

USAID



Office of Inspector General Semiannual Report to the Congress



October 1, 2002—March 31, 2003

The Inspector General Act 1978—2003

25 Years of Statutory Inspectors General

The year 2003 marks the 25th anniversary of the first legislation passed by Congress to establish a statutory basis for offices of Inspector General. That legislation, the Inspectors General Act of 1978 (IG Act), created audit, evaluation, and investigation entities in major departments and agencies. While oversight services were ongoing within the government, it was the IG Act that ensured that the offices were independent units, beyond control by management, producing objective reporting. In addition, the IG Act established the requirement of the Semiannual Report to the Congress. These reports provide Congress with timely updates on efforts to promote the economy, efficiency, and effectiveness of programs and also efforts to prevent and detect problems in agency programs and operations. The original legislation has been amended and extended to additional departments and agencies. Today, there are about 60 offices of Inspector General within the Federal government.

USAID's Office of Inspector General joins the community of Inspectors General across the Federal government to celebrate this anniversary. USAID/IG's next Semiannual Report will contain a special section on the history of the OIG at USAID.

OFFICE OF INSPECTOR GENERAL



April 30, 2003

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

Dear Mr. Natsios:

I am pleased to report to you and the Congress of the United States the accomplishments of my office for the six-month period ended March 31, 2003. This report is issued in compliance with the Inspector General Act of 1978, as amended.

During this period the OIG issued 224 audit reports with monetary recommendations valued in excess of \$8.2 million, completed 62 investigations, and achieved savings and recoveries of \$1.7 million.

In this semiannual report, we are emphasizing the Agency's achievements in financial management, as documented by our audit of USAID's FY 2002 financial statements. For the first time, we were able to issue opinions on all five of USAID's principal financial statements. We issued an unqualified opinion on four of the statements and a qualified opinion on the fifth statement. This result represents significant progress by USAID, but as we all know much work remains to be done. While the Agency has the goal of implementing fully integrated financial management systems that meet Federal requirements, your continued emphasis is needed to assure that progress toward this goal receives the full attention of all involved.

USAID's response to OIG recommendations for corrective action continues to be commendable. Management Agreement has been reached on all OIG recommendations issued over six months for the fifth consecutive semiannual reporting period.

The dedicated staff of the Office of Inspector General continues to respond to priority concerns facing the Agency and pursue collaborative approaches, with management, in carrying out our mission. As we have discussed, we look forward to continued work with you and Agency management on the critical role USAID will have in the emerging crisis regions around the world.

Sincerely,

Everett L. Mosley
Inspector General

OFFICE OF INSPECTOR GENERAL



April 30, 2003

Mr. Ernest G. Green, Chairman of the Board
Mr. Nathaniel Fields, President
African Development Foundation
1400 Eye Street, N.W.
Washington, DC 20005-2248

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the African Development Foundation (ADF) for the period ended March 31, 2003.

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

I appreciate the courtesy and assistance extended to my staff during our work with your organization. The staff of OIG remains committed to helping the ADF achieve ultimate efficiency and effectiveness in its operations.

Sincerely,

A handwritten signature in black ink that reads "Everett L. Mosley".

Everett L. Mosley
Inspector General

OFFICE OF INSPECTOR GENERAL



April 30, 2003

Mr. Frank Yturria, Chairman of the Board
Mr. David Venezula, President
Inter-American Foundation
901 North Stuart Street, Tenth Floor
Arlington, VA 22203

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the Inter-American Foundation (IAF) for the period ended March 31, 2003.

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

I appreciate the courtesy and assistance extended to my staff during our work with your organization. The staff of OIG remains committed to helping the IAF achieve ultimate efficiency and effectiveness in its operations.

Sincerely,

A handwritten signature in black ink that reads "Everett L. Mosley".

Everett L. Mosley
Inspector General

Acronyms

A&A	Acquisition and Assistance
ADF	African Development Foundation
AIHA	American International Health Alliance
BTEC	Business Transformation Executive Committee
ANE	Bureau for Asia and the Near East
CACEDRF	Central America and the Caribbean Emergency Disaster Recovery Fund
CIP	Commodity Import Program
CLO	Country Liaison Office
COP	Chief of Party
CPA	Certified Public Accountant
CTO	Cognizant Technical Officers
DCAA	Defense Contract Audit Agency
DHHS	Department of Health and Human Services
DRC	Disaster Reconstruction, Inc.
FHIS	Honduras Social Investment Fund
FSN	Foreign Service National
GAO	General Accounting Office
GMRA	Government Management and Reform Act
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAF	Inter-American Foundation
IG Act	Inspector General Act of 1978
MOU	Memorandum of Understanding
NGO	Non-Government Organizations
OFDA	Office of Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
Results Act	Government Performance and Results Act of 1993
SAIs	Supreme Audit Institutions
SSH	Special Self Help
USAID	United States Agency for International Development

