 are designed to assist USAID in attaining the standards for success. We also held meetings with officials from OMB and with congressional staff on the standards for success and received positive input to the process.

Our standards for success are in concert with the Management Reform Agenda launched by the President in August of 2001 to “address the most apparent deficiencies where the opportunity to improve performance is the greatest.”⁴ Five areas were identified: Strategic Management of Human Capital, Expanded Electronic Government, Competitive Sourcing, Improved Financial

Performance, and Budget and Performance Integration. Working with the President's Management Council, OMB developed standards for success in each of these five initiatives.

The OIG's strategic goals, objectives, and standards for success and a multiyear plan for addressing them are attached to this annual plan as Appendix A. Included as Appendix B is the list of planned audit activities for FY 2004, organized by geographic bureau within USAID, followed by Appendix C, audit activities for ADF and IAF.

⁴October 30, 2001, OMB Memorandum to the Heads of Executive Departments and Agencies – Subject: Implementation of the President's Management Agenda and Presentation of the FY 2003 Budget Request

**APPENDIX A
STANDARDS FOR SUCCESS
AND
MULTIYEAR PLAN OF OIG ACTIVITIES**

<p>Strategic Goal 1: Keep the Administrator and Congress fully informed of the status of the USAID’s administration and operations and the need for and progress of corrective actions.</p> <p>Objective: Provide timely reports and briefings to the Administrator and Congress on the major challenges identified by audits and investigations.</p>
<p>Provide prompt notification to the Administrator and Congress on issues of significant importance impacting USAID operations in accordance with the Inspector General Act of 1978</p>

<p>Strategic Goal 2: Promote improvements in the way that USAID manages for results.</p> <p>Objective 2.1: Provide timely, high-quality services that contribute to improvements in USAID's processes for planning, monitoring, and reporting on program activities and integrating performance information into budget decision-making.</p>
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Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
<p>USAID has a process of strategic planning, program execution, and reporting that includes the following:</p> <ul style="list-style-type: none"> · A new strategic plan every three years setting out a course of action and accomplishments covering a period of at least five years · An annual performance plan that sets annual goals with measurable target levels of performance · An annual performance report that compares actual performance with annual goals. <p>[GPRA, OMB Circular A-11]</p>	<p>Audit of USAID's 2003 – 2008 Strategic Plan</p>	<p>IG/A</p>	<p>05</p>

<p>"Management's Discussion and Analysis," (MD&A) part of USAID's annual financial statements contains meaningful performance information addressing the extent to which programs are achieving their intended objectives.</p> <p>[OMB Bulletin Nos. 97-01, 01-02]</p>	<p>Review of "Management Discussion" and Analysis Section of USAID's Fiscal Year 2004 Financial Statements</p>	<p>IG/A</p>	<p>04 and Annual</p>
<p>USAID systematically applies performance data to budget decisions and can demonstrate how program results inform budget decisions. Budget processes are efficient and enhance operational efficiency.</p> <p>[OMB Scorecard]</p>	<p>Audit of USAID's Congressional Budget Justification</p> <p>Audit of Use of the Operating Expense Appropriation</p>	<p>IG/A</p> <p>IG/A</p>	<p>05</p> <p>05</p>
<p>USAID-funded food aid is provided to intended beneficiaries, and USAID accurately tracks and reports on this aid.</p> <p>[OMB Scorecard, Administration priority]</p>	<p>Audit of USAID's Management of P.L. 480 Title II Non-Emergency Monetization Programs</p> <p>Audit of USAID's Management of P. L. 480 Title II Emergency Assistance Program</p> <p>Audit of USAID/Bolivia's Costs of Implementing Public Law 480 Title II Food Program</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>05</p> <p>06</p> <p>04</p>

	Audit of USAID's Procurement of Freight Services under P.L. 480 Title II Program	IG/A	07
	Review of referrals from IG/A	IG/I	As Needed
	Conduct of proactive investigative analysis of commodity purchases and contract-bidding procedures	IG/I	As Needed
	Provide fraud awareness training to food-aid sponsors and other program participants	IG/I	As Needed
Training is provided in a cost-effective manner to USAID-funded participants, who use their increased skills in their country of origin.			
[Administration priority]			
USAID can adequately monitor and report on activities not covered by a country strategy	Audit of USAID Activities Not Managed by Resident USAID Staff	IG/A	07
[Administration priority]	Follow-up Audit of Recommendations Included in Audit of USAID-Funded Activities in Nonpresence Countries, Audit Report No. 9-000-99-005-P, dated February 26, 1999	IG/A	04
	Audit to Determine Whether Program Funds Have Been Used for Operating Expenses	IG/A	06

	Audit of Efforts to Determine/Allocate True Cost of USAID Activities	IG/A	07
<p>USAID has a performance-measurement process that verifies and validates the reliability of data in the annual reports of individual operating units.</p> <p>[GPRA, USAID notice dated 12/5/01]</p>	Survey and Overseas Pilot for Worldwide Audit of USAID's Operating Units Performance Monitoring for Indicators Appearing in Their Annual Reports	IG/A	04
	Audit of USAID/Russia's Democracy Program	IG/A	04
	Follow-up of Recommendation No. 2 in Audit of USAID Mission for The Caucasus' Monitoring of American International Health Alliance's Performance in Georgia, Audit Report No. B-123-03-001-P, dated December 11, 2002	IG/A	04
	Audit of USAID/Egypt's Basic Education Activities	IG/A	04
	Audit of USAID/Egypt's Population and Health Activities	IG/A	04
	Audit of USAID/Jordan's Water Resources Management Activities	IG/A	04