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Reporting Requirements—USAID

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

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 8-18
Recommendations for Corrective Actions	Pages 20-37
Summary of Each Significant Report	Pages 20-37
List of Audit Reports Issued	Appendix A Page 44
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 58
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 59
Statistical Table of Reports with Questioned and Unsupported Costs	Appendix D Page 61
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Appendix E Page 62
Summary of Instances in Which Information or Assistance Was Refused	Appendix F Page 63
Decisions and Reasons for Significant Revised Management Decisions	Appendix F Page 63
Significant Management Decisions with Which the Inspector General Disagrees	Appendix F Page 63
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Appendix F Page 63
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Appendix G Page 64

Reporting Requirements—ADF

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

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 38-39
Recommendations for Corrective Actions	Page 39
Summary of Each Significant Report	Page 39
List of Audit Reports Issued	Appendix A Page 57
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 58
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 60
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Summary of Instances in Which Information or Assistance Was Refused	Nothing to Report
Decisions and Reasons for Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions with Which the Inspector General Disagrees	Nothing to Report
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Reporting Requirements—IAF

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

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Page 40
Recommendations for Corrective Actions	Pages 40-41
Summary of Each Significant Report	Pages 40-41
List of Audit Reports Issued	Appendix A Page 57
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 58
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Nothing to Report
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Summary of Instances in Which Information or Assistance Was Refused	Nothing to Report
Decisions and Reasons for Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions with Which the Inspector General Disagrees	Nothing to Report
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Executive Summary

This semiannual report presents the results of the Office of Inspector General's audit and investigation efforts at (1) the U.S. Agency for International Development (USAID), (2) the African Development Foundation, and (3) the Inter-American Foundation, for the six-month period ended March 31, 2003.

During the semiannual reporting period from October 1, 2002 through March 31, 2003, the Office of Inspector General (OIG) issued 224 audit reports with monetary recommendations valued at \$8.2 million. In addition, the OIG completed 62 investigations and achieved savings and recoveries of \$1.7 million. Because of continued aggressive actions, the OIG and USAID management have reached "management decisions" on all audits within six months of report issuance since March 31, 2001.

Two new features are included in this report. The first feature, "Financial Management Improvement," shows how our audit efforts and USAID's implementation of corrective actions to previously reported financial management challenges have led to improvements in USAID's financial management system. This report explains that these improvements allowed the OIG to issue unqualified opinions on four of the five USAID financial statements and a qualified opinion on the fifth statement. This achievement represents significant progress by USAID.

The second new feature, "Collaboration with USAID Management," outlines how the OIG's continued collaboration with USAID has resulted in many benefits. As an example, the OIG has expanded the use of innovative audit-related techniques that review programs or functions and assess the level of risk from a variety of causes. These reviews allow both the OIG and USAID to focus their efforts where it counts most. During this reporting period, the OIG has completed six risk assessments.

The report also discusses the major challenges facing USAID, what USAID management is doing to address these challenges, and OIG efforts to provide assistance and advice. It includes a summary of OIG efforts to expand accountability in the international environment through support for anti-corruption efforts, training, oversight of contractors and grantees, and other proactive steps. Significant audits and investigations conducted at USAID, organized by the relevant Bureau, are summarized in subsequent sections.

Pursuant to P.L.106-113, the Consolidated Appropriations Act, including the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, the OIG has audit and investigative responsibility for the African Development Foundation and the Inter-American Foundation. Summaries of significant audits and investigations completed at these foundations are included in a separate section of this report.

Overview

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

Mission

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

Organization

The OIG is organized into three operational units: Audit, Investigations, and Management. There are also six overseas field offices, each headed by a Regional Inspector General, located in Budapest, Hungary; Cairo, Egypt; Dakar, Senegal; Manila, Philippines; Pretoria, South Africa; and San Salvador, El Salvador. These regional offices maintain close working relationships with the USAID missions in their regions. This field presence enables auditors and investigators to carry out their responsibilities efficiently.

Working with USAID on Financial Management

The Inspector General and USAID management have established a goal to accelerate the preparation and audit of the fiscal year 2003 financial statement audit process. To advance the goal, the Administrator signed a Memorandum of Understanding committing USAID to develop financial information at an accelerated pace compared to previous years. The goal established by USAID for FY2003 will be required for FY2004 by OMB, which determines the deadlines for audited financial statements government-wide. The agreed-upon schedule for actions will help USAID and the OIG prepare to meet OMB's requirements as well as test the capability of the systems.



Photograph of USAID Administrator Andrew Natsios (left) signing the Memorandum of Understanding committing the Agency to new target dates for financial statement preparation. Inspector General Everett L. Mosley looks on.

Working with USAID and U.S. Embassies

During the month of January 2003, the OIG Investigations conducted a Quality Assurance Review of the Manila Field office in investigative activities. In connection with the review process, Adrienne R. Rish, Assistant Inspector General for Investigations, Kim J. Smith, Special Agent-In-Charge, and Noel Anderson, Special Agent from the Manila Field Office, met with Francis Ricciardone, Ambassador to the Philippines and Palau. The parties discussed the present and future liaison activities between the OIG and the U.S. Embassy, and the role of the OIG in Asia and the Near East.



Photograph of OIG personnel meeting with the U.S. Ambassador to the Philippines regarding OIG/Investigations' role in Asia and the Near East. From the left, Special Agent Noel Anderson, Special Agent-in-Charge Kim Smith, Ambassador Francis Ricciardone and Assistant Inspector General for Investigations Adrienne Rish.

Semiannual Report to the Congress

Highlights

This section describes the most significant findings of this office for the work concluded in the past six-month period. These findings include major results in audit and investigative work.

The OIG issued its first overall opinion on USAID's financial statements since agency-wide financial statement audits became a requirement under the Government Management Reform Act of 1994. In addition, the OIG and USAID management continue to work closely in order to improve computer security. In response to OIG audits, USAID has made substantial improvements.

The investigative items reflect a conviction for Theft of Public Money and include the imposition of probation, incarceration, and restitution. The cases are significant in scope and size.

Highlights of Significant Audits

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

The OIG Issued Opinions on USAID's Financial Statements

The OIG is pleased to report that opinions were issued on all five of USAID's financial statements. The OIG issued unqualified opinions on four of the five financial statements and a qualified opinion on the remaining statement, the Statement of Net Costs. These opinions were the result of continuous collaboration with USAID management regarding internal control weaknesses that previously hindered USAID from obtaining opinions on its financial statements. USAID implemented the OIG's recommendations and took corrective actions to improve its financial management systems. Therefore, improvements were noted in several aspects of USAID's internal controls. The OIG also identified additional and repeat areas of internal control weaknesses that USAID management has agreed to address during fiscal year 2003. The OIG will continue working with USAID to find ways to fully address the internal control weaknesses and the accomplishment of improved financial management systems.

Type of Report	Number of Reports	Monetary Recommendations (\$)
Financial Audits		
USAID Programs and Operations	5	0
ADF and IAF Programs and Operations	2	0
U.S. -Based Contractors	23	2,468,026
U.S. -Based Grantees	26	2,419,016
Quality Control Reviews	6	0
Foreign-Based Organizations	115	3,201,822
Quality Control Reviews	15	0
Enterprise Funds	11	0
Performance Audits		
USAID Economy and Efficiency	12	72,848
ADF and IAF Economy and Efficiency	2	0
Other	7	0
TOTAL	224	8,161,712

Improving Computer Security

OIG audits have confirmed that more work is needed to ensure that sensitive data are not exposed to unacceptable risks of loss or destruction. However, USAID has begun to take actions to correct such weaknesses. For example, USAID (1) upgraded the system software for USAID/Washington and most of its missions and (2) began to conduct certification and accreditation for its mission-critical systems. For more information on the weaknesses identified in USAID's computer security and the improvements that USAID made to begin correcting such weaknesses, refer to the "Major Management Challenges for USAID" section (see page 8).

Highlights of Significant Investigations

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

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

Workload Indicator	
Cases Opened	71
Cases Closed	62
Hotline Contacts	1,397
Results	
Recoveries/Savings	\$1,651,125
Resignations/Terminations	1
Personnel Suspensions	1
Reprimands/Demotions	3
Indictments	0
Convictions	1

Investigation Results in Jail Terms and Restitution of \$700,000

The OIG previously reported that two former executives of a USAID enterprise fund pled guilty in Federal court to several offenses in connection with a scheme to defraud a USAID development program. The joint investigation conducted by the OIG and the Federal Bureau of Investigation revealed that the executives artificially and fraudulently inflated the cost of contracts, enabling them to receive illegal kickbacks. During the current reporting period, a Federal judge sentenced one former executive to 12 months' incarceration in Federal prison, 3 years of supervised release, 200 hours of community service, and restitution in the amount of \$400,000. The other executive was sentenced to 18 months' incarceration in Federal prison, 3 years of supervised release, 200 hours of community service, and restitution of \$300,000.

Investigation Leads to Suspension of Company and Chief Executive Officer

The OIG previously reported that a Northern California company and its owner were indicted on one count each of wire fraud, false claims and money laundering for allegedly supplying phony bids on the USAID-financed Commodity Import Program in Egypt. During the current reporting period, the company and its Chief Executive Officer were suspended from eligibility for (1) future contracting with USAID and other U.S. Government agencies; (2) future participation in other USAID-financed agreements, transactions and programs; and (3) future participation in non-procurement activities of other U.S. Government agencies. The suspensions will last for a period of 12 months pending conclusion of legal proceedings resulting from the indictment.