	<p>Follow-Up of USAID/Egypt's Implementation of Recommendation No. 1, Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities, Audit Report No. 6-263-03-001-P, dated March 12, 2003</p>	IG/A	04
	<p>Audit of USAID/Ghana's Annual Reporting Process</p>	IG/A	04
	<p>Audit of USAID/REDSO/ESA's Performance Monitoring of The East and Central Africa Global Competitiveness Hub</p>	IG/A	04
	<p>Audit of USAID/Ecuador's Northern Border Development Program</p>	IG/A	04
<p>USAID provides quick, reliable, and economic program and administrative services to field missions.</p> <p>[Administration priority]</p>	<p>Audit of Field Support Mechanisms in Global Health Bureau</p>	IG/A	04
<p>USAID ensures the security of its employees and implementing partners.</p> <p>[Administration priority]</p>	<p>Audit of USAID Office of Security Warehouse Operations</p>	IG/A	04
	<p>Audit of USAID's Office of Security</p>	IG/A	07
	<p>Audit of the USAID Missions' Office and Residential Buildings Security in Latin America and the Caribbean</p>	IG/A	04

<p>USAID implements effective and accountable programs that facilitate conflict resolution and transition to and consolidation of democracy.</p> <p>[Administration priority]</p>	Risk Assessment of USAID's Office of Transition Initiatives	IG/A IG/I	05
	Audit of USAID's Rule of Law Activities	IG/A	07
	Audit of USAID/Kosovo Private Enterprise Growth Program	IG/A	04
	Audit of USAID/Macedonia's Democracy Program	IG/A	04
	Audit of USAID/Serbia's Community Revitalization Through Democratic Action Program	IG/A	04
<p>USAID reduces the HIV transmission rate and the effect of HIV/AIDS on developing countries.</p> <p>[Administration priority]</p>	Audit of Selected HIV/AIDS Activities	IG/A	06
	Follow-up of USAID/India's Implementation of Recommendation No. 5 of Audit of USAID/India's Monitoring of Performance of HIV/AIDS Program, Audit Report No. 5-386-02-001-P, dated December 14, 2001	IG/A	04
	Review of referrals from IG/A	IG/I	As Needed
	Conduct of proactive investigative analysis of commodity purchases and contract-bidding procedures	IG/I	As Needed

	Provide fraud awareness training to contractor and grantee employees	IG/I	As Needed
USAID ensures that child survival and health funds are used in accordance with federal laws and achieve desired results.	Audit of Child Survival and Health Activities	IG/A	06
	Audit of USAID/Democratic Republic of Congo's Monitoring and Reporting of Its Health Program	IG/A	04
	Audit of USAID/Guinea's Monitoring and Reporting of Its Health Program	IG/A	04
	Audit of USAID/Mali's Monitoring and Reporting of Its Health Program	IG/A	04
USAID maintains appropriate controls over global development alliances to ensure accountability for USAID funds and achieve desired results. [Administration priority]	Audit of Global Development Alliance Agreements and Activities	IG/A	05
USAID basic education programs result in increased literacy. [Administration priority]	Audit of Basic Education Activities	IG/A	06
USAID-sponsored agricultural business programs result in increased production and increased incomes.	TBD	IG/A	07

[Administration priority]	Audit of USAID's Regional Quality Coffee Program in the Latin America and Caribbean Region	IG/A	04
USAID assists disaster-prone nations to prepare for emergencies.	Audit of USAID's Emergency Preparedness Efforts	IG/A	07
[Administration priority]	Audit of Central America Mitigation Initiative	IG/A	04
USAID provides rapid, appropriate responses to requests for disaster assistance.	Audit of USAID's Emergency Response Efforts	IG/A	07
[Administration priority]			

Strategic Goal 2: Promote improvements in the way that USAID manages for results.			
Objective 2.2: Provide timely, high-quality services that contribute to improvements in USAID's processes for awarding and administering contracts and grants.			
Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
Cognizant Technical Officers are effective participants in the procurement process.			
[OFPP Best Practices, USAID Performance Goal 3.2.1]			
USAID's management of service contracts improves USAID operations and programs.	Audit of USAID's Service Contracts (to determine whether service contracts accomplish intended purposes, are cost-effective, and preclude contractors from performing inherently governmental functions)	IG/A	05

<p>[OFPP Policy Letter 93-1]</p> <p>USAID follows procedures to use performance-based contracting where applicable to achieve or exceed OMB targeted goals.</p> <p>[OFPP Policy Letter 91-2, USAID Performance Goal 3.1.2]</p>	<p>Audit of USAID's Solicitation and Award Process</p>	<p>IG/A</p>	<p>06</p>
<p>USAID ensures consistent application of Acquisitions and Assistance (A&A) procurement policies and procedures.</p> <p>[OFPP]</p>	<p>Audit of USAID-wide Application of Targeted A&A Models</p> <p>Audit of the Effectiveness of USAID/Regional Center South Africa Contractor Performance Evaluation Program</p> <p>Audit of USAID Colombia-financed Subgrants</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>07</p> <p>04</p> <p>04</p>
<p>USAID ensures increased competitiveness and access to procurement opportunities for U.S. small businesses.</p> <p>[OFPP]</p>	<p>Worldwide Audit of Small and Disadvantaged Business Utilization Practices</p> <p>Audit of USAID/Ecuador's Small and Disadvantaged Business Utilization Practices</p>	<p>IG/A</p> <p>IG/A</p>	<p>04</p> <p>04</p>
	<p>Audit of USAID/Jordan's Small and Disadvantaged Business Utilization Practices</p>	<p>IG/A</p>	<p>04</p>

	Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (E&E Mission TBD)	IG/A	04
	Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (East Asia Mission TBD)	IG/A	04
	Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (West Africa Mission TBD)	IG/A	04
USAID adopts practices that enable it to manage its procurement workload efficiently. [USAID Performance Goal 3.1.1]	Audit of USAID's Use of GovWorks	IG/A	05
USAID's internal evaluations of its contracting systems are sufficient and complete to ensure accurate reporting of system compliance and integrity.	Audit of USAID's Procurement Evaluation Program	IG/A	06
USAID identifies and implements applications for on-line procurement. [OFPP, OMB Scorecard, USAID Performance Goal 3.1.3]	Audit Solicitation, Award and Payment Processes	IG/A	07
	Audit of USAID's Processes for Collecting, Updating, and Using Procurement Data	IG/A	08

USAID ensures that contractors and grantees meet applicable integrity standards.	Follow-Up of USAID/Mali’s Implementation of Recommendation No. 1, Audit of the Expenditures Made by Project Management and Coordinating Unit under Animal Productivity and Export Project in Mali (688-0244) from September 1, 1993; to December 31, 1997; Audit Report No. 7-688-99-005-R	IG/A	04
	Include work steps in all audit programs to help identify potential fraud.	IG/A	Ongoing
	Provide fraud awareness training to USAID employees, contractors and grantees	IG/I	As Needed

Strategic Goal 2: Promote improvements in the way that USAID manages for results.			
Objective 2.3: Provide timely, high-quality services that contribute to better management of USAID activities that address significant, often unplanned, conditions or engender intense congressional interest.			
Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
USAID achieves effective use of, and accountability for, resources in implementing humanitarian and relief programs as well as other emergency and unforeseen activities.	Financial and performance audits of USAID/West Bank and Gaza activities	IG/A	04
	Risk Assessment Update of USAID/Programs in Afghanistan	IG/A	04

<p>[Implicit in OMB October 30, 2001, Memorandum and President's Management Agenda]</p>	<p>Two Information Reports on Road Project Work Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program</p>	<p>IG/A</p>	<p>04</p>
	<p>Audit of USAID/Pakistan-Financed Education Activities</p>	<p>IG/A</p>	<p>04</p>
	<p>Audit of Sustainable Economic Policy & Institutional Reform Support Program at USAID/Afghanistan</p>	<p>IG/A</p>	<p>04</p>
	<p>Follow-Up Review on Recommendation No. 1 and No. 2 from Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities under Southern Africa Floods Supplemental Appropriations, Audit Report No. 4-656-03-001-P, dated January 31, 2003</p>	<p>IG/A</p>	<p>04</p>
<p>USAID achieves efficient and economic delivery of desired results in executing significant, unforeseen activities.</p>	<p>Audit of USAID/Madagascar's Performance Monitoring of Road and Rail Repair and Reconstruction under Southern Africa Flood Relief Supplemental</p>	<p>IG/A</p>	<p>04</p>

[Implicit in OMB October 30, 2001, Memorandum and President's Management Agenda]	Audit of USAID/Mozambique's Performance Monitoring of Railroad Rehabilitation under Southern Africa Food Relief Supplemental	IG/A	04
	Financial and performance audits of USAID-financed activities in Iraq	IG/A	04
	Audit of Economic Assistance Activities Under USAID/Colombia's Human Rights Program	IG/A	04
	Audits and investigations of emergency and humanitarian relief efforts in Afghanistan, which may include concurrent audits of financial and performance operations	IG/A IG/I	As Needed
	Follow-Up Audit of USAID/El Salvador-Financed Housing Reconstruction Activities, Audit Report No. 1-519-03-001-P, dated November 19, 2002	IG/A	04
	Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects under Earthquake Reconstruction Program	IG/A	04

	Audits and investigations of Pakistan humanitarian relief programs, which may include concurrent audits of financial and performance operations	IG/A IG/I	As Needed
	Audits and investigations of disasters and humanitarian relief efforts in Africa, Asia, Latin America, and Europe/Eurasia	IG/A IG/I	As Needed
	Audits and investigations to address special issues related to USAID's Global Development Alliance	IG/A IG/I	As Needed
	Audits and investigations to address special USAID requests	IG/A IG/I	As Needed
	Audits and investigations to address special congressional requests	IG/A IG/I	As Needed

<p>Strategic Goal 3: Promote improvements in the way USAID manages its human capital.</p> <p>Objective: Provide timely, high-quality services that contribute to the acquisition and development of a workforce whose number, skills, and deployment meet USAID needs; strategies for succession planning and leadership continuity; and strategies that integrate workforce planning into the USAID's budget and strategic plans.</p>			
		Performing Organization	Planned Fiscal Year
Standards for Success	Planned OIG Services		
No skill gaps or deficiencies exist in mission-critical positions.	Audit of Regionalization Efforts in Latin America, and the Caribbean	IG/A	04