Investigation Results in Guilty Plea by USAID Employee

The OIG conducted an investigation that resulted in a USAID employee, a Contracting Officer, pleading guilty to a charge of violation of Title 18, U.S. Code, Section 641, Theft of Public Money. The OIG investigation disclosed that the employee created and submitted a fraudulent invoice to a USAID mission for payment of lodging expenses that were not incurred. Subsequently, the employee pled guilty in the U.S. District Court for the District of Columbia and agreed to pay restitution in the amount of \$1,978. The employee was sentenced to two years of probation and 100 hours of community service. Administrative action is pending.

Financial Management Improvement

The OIG is pleased to report that because of our audit efforts and USAID's implementation of corrective actions to previously reported financial management challenges, improvements in USAID's financial management system were noted. Because of some of these improvements, the OIG issued unqualified opinions on the fiscal year 2002 Balance Sheet, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Financing, and issued a qualified opinion on USAID's fiscal year 2002 Statement of Net Costs. The OIG believes that this is an important milestone and represents significant progress by USAID. However, while USAID has made progress over the last five years, several areas of its financial management system continue to present challenges. Although there was improvement in information on USAID's five financial statements, its system was not able to consistently provide managers with the necessary cost and budgeting information throughout fiscal year 2002. The OIG and USAID management have discussed the improvements made and the challenges that affect USAID's financial performance. The improvements are discussed below.

The OIG determined that USAID demonstrated the following improvements in its financial management system:

- Implemented an interface between its subsidiary ledger and its general ledger for recording and reporting its credit program activity.
- Implemented an interface between its general ledger and its subsidiary ledger maintained by the Department of Health and Human Services (DHHS).
- Implemented a new accrual reporting system to account for the accrued expenses for USAID Washington.
- Established a working group that reviewed and deobligated unliquidated obligations as needed.
- Planned to implement a new structure of responsibility segments within its current financial management system.

During fiscal year 2001, USAID implemented an interface between its subsidiary ledger and its general ledger. This interface has allowed USAID to record loan repayments, calculate periodic interest, communicate with its borrowers on a timely basis, and update its general ledger with credit program financial activity at the end of each accounting period.

During fiscal year 2002, USAID implemented an interface between its general ledger and the subsidiary ledger maintained by the DHHS Payment Management System. This interface played a major role in USAID's improvement in its process for recording expenses related to advances managed by DHHS. This interface also permitted USAID to consistently allocate those expenses by responsibility segments presented on the Statement of Net Costs (for that portion of the fiscal year). As a result, USAID avoided a repeat finding, related to unrecorded expenses, that was reported in the fiscal year 2001 Government Management Reform Act (GMRA) audit report. USAID obtained a qualified opinion on the Statement of Net Costs in fiscal year 2002—an improvement over the disclaimer of opinion rendered in fiscal year 2001. The OIG will continue to review this interface during our upcoming GMRA audit.

During fiscal year 2002, USAID established a new accrual reporting system for calculating and reporting accrued expenditures and related accounts payable for USAID Washington. This system calculates quarterly estimated amounts using USAID's methodology and allows USAID officials to determine quarterly accruals.

USAID's Business Transformations Executive Committee reviewed and reached resolution on a portion of the unliquidated obligations that the OIG previously reported as not being consistently analyzed and deobligated as necessary. USAID researched and analyzed approximately 576 unliquidated obligations with balances greater than \$100,000 and deobligated about \$100 million.

During fiscal year 2003, USAID plans to implement a new responsibility segment-based system within its current financial management system. This new system will allow USAID to report program expenses by responsibility segments.

Collaboration with USAID Management

USAID management and the OIG have developed a collaborative relationship that has resulted in numerous benefits. This collaborative relationship has enabled USAID to meet the Office of Management and Budget (OMB) requirement that all audit recommendations receive a management decision within six months of report issuance. The OIG has also expanded the use of innovative audit-related techniques that review programs or functions and assess the level of risk from a variety of causes. In addition, the OIG is assisting USAID management with its plan to implement a new accounting system.

In recent years, the OIG and USAID management have coordinated effectively to ensure that audit recommendations are acted upon aggressively and expeditiously within specified time frames. Addressing audit recommendations and reaching management decisions regarding those recommendations is a shared responsibility. Through a collaborative effort by USAID and OIG management, USAID issued new procedures that provide a more effective approach for elevating audit recommendations without management decisions. This approach provides a timetable for addressing audit recommendations to higher levels of USAID management. That timetable specifies when various actions will occur and both USAID and OIG management have diligently complied. As a result, USAID has met OMB's

requirement that all audit recommendations receive a management decision within six months of report issuance. This is a major accomplishment shared by the USAID and OIG management.