[OMB-Management Initiative, USAID Performance Goal 2.1, OPM Scorecard/Strategic Competency Goal]	Capping Report for Worldwide Audit of USAID's Management of U.S. Personal Service Contractors	IG/A	04
	Audit of USAID/XX's Management of U.S. Personal Service Contractors (E&E Mission TBD)	IG/A	04
	Audit of USAID/XX's Management of U.S. Personal Service Contractors (Asia Mision TBD)	IG/A	04
	Audit of USAID/REDSO/ESA and USAID/Kenya's Management of U.S. Personal Service Contractors	IG/A	04
	Audit of USAID XX's Management of U.S. Personal Service Contractors (West Africa Mission TBD)	IG/A	04
	Audit of USAID/Egypt's Management of U.S. Personal Service Contractors	IG/A	04
	Audit of USAID/Peru's Management of U.S. Personal Service Contractors	IG/A	04

	Audit of USAID/Morocco's Management Controls after Implementation of Reduction-in-Force	IG/A	04
Human capital strategy is consistent with OPM's human capital scorecard. [OMB-Management Initiative, OPM Scorecard]	Audit of USAID's Human Capital Strategy	IG/A	04
Human capital strategy is integrated into the budget and strategic plans. [OMB-Management Initiative, OPM Scorecard / Strategic Alignment Goal]	Audit of USAID's Incorporation of Human Capital Strategy into Budget and Planning Process	IG/A	06
USAID strategically uses existing personnel flexibilities, tools, and technology. [OMB-Management Initiative, OPM Scorecard]	Audit of USAID's Use of Existing Personnel Flexibilities	IG/A	08
USAID implements effective succession plans. [OMB-Management Initiative, OPM Scorecard / Leadership Goal]	Audit of USAID's Succession Planning for Top Leadership and Management Positions	IG/A	08
USAID sustains a high-performing workforce that is continually improving in productivity. [OMB-Management Initiative, OPM Scorecard / Leadership and Performance Culture Goals]	Audit of USAID's Programs for Improving Employee Performance	IG/A	05

Human capital strategy complies with standards for internal accountability systems to ensure effective merit-based human resources management. [OMB-Management Initiative, Executive Order 13197]	Audit of USAID’s Human Capital Strategy for Compliance with Standards for Internal Accountability Systems	IG/A	07
USAID employees maintain high standards of honesty and integrity. [OPM Scorecard / Leadership Goal]	Include work steps in all human capital audit programs to help identify fraud. Provide fraud awareness briefings to USAID employees and personal service contractors.	IG/A IG/I	Ongoing As Needed

Strategic Goal 4: Promote improvements in USAID’s accounting for and reporting on financial and program activities and protecting information.

Objective 4.1: Provide timely, high-quality services that assist USAID in improving its financial systems that contribute to preparation of reliable and useful information that managers can use to manage the USAID.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
USAID has financial management systems that substantially meet federal financial management system requirements and applicable accounting standards. They include a financial management system that does the following: 1. Complies with Joint Financial Management Improvement Program.	Audit of USAID's Fiscal Year 2004 Consolidated Financial Statements - Participating GMRA audits to be done in E&E and ANE GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2004	IG/A IG/A	Annual 04

2. Processes transactions in accordance with Standard General Ledger.	GMRA Audit of Financial Systems of USAID/Philippines for Fiscal Year 2004	IG/A	04
3. Complies with Federal Accounting Standards.	GMRA Audit of Financial Systems of USAID/RSC Budapest for Fiscal Year 2004	IG/A	04
[Government Management Reform Act of 1994, OMB Scorecard, Federal Financial Management Improvement Act of 1996]	Audit of USAID's Data Flow of Standard Accounts-Payable Transactions within Phoenix	IG/A	04
USAID provides accurate and timely interim financial information. [OMB Bulletin 01-09]	GMRA Audit	IG/A	Annual
USAID has integrated financial and performance management systems supporting day-to-day operations for both Washington and overseas accounting stations. [OMB Scorecard]	GMRA Audit	IG/A	Annual
USAID posts all financial transactions accurately and on a timely schedule. [Government Management Reform Act of 1994]	GMRA Audit	IG/A	Annual
USAID provides timely reconciliation of financial data. [GAO Internal Control Guidance]	GMRA Audit	IG/A	Annual

Strategic Goal 4: Promote improvements in USAID’s accounting for and reporting on financial and program activities and protecting information.

Objective 4.2: Provide timely, high-quality services to assist USAID in ensuring proper accountability of funds provided to contractors, grantees, and host governments.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
<p>Enhance accountability of U.S.-based grantees and contractors.</p> <p>[OMB Circular No. A-133, Single Audit Act, Federal Acquisition Regulations]</p>	<p>Audit of Effectiveness of USAID's Recovery Audit Program</p> <p>Follow-up of final actions taken on financial audit recommendations for which unallowable costs were sustained</p> <p>Oversight of OMB Circular A-133 audit program</p> <p>Oversight of services provided to USAID by Defense Contract Audit USAID</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>04</p> <p>04</p> <p>Annual</p> <p>Annual</p>
<p>Enhance accountability of non-U.S.-based grantees and contractors.</p> <p>[ADS 591, Federal Acquisition Regulations]</p>	<p>Oversight of audits contracted by USAID</p> <p>Oversight of audits contracted by overseas grantee recipients</p> <p>Oversight of services provided to USAID by Defense Contract Audit</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>Annual</p> <p>Annual</p> <p>Annual</p>

	Audit of USAID/South Africa's Monitoring of Awards That Do Not Require Annual Financial Audits	IG/A	04
Enhance accountability of USAID's Enterprise Funds. [Support for Eastern European Democracy Act of 1989]	Oversight of Enterprise Fund audit program Audit of Europe, Eurasia, and Regional Division's Monitoring of Enterprise Fund Financial Audits	IG/A IG/A	Annual 04
USAID obtains contractor, grantee, and host-country audits that meet standards and provide assurance that financial information is reliable. [Support for Eastern European Democracy Act of 1989, Guidelines for Financial Audits Contracted by Foreign Recipients, OMB Circular A-133]	Quality-control reviews of audits performed by independent public accounting firms under OMB Circular A-133, Enterprise Fund and USAID- and recipient-contracted audit programs	IG/A	Annual

Strategic Goal 4: Promote improvements in USAID's accounting for and reporting on financial and program activities and in protecting information.

Objective 4.3: Provide timely, high-quality services that will promote improvements in the creation of systems and information technology infrastructures that are able to leverage capital investments, provide blueprints for IT solutions, and share data and information within USAID and with its customers.

Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
<p>USAID attains full compliance with Clinger-Cohen Act of 1996. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Capital planning and investment controls. 2. Performance-based and results-based management of information resources. 3. Assignment of responsibilities within the USAID for the management of information technology. <p>[Clinger-Cohen Act of 1996]</p>	<p>Audit of USAID’s Investment Technology Capital Planning in Accordance with Clinger-Cohen Act</p> <p>Audit of USAID’s Status on Updating Enterprise Architecture</p> <p>Audit of USAID Information Systems Contractor, PRIME, and Subcontractor Performance Standards</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>04</p> <p>05</p> <p>04</p>
<p>USAID’s major system investments comply with OMB Circular A-11 (Exhibit 53, Form 300). For example, the Circular requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Submitting to OMB, for all major system investments, a business case that complies with the Circular’s provisions. 2. Planning, budgeting, and acquisition of capital assets. 	<p>Audit of USAID’s Selected Business Processes for Information Technology Opportunities</p> <p>Audit of USAID’s Modernization Plans for Upgrading Systems</p> <p>Audit of USAID’s Strategic Plan for Information Resources Management</p>	<p>IG/A</p> <p>IG/A</p> <p>IG/A</p>	<p>05</p> <p>06</p> <p>07</p>

<p>(For example, IT investment should include the basis for selection of investment, principles of financing, and strategies for strengthening accountability for achieving project cost, schedule, and performance goals.)</p> <p>[OMB Circular A-11, Exhibit 53, Form 300]</p> <p>On average, all major IT projects operate within 90 percent of Form 300 cost, schedule, and performance targets.</p> <p>[OMB Circular A-11, Exhibit 53, Form 300]</p>	<p>Audit of USAID’s Management of Information Technology Projects</p> <p>Audit of USAID’s Contractor Performance Monitoring Activities for Information Technology Projects</p>	<p>IG/A</p> <p>IG/A</p>	<p>07</p> <p>06</p>
<p>E-government and Government Paperwork Elimination Act implementation that must show departmentwide progress or participation in multi-agency initiative in the following areas:</p> <ol style="list-style-type: none"> 1. Citizen one-stop service delivery integrated through www.firstgov.gov, cross-USAID call centers and offices or service centers. 2. Minimizing of burden on business by reusing data previously collected or using ebXML or other open standards to receive transmissions. 3. Achievement of productivity improvements by implementing customer-relationship management, supply chain management, enterprise resource management, and knowledge-management best practices. 	<p>Audit of USAID’s Plans for Using E-Commerce Solutions to Implement Government Paperwork Elimination Act</p> <p>Audit of USAID’s Investment Technology Capital Planning in accordance with Clinger-Cohen Act</p>	<p>IG/A</p> <p>IG/A</p>	<p>04</p> <p>04</p>
<p>[President’s Management Agenda, OMB Scorecard]</p>			

Strategic Goal 4: Promote improvements in USAID's accounting for and reporting on financial and program activities and protecting information.			
Objective 4.4: Provide timely, high-quality services that will contribute to the development, promotion, and monitoring of security awareness and processes for protecting USAID's critical information systems from loss, misuse, and unauthorized access or modification.			
Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
Security of USAID's information systems fully complies with federal requirements.	Audit of USAID Missions' Access Controls Over Their Financial Management Systems for Fiscal Year 2004	IG/A	Annual
Specifically, the Federal Information Security Management Act of 2002 requirements. For example, the Act requirements include the following:	Audit of USAID's Compliance with Federal Financial Management Improvement Act of 1996 for Fiscal Year 2004	IG/A	Annual
1. Annual USAID reviews, 2. Annual Inspector General of independent evaluations, 3. Annual OMB reports to Congress that summarize the Inspector General and USAID reports,	Audit of USAID's Compliance with Provisions of Federal Information Security Management Act of 2002 for Fiscal Year 2004	IG/A	Annual
4. Annual USAID performance plan that describes time periods for implementing the USAID-wide security program, and 5. USAID incorporation of security practices throughout life cycle of all systems.	Audit of USAID's Progress in Implementing Recommendations from Prior General and Application Controls Audits	IG/A	04