The OIG has also increased its use of risk assessments. Risk assessments provide a method by which the OIG can evaluate a wide range of activities within a relatively short time and make suggestions to management regarding the vulnerability of those activities. The OIG's risk assessments covered a variety of programs, such as health, democracy, environment, economic opportunities, education, and key mission operations. The missions' key operations included functions of the executive, financial management, contracting, and program offices. Each review assigned an audit priority of high, medium, or low risk for each area under review. A higher priority indicates that the particular activity is more vulnerable to its objectives not being achieved or irregularities occurring, and should be a higher audit priority. It does not imply that irregularities are actually occurring. During the last six months, the OIG has conducted risk assessments in Africa, Asia, the Middle East, South America, and the Caribbean.

The six risk assessments conducted in this reporting period are as follows:

- Nigeria—Of the 7 functions reviewed, the OIG determined that only 1 function was considered to be at high risk and 6 functions were considered to be at medium risk (see page 22).



In March 2003, the USAID Office of Inspector General held its annual meetings to review the status of major activities and issues affecting the OIG. This year the Administrator, Andrew Natsios, and the Deputy Administrator, Fred Schieck, met with the OIG senior staff to discuss the latest developments at USAID. Photograph of USAID Administrator Andrew Natsios meeting with members of the Office of Inspector General.

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- Democratic Republic of the Congo—Of the 7 functions reviewed, the OIG determined that 6 functions were at high risk and 1 function was at medium risk (see page 23).
- Afghanistan—Of the 2 activities reviewed, 1 was considered to be high and 1 was at medium risk (see page 24).
- West Bank-Gaza—Of the 39 projects reviewed under 6 strategic objectives,¹ 7 projects were rated as high audit priority, 23 projects were rated as medium audit priority, and 9 projects were rated as low audit priority (see page 25).
- Ecuador—Of the 9 functions reviewed, 2 were considered at high risk, 4 were at medium risk, and 3 were at low risk (see page 32).
- Guatemala—Of the 12 functions reviewed, 2 were considered to be at high risk, 5 were at medium risk, and 5 were at low risk (see page 33).

The OIG also assisted USAID management by conducting a limited review of USAID's plans to implement a new accounting system in its field locations. At the time of the OIG's review, USAID estimated \$28.8 million would be required to deploy its system to field locations. As a result of the limited review, the OIG recommended that USAID delay its plans for overseas deployment of the accounting system and engage an independent party to conduct a study to determine the options available for deploying the system. In response to the recommendation, USAID engaged a contractor to facilitate a 30-day study, scheduled to be completed this spring.

¹ Strategic Objective is defined as the most ambitious result that a USAID operating unit, along with its partners, can materially affect and for which it is willing to be held accountable (Automated Directives System 200.6).

Major Management Challenges

USAID implements America's foreign economic and humanitarian assistance programs in accordance with foreign policy guidance provided by the Secretary of State. USAID manages a budget of approximately \$9.4 billion and advances U.S. foreign policy objectives by supporting:

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

USAID also serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America, the higher education community, and non-governmental organizations in support of shared objectives.

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

These Major Management Challenges are:

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

Financial Management

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

- Reconciling financial data.
- Calculating and reporting accounts payable.
- Recording and classifying advances and related expenses.
- Recognizing and reporting accounts receivable.

Reconciling Financial Data

Reconciling financial management information remains a challenge to USAID. This has been consistently reported in previous consolidated financial statement audit reports issued in response to the Government Management Reform Act (GMRA).

The OIG reviewed USAID's reconciliation progress during its fiscal year 2002 GMRA audit and determined that USAID's internal controls over fund balance with the U.S. Department of Treasury account need improvement. In fiscal year 2001 the OIG noted that the reconciliation process had improved. However, in fiscal year 2002, the OIG determined that there was an increase in the number of unresolved reconciling items at year-end. This situation occurred because USAID had not established a process to close monthly accounting periods and did not implement the necessary reconciliation procedures to analyze, research, and resolve the outstanding reconciling items reported by its missions. As a result, USAID's outstanding reconciling item balance increased from \$143 million during fiscal year 2001 to about \$203 million for fiscal year 2002.

Calculating and Reporting Accounts Payable

Despite improvements and the implementation of the Accrual Reporting System for Washington, which incorporated accrual documentation requirements, there are still challenges. The OIG determined that USAID did not provide adequate financial documentation for a portion of the accrued expenditures recorded in the Accrual Reporting System for Washington and its overseas missions' systems. Further, the OIG determined that a portion of these accrued expenditures were unsupported.

As a result, USAID recorded an adjustment to present a more reliable accounts payable balance on its financial statements for fiscal year 2002. In the previous audit reports, the OIG recommended that USAID develop standard documentation requirements for estimating accounts payable and issue detailed guidance for maintaining adequate documentation. USAID has not fully implemented the recommendations.