<p>The Act's provisions also require agencies to do the following:</p> <ol style="list-style-type: none"> 1. Develop policy and procedures that are founded on a continuous risk management cycle. 2. Implement controls that assess information security risk. 3. Continually monitor and evaluate policy and control effectiveness. 	<p>Audit of USAID/Egypt's Access Controls Over Its Financial Management Systems for Fiscal Year 2004</p>	<p>IG/A</p>	<p>04</p>
<p>The Computer Security Act of 1987. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Identification of sensitive systems. 2. Security plans and privacy for federal computer systems; federal computer system security training. 	<p>Audit of USAID/Washington's Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2004</p>	<p>IG/A</p>	<p>04</p>
<p>The Computer Security Act of 1987. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Identification of sensitive systems. 2. Security plans and privacy for federal computer systems; federal computer system security training. 	<p>Audit of USAID's Information Systems Security Planning Process</p>	<p>IG/A</p>	<p>04</p>
<p>The Computer Security Act of 1987. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Identification of sensitive systems. 2. Security plans and privacy for federal computer systems; federal computer system security training. 	<p>Audit of USAID RSC/Budapest's Access Controls Over Its Financial Management Systems for Fiscal Year 2004</p>	<p>IG/A</p>	<p>04</p>
<p>The Computer Security Act of 1987. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Identification of sensitive systems. 2. Security plans and privacy for federal computer systems; federal computer system security training. 	<p>Audit of USAID/Philippines' Access Controls Over Its Financial Management Systems for Fiscal Year 2004</p>	<p>IG/A</p>	<p>04</p>
<p>The Computer Security Act of 1987. For example, the Act requires but is not limited to the following:</p> <ol style="list-style-type: none"> 1. Identification of sensitive systems. 2. Security plans and privacy for federal computer systems; federal computer system security training. 	<p>Audit of the Contingency Plans in Latin America and the Caribbean Missions</p>	<p>IG/A</p>	<p>04</p>
<p>OMB Circular A-130, Appendix III.</p>			

<p>For example the circular requires but is not limited to establishing an automated information security program and management structure that includes controls for access (passwords, intrusion detection, anti-virus software, and system protection devices), application software development, system software (operating systems and related utilities), segregation of duties, and contingency planning.</p>	<p>Audit of USAID’s Implementation of its Information Systems Security Program at Bureau and Office levels</p>	<p>IG/A</p>	<p>05</p>
	<p>Audit of USAID’s Business Continuity and Contingency Planning Efforts</p>	<p>IG/A</p>	<p>05</p>
	<p>Audit of USAID’s Certification and Accreditation Process for Information Systems</p>	<p>IG/A</p>	<p>06</p>
	<p>Audit of USAID’s Process to Ensure Sensitive Data are Transmitted Securely</p>	<p>IG/A</p>	<p>06</p>
	<p>Audit of Adequacy of USAID’s Firewall and Router Configuration Capabilities</p>	<p>IG/A</p>	<p>06</p>
	<p>Audit of USAID’s Security Controls over Bureau of Humanitarian Responses’ Computer Systems</p>	<p>IG/A</p>	<p>06</p>
	<p>Audit of USAID’s System Access Controls over Mission Accounting and Control System</p>	<p>IG/A</p>	<p>05 06</p>
	<p>Post-Audit Implementation of Phoenix Financial Management System</p>	<p>IG/A</p>	<p>06</p>

	Audit of USAID's Unix Operating System and Integrity Controls	IG/A	07
	Audit of USAID's Window's NT Operating System and Integrity Controls	IG/A	08
	Audit of USAID's Effectiveness of Implementing Program Changes to Financial Management Systems	IG/A	08

Strategic Goal 5: Preserve and protect USAID program and employee integrity.			
Objective 5.1: Investigate allegations of fraud, waste, and abuse in the programs and operations of USAID.			
Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
USAID maintains the highest possible level of program integrity.	Investigate allegations of fraud, waste, and abuse in USAID programs and operations	IG/I	Ongoing
	Review referrals from IG/A, and make appropriate referrals to IG/A.	IG/I	Ongoing
USAID reduces fraud in major programs and contracts.	Prioritize program integrity cases involving major fraud.	IG/I	Ongoing

<p>Measure and report the number of criminal, civil, and administrative actions and fines, recoveries and restitutions.</p>	<p>IG/I</p>	<p>Ongoing</p>
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Strategic Goal 5: Preserve and protect USAID program and employee integrity.

Objective 5.2: Prevent fraud, waste and abuse in USAID programs.

<p>Standards for Success</p>	<p>Planned OIG Services</p>	<p>Performing Organization</p>	<p>Planned Fiscal Year</p>
<p>USAID proactively prevents fraud in its programs and operations.</p>	<p>Conduct fraud awareness training sessions, briefings, and presentations to alert employees, contractors, and grantees to fraud schemes and fraudulent practices.</p> <p>Increase the number of sessions, briefings, and training by 5 percent over the previous fiscal year.</p> <p>Conduct two initiatives to identify vulnerabilities in multimillion-dollar USAID programs involving U.S. contractors and grantees.</p>	<p>IG/I IG/A</p>	<p>Annual</p>
<p>USAID corrects any identified systemic problems.</p>	<p>Recommend systemic improvements if weaknesses are uncovered in USAID programs or operations and work with USAID to correct the problems.</p>	<p>IG/I</p>	<p>Annual and As Needed</p>

	Audit of Payments for Value-Added Taxes to Host Governments in Latin America and Caribbean Region	IG/A	04
USAID is able to identify potential threats and vulnerabilities to programs and operations before major problems develop.	Audit of Regional Activities Administered by USAID's Bureau for Latin America and the Caribbean	IG/A	04
	Risk Assessment of USAID/Kosovo	IG/A	04
	Risk Assessment of USAID/Macedonia	IG/A	04
USAID employees, contractors, grantees and others are aware of procedures for reporting fraud, waste, and abuse.	Promote the Hotline as a tool for reporting fraud, waste, and abuse in fraud awareness presentations and other forums.	IG/A	As needed

Strategic Goal 5: Preserve and protect USAID program and employee integrity.			
Objective 5.3: Preserve USAID employee integrity by investigating and concluding integrity investigations efficiently and expeditiously.			
Standards for Success	Planned OIG Services	Performing Organization	Planned Fiscal Year
USAID maintains the highest possible level of personnel integrity.	Investigate allegations of personnel misconduct received from USAID personnel, contractors, grantees, IG/A, the Hotline, and other sources. Refer allegations to Audit or USAID as appropriate.	IG/I	Ongoing

USAID has an expeditious process for resolving personnel integrity issues.	Complete employee integrity investigations within 120 days of receipt of the allegation.	IG/I	Ongoing
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APPENDIX B
AUDIT ACTIVITIES BY BUREAU

AUDIT ACTIVITIES OF USAID OFFICE OF INSPECTOR GENERAL FOR FISCAL YEAR 2004

Following is a list of planned OIG audit activities for fiscal year 2004 for USAID. The number assigned to each audit activity corresponds to the number in the main body of this annual plan. The first two digits of each number correspond to the strategic objective within the OIG strategic plan. The first section, "USAID-General," includes work done by OIG Washington-based audit units and certain activities performed by all audit units, i.e., fraud awareness activities and follow-up on closed audit recommendations.

USAID-GENERAL

2.1.1: Review of Management's Discussion and Analysis Section in USAID's Fiscal Year 2004 Consolidated Financial Statements

2.1.3: Follow-up Audit of Recommendations Included in the Audit of USAID-Funded Activities in Nonpresence Countries, Audit Report No. 9-000-99-005-P, dated February 26, 1999

2.1.4: Survey and Overseas Pilot for Worldwide Audit of USAID's Operating Units Performance Monitoring for Indicators Appearing in Their Annual Reports

2.1.14: Audit of Field Support Mechanisms in the Global Health Bureau

2.1.15: Audit of USAID Office of Security Warehouse Operations

2.2.3: Worldwide Audit of Small and Disadvantaged Business Utilization Practices

3.1.2: Capping Report for Worldwide Audit of USAID's Management of U.S. Personal Service Contractors

3.1.10 Audit of USAID's Human Capital Strategy

4.1.1 Audit of USAID's Fiscal Year 2004 Consolidated Financial Statements

4.1.5 Audit of USAID's Data Flow of Standard Accounts Payable Transactions Within Phoenix

4.2.1: Audit of the Effectiveness of USAID's Recovery Audit Program

4.2.2: Follow-up on final actions taken on financial audit recommendations for which unallowable costs were sustained

4.2.3: Audit of Europe, Eurasia, and Regional Division's Monitoring of Enterprise Fund Financial Audits

4.2.4: Oversight of (1) OMB Circular A-133 audit program, (2) services provided to USAID by Defense Contract Audit USAID, (3) Enterprise Fund audit program, (4) audits contracted by USAID, and (5) audits contracted by overseas grantee recipients

4.2.6: Quality-control reviews of audits performed by independent public accounting firms under OMB Circular A-133, Enterprise Fund, and USAID- and recipient-contracted audit programs

4.3.1: Audit of USAID's Investment Technology Capital Planning in Accordance with Clinger-Cohen Act

4.3.2: Audit of USAID Information Systems Contractor, PRIME and Subcontractor Performance Standards

4.3.3: Audit of USAID's Plans for Using E-Commerce Solutions to Implement the Government Paperwork Elimination Act

4.4.1: Audit of USAID/Washington's Logical Access Controls over Its General Support Systems and Phoenix for Fiscal Year 2004

4.4.2: Audit of USAID Missions' Access Controls Over Their Financial Management Systems for Fiscal Year 2004

4.4.6: Audit of USAID's Progress in Implementing Recommendations From Prior General and Application Control Audits

4.4.7: Audit of USAID's Compliance with the Federal Financial Management Improvement Act of 1996 for Fiscal Year 2004

4.4.8: Audit of USAID's Compliance with the Provisions of the Federal Information Security Management Act of 2002 for Fiscal Year 2004

4.4.10: Audit of USAID's Information Systems Security Planning Process

Fraud awareness briefings to contractors, grantees, Supreme Audit Institutions, and non-governmental organizations

BUREAU FOR LATIN AMERICA AND THE CARIBBEAN

2.1.2: Audit of USAID/Bolivia's Costs of Implementing the Public Law 480 Title II Food

2.1.13: Audit of USAID/Ecuador's Northern Border Development Program

2.1.16: Audit of USAID Missions' Office and Residential Buildings Security in Latin America and the Caribbean

2.1.24: Audit of USAID's Regional Quality Coffee Program in Latin America and Caribbean Region

2.1.25: Audit of Central America Mitigation Initiative

2.2.2: Audit of USAID/Colombia-financed Subgrants

2.2.4: Audit of USAID/Ecuador's Small and Disadvantaged Business Utilization Practices

2.3.10: Audit of Economic Assistance Activities Under USAID/Colombia's Human Rights

2.3.11: Follow-Up Audit of USAID/El Salvador-Financed Housing Reconstruction Activities, Audit Report No. 1-519-03-001-P, dated November 19,

2.3.12: Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects Under the Earthquake Reconstruction

3.1.1: Audit of Regionalization Efforts in Latin America and the Caribbean

3.1.8: Audit of USAID/Peru's Management of U.S. Personal Services

4.4.9: Audit of the Contingency Plans in Latin America and the Caribbean Missions

5.2.1: Audit of Payments for Value-Added Taxes to Host Governments in Latin America and Caribbean Region