Recording and Classifying Advances and Related Expenses

USAID has not developed an effective process to consistently allocate program expenses to the corresponding funding sources, strategic objectives, and related USAID goals when funds are used to finance grants from

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multiple sources. This occurred because USAID does not have a worldwide-integrated financial management system that links its accounting, procurement, and assistance systems, as well as all other activities performed by USAID. Moreover, as of September 30, 2002, USAID had not recorded in the Department of Health and Human Services' Payment Management System approximately 105 grant agreements and/or modifications. USAID has since identified and recorded most of them. However, USAID had recognized accrued expenditures, related to more than a half of these unrecorded expenses, through the Accrual Reporting System. The OIG will continue to review the current system to determine whether it improves USAID's process for submitting and entering all new grant agreements and/or modifications in the Payment Management System within ten business days after execution and receipt.

Recognizing and Reporting Accounts Receivable

USAID continues to experience difficulty in recognizing and reporting reliable accounts receivable in a timely manner. This was previously reported by the OIG in our consolidated financial statement audit report for fiscal year 2002². This continues to be a challenge because USAID has not established adequate policies and procedures to account for its accounts receivable worldwide.

Information Resource Management

OIG audits have identified significant weaknesses in USAID's management of information technology resources. The Clinger-Cohen Act of 1996 requires executive agencies to implement a process that maximizes the value and assesses the management risks involved in information technology investments. Because USAID's management practices have impacted its ability to fully comply with the Act's requirements, its managers have not had access to financial information that is complete, reliable, and timely.

Within Information Resource Management, the OIG identified two challenges: (1) information resource management processes and (2) computer security.

Improving Information Resource Management Processes

In 1997 and 1998, the OIG reported that USAID's processes for procuring and managing information resource technology have not followed the guidelines established by the Clinger-Cohen Act. USAID management has acknowledged the weaknesses of its information resource management processes and has made efforts to improve them. In response to the findings, USAID's Administrator has initiated plans to overhaul and modernize the entire portfolio of systems supporting USAID's procurement and information technology.

In fiscal year 2002, USAID redesigned its overall governance structure for the acquisition and management of information technology in a manner that elevated the entire information technology investment process so that it requires higher senior management participation. Specifically, USAID created the Business Transformation Executive Committee (BTEC), whose membership consists of senior members of management. BTEC's purpose is to provide USAID-wide leadership for initiatives and investments to transform USAID business systems and organizational performance. BTEC's roles and responsibilities include:

- Guiding business transformation efforts and ensuring broad-based cooperation, ownership, and accountability for results.
- Initiating, reviewing, approving, monitoring, coordinating, and evaluating projects and investments.
- Ensuring that investments are focused on highest pay-off performance improvement opportunities aligned with USAID's programmatic and budget priorities.

In its efforts to track USAID's progress in improving its information resource management processes and in meeting the requirements of the Clinger-Cohen Act, the OIG has actively participated in BTEC meetings, as well as performed a review of USAID's software development practices at overseas missions. Based on the results of that review, the OIG recommended that USAID (1) develop policies and procedures for controlling the installation of software at overseas missions, (2) request all overseas missions to conduct an inventory of the locally developed software and submit the list to headquarters, and (3) develop a process to maintain a current inventory list of software.

The OIG will continue to monitor USAID's progress in improving its information resource management processes.

² "Report of USAID's Consolidated Financial Statements, Internal Controls And Compliance for Fiscal Year 2002," January 24, 2003 (Audit Report No. 0-000-03-001-C)

Improving Computer Security

OIG audits have confirmed that, although USAID has taken steps to improve computer security, more work is needed to ensure that sensitive data are not exposed to unacceptable risks of loss or destruction. Specifically, recent audits showed that USAID did not have adequate computer security controls in place to mitigate the risks to critical information systems. For instance, USAID needs to implement an effective security program for its information systems. In addition, USAID needs to correct other computer security weaknesses by, for example, strengthening logical access controls and eliminating conflicting accounting roles in the financial management process. Finally, USAID needs to conduct certification and accreditation on all mission-critical network and financial management systems. This includes conducting risk assessments, incorporating detailed recovery and testing procedures in a contingency plan, and developing security plans as required by Federal standards.

In response to OIG audits, USAID has made substantial computer security improvements. For example, it has:

- Upgraded the system software for USAID/ Washington and most of the missions and, according to USAID management, is ahead of schedule in doing so.
- Hired a system security engineer to oversee risk assessments and certification and accreditation work.
- Built a set of web-based surveys that migrate information directly into a formalized draft security plan.
- Developed online classes for the annual computer security awareness training and for new user training.
- Conducted the certification and accreditation of its core financial and procurement systems and of the Mission Accounting Control System in USAID/ Washington.
- Conducted the certification and accreditation of the Mission Accounting Control System and General Support System at nine USAID missions.
- Implemented practices to standardize the security configurations of computer operating systems.