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

BUREAU FOR EUROPE AND EURASIA

2.1.5: Audit of USAID/Russia's Democracy Program

2.1.6: Follow-up on Recommendation No. 2 in Audit of USAID Mission for the Caucasus' Monitoring of American International Health Alliance's Performance in Georgia, Audit Report No. B-123-03-001-P, dated December 11, 2002

2.1.17: Audit of USAID/Kosovo Private Enterprise Growth Program

2.1.18: Audit of USAID/Macedonia's Democracy Program

2.1.19: Audit of USAID/Serbia's Community Revitalization Through Democratic Action Program

2.2.6: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (E&E Mission TBD)

3.1.3: Audit of USAID/XX's Management of U.S. Personal Service Contractors (E&E Mission TBD)

4.1.4: GMRA Audit of Financial Systems of USAID/RSC Budapest for FY 2004

4.4.4: Audit of USAID RSC/Budapest's Access Controls Over Its Financial Management Systems for Fiscal Year 2004

5.2.3: Risk Assessment of USAID/Kosovo

5.2.4: Risk Assessment of USAID/Macedonia

BUREAU FOR AFRICA

2.1.11: Audit of USAID/Ghana's Annual Reporting Process

2.1.21: Audit of USAID/Democratic Republic of Congo's Monitoring and Reporting of Its Health Program

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

2.1.23: Audit of USAID/Mali's Monitoring and Reporting of Its Health Program

2.1.12: Audit of USAID/REDSO/ESA's Performance Monitoring of the East and Central Africa Global Competitiveness Hub

2.2.1: Audit of the Effectiveness of USAID/Regional Center South Africa Contractor Performance Evaluation Program

2.2.8: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (West Africa Mission TBD)

2.2.9: Follow-Up of USAID/Mali's Implementation of Recommendation No. 1, Audit of the Expenditures Made by the Project Management and Coordinating Unit under the Animal Productivity and Export Project in Mali (688-0244) from September 1, 1993, to December 31, 1997, Audit Report No. 7-688-99-005-R

2.3.6: Follow-Up Review on Recommendation Nos. 1 and 2 from Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities under the Southern Africa Floods Supplemental Appropriations, Audit Report No. 4-656-03-001-P, dated January 31, 2003

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

2.3.8: Audit of USAID/Mozambique's Performance Monitoring of Railroad Rehabilitation under the Southern Africa Food Relief Supplemental

3.1.5: Audit of USAID/REDSO/ESA and USAID/Kenya's Management of U.S. Personal Service Contractors

3.1.6: Audit of USAID XX's Management of U.S. Personal Service Contractors (West Africa Mission TBD)

3.1.9: Audit of USAID/Morocco's Management Controls after the Implementation of Reduction-in-Force

4.2.5: Audit of USAID/South Africa's Monitoring of Awards that Do Not Require Annual Financial Audits

BUREAU FOR ASIA AND THE NEAR EAST

2.1.7: Audit of USAID/Egypt's Basic Education Activities

2.1.8: Audit of USAID/Egypt's Population and Health Activities

2.1.9: Audit of USAID/Jordan's Water Resources Management Activities

2.1.10: Follow-Up of USAID/Egypt's Implementation of Recommendation No. 1, Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities, Audit Report No. 6-263-03-001-P; dated March 12, 2003

2.1.20: Follow-up of USAID/India's Implementation of Recommendation No. 5 of the Audit of USAID/India's Monitoring of the Performance of Its HIV/AIDS Program, Audit Report No. 5-386-02-001-P; dated December 14, 2001

2.2.5: Audit of USAID/Jordan's Small and Disadvantaged Businesses Utilization Practices

2.2.7: Audit of USAID/XX's Small and Disadvantaged Business Utilization Practices (East Asia Mission TBD)

2.3.1: Financial and Performance Audit of USAID/West Bank and Gaza Activities

2.3.2: Risk Assessment Update of USAID/Programs in Afghanistan

2.3.3: Two Information Reports on the Road Project Work Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program

2.3.4: Audit of USAID/Pakistan-Financed Education Activities

2.3.5: Audit of the Sustainable Economic Policy & Institutional Reform Support Program at USAID/Afghanistan

2.3.9: Financial and Performance Audits of USAID-Financed Activities in Iraq

3.1.4: Audit of USAID/XX's Management of U.S. Personal Service Contractors (Asia Mission TBD)

3.1.7: Audit of USAID/Egypt's Management of U.S. Personal Service Contractors

4.1.2: GMRA Audit of Financial Systems of USAID/Egypt for Fiscal Year 2004

4.1.3: GMRA Audit of Financial Systems of USAID/Philippines for Fiscal Year 2004

4.4.3: Audit of USAID/Egypt's Access Controls Over Its Financial Management Systems for Fiscal Year 2004

4.4.5: Audit of USAID/Philippines' Access Controls Over Its Financial Management Systems for Fiscal Year 2004

APPENDIX C
AFRICAN DEVELOPMENT FOUNDATION
INTER-AMERICAN FOUNDATION

AFRICAN DEVELOPMENT FOUNDATION

4.1.6: Audit of African Development Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2004

4.4.11: Audit of African Development Foundation's Computer Security Plan

INTER-AMERICAN FOUNDATION

4.1.7: Audit of Inter-American Foundation's Consolidated Financial Statements, Internal Controls, and Compliance for FY 2004

4.4.12: Risk Assessment of Inter-American Foundation's Program for Computer Security

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The Strategic Plan is available on the internet at www.usaid.gov/oig