USAID has also continued to conduct periodic technical vulnerability assessments. Furthermore, it is in the process of implementing a methodology that will rank and prioritize its information technology resources. This process will include (1) identifying the kind of activities that could put mission-critical systems at risk,

(2) determining the probability that such activities could happen, and (3) estimating the dollar value of the impact. These risk factors will allow USAID to determine how much money to spend based on relative risks, costs, and benefits. The OIG will continue to monitor USAID's progress in improving computer security.

Managing for Results

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

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

As part of its ongoing oversight of USAID's performance management system, the OIG performed a limited review of USAID's system to collect and report performance information in the Management Discussion and Analysis section of the Performance and Accountability Report for fiscal year 2002, and identified the following major weaknesses:

- OMB Circular A-11, Section 200, required USAID to submit to Congress a final 2002 performance plan for fiscal year 2002 by April 2001. However, USAID did not prepare an Annual Performance Plan for fiscal year 2002. Instead, it issued an Annual Performance Plan for fiscal year 2003 in August 2002 and applied that plan retroactively to fiscal year 2002.
- In the schedule established for the preparation and submission of Annual Reports by USAID's operating units, the majority of the performance information contained in the draft fiscal year 2002 Management

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Discussion and Analysis³ represented performance that was actually accomplished in fiscal year 2001 or earlier. The OIG has reported this system deficiency many times in prior audit reports, and there is an outstanding OIG recommendation⁴ calling on USAID to establish procedures to ensure that (1) operating units submit fiscal year performance results in time for Management Discussion and Analysis reporting and (2) the results reported in the annual Performance and Accountability Report relate to the fiscal year under review.

- The OIG has conducted audits at selected USAID operating units over the past few years, and the resulting reports have consistently identified deficiencies in the performance measurement systems of the operating units, deficiencies which called into question the reliability of performance data included in the units' Annual Reports. These deficiencies—such as not performing required data quality assessments—meant that units had not taken steps to ensure or fully understand the quality of the data they collected and reported, and might have reported inaccurate or inconsistent data on the results of their activities. In response to OIG and GAO reports and recommendations, USAID instituted an extensive training effort on strategic planning and performance measurement requirements and techniques, and USAID management believes this training will improve the operating units' performance reporting.

The OIG has an audit in process on USAID's efforts to meet the requirements of the Results Act.

Procurement Management

USAID achieves development results largely through intermediaries: contractors or recipients of grants or cooperative agreements. As a result, efficient and effective acquisition and assistance systems are critical. The Office of Procurement has been the focus of various initiatives for defining ways to improve the effectiveness of the acquisition and assistance process. These activities are in direct response to the long-standing challenges that the Office of Procurement has faced in the areas of procurement staffing, activity planning, and acquisition and assistance award and administration.

³ This revised draft, dated December 2, 2002, was the last version of the Management Discussion and Analysis that the OIG received for review during fieldwork. At the conclusion of our fieldwork, USAID management had not yet issued a final version.

⁴ "Reports on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Years 1997 and 1996" (Audit Report No. 0-000-98-001-F) dated March 2, 1998.

The OIG recognizes the importance of the acquisition and assistance process to the overall accomplishment of USAID's mission and has, therefore, adopted as part of its strategic goals an objective to provide timely, quality services that contribute to improvements in USAID's processes for awarding and administering contracts and grants. To accomplish this goal, the OIG developed multi-year strategies to promote increased efficiency in USAID procurement processes.

Within the framework of a multi-year audit plan, the OIG defined standards for success for critical acquisition and award processes. Time-phased audit plans will be developed to identify the Office of Procurement's status in achieving these standards and the steps needed to further identify recommendations for improvement.

The two audits planned for fiscal year 2003 are currently in process. The OIG's Audit of USAID/Washington's Administrative Support Service Contractors is designed to determine if USAID complies with selected guidance and regulations regarding the funding and use of contractors to perform a variety of administrative and support functions. A second audit of USAID's Training, Use and Accountability of Cognizant Technical Officers (CTOs) is designed to determine if CTOs are adequately trained and held accountable for performing the tasks delegated to them.

A third audit addressing workforce planning for procurement officers was completed during this reporting period (see page 35). At the conclusion of the audit, the OIG recommended that the Office of Procurement develop a workforce plan for the entire procurement workforce. Such a plan would, among other things, provide for the collection of relevant workforce data and provide support for budget and staffing requests.

Human Capital Management

The ability of USAID to carry out its mission in the 21st century will depend, in part, on how well it manages all segments of its diverse and widespread workforce. Therefore, USAID has been attempting to improve its human capital management. On September 30, 2002, the Office of Management and Budget (OMB) recognized USAID's completion of a draft Human Capital Strategic Plan. OMB, however, expressed concerns about current and future critical skill gaps, slow progress in redirecting staff from supervisory positions to the hands-on activities, and staffing decisions made without programmatic

justifications. OMB noted that for fiscal year 2003 USAID is planning to develop recruitment plans for all direct-hire positions, as well as to develop and identify potential skill gaps and vulnerabilities for the civil service.

To help USAID better manage its human capital, the OIG has committed resources to providing timely services in this area. For example, on December 20, 2002, the OIG issued a report on its Audit of USAID's Human Capital Data (see page 36). In the report, the OIG noted that the human capital data collected and maintained by USAID was neither complete nor totally accurate. There were several reasons to account for these problems, such as a decision by USAID's Bureau for Management, Office of Human Resources, not to require some operating units to submit detailed data on all segments of their workforces. As a result, USAID cannot attest to the accuracy and completeness of the summary data that it receives from the operating units. In addition, some missions were submitting unverified and erroneous data to USAID.

The OIG made several recommendations to help improve the quality and completeness of the human capital data collected by USAID. For instance, it recommended that USAID develop workforce plans for its civil service and non-direct-hire workforce. In addition to the direct benefits related to the audit's findings and recommendations, this audit report will provide future audit teams with baseline data against which USAID progress can be measured.

In addition to providing audit services in the area of human capital, an OIG staff member participates as an observer and advisor to USAID's Business Transformation Executive Committee's Subcommittee on Human Capital. This allows the OIG to keep abreast of the human capital initiatives that USAID is attempting to address.

Other Management Challenges

Some USAID programs require rapid expansion and implementation to address immediate problems and may operate in nations where economic and/or political instability increases the vulnerability to corruption. To ensure the effective use of U.S. funds, the OIG devotes considerable resources to such programs.

HIV/AIDS

According to the World Health Organization, approximately 40 million people are infected with HIV/AIDS (Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome), and the number is growing. In 2001, some 3 million people died of HIV/AIDS, while another 5 million were newly infected. Both infections and deaths are almost equally distributed between men and women. Half of all new infections—over 6,000 daily—are occurring among young people (15–24 years old).

USAID funding for HIV/AIDS programs has increased dramatically—from \$139 million in fiscal year 1999 to more than \$500 million in fiscal year 2002. With the funding increase, there has been much interest in monitoring the impact of USAID assistance on the HIV/AIDS epidemic. In its report on USAID's fight against HIV/AIDS in Africa,⁵ the U.S. General Accounting Office (GAO) noted that gaps in data gathering and reporting, the inconsistent use of indicators, and the lack of a routine system for reporting program results limited USAID's ability to measure its overall impact on reducing HIV transmissions. GAO recommended that USAID select standard indicators to measure performance, gather performance data on a regular basis, and report this data to a central unit for analysis.

USAID created the Office of HIV/AIDS within its Bureau for Global Health, and in April 2002, USAID's Administrator approved a new HIV/AIDS operational plan entitled "Stepping up the War against AIDS." This plan focused efforts on AIDS even further by launching a plan to accelerate the implementation of the expanded response strategy and maximize its impact.

⁵ "U.S. Agency for International Development Fights AIDS in Africa, but Better Data Needed to Measure Impact" (GAO-01-449, March 2001).

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The OIG recently completed a worldwide audit of HIV/AIDS programs, which included fieldwork in the Bureau for Global Health's Office of HIV/AIDS and at eight USAID overseas operating units (Cambodia, India, Nigeria, Rwanda, Senegal, South Africa, Uganda, and Zambia) (see page 31).

Significant Issues Affecting Iraq, Afghanistan, and Pakistan

On September 18, 2001, the 107th Congress enacted Public Law 107-38, providing emergency supplemental appropriations for fiscal year 2001 for disaster assistance, for anti-terrorism initiatives, for assistance in the recovery from the tragedy that occurred on September 11, 2001, and for other purposes. U.S. anti-terrorism initiatives and assistance have also included an international focus, and the countries of Iraq, Afghanistan, and Pakistan are the primary recipients.

Iraq

Approximately \$2.4 billion in supplemental funds was approved by Congress for the Iraq Relief and Reconstruction Fund. USAID is expected to be a significant partner in this effort. The response is comprehensive and difficult and the scope of the USAID program covers rebuilding infrastructure throughout the country. USAID activities include relief efforts, food, health, education, local governance, agriculture, and construction—which will be the largest component.

The OIG is committed to help ensure that USAID funds in Iraq are used for their intended purposes and that the programs are effective. To date, the OIG has monitored the development of procurements, monitored field activities, met with officials to discuss USAID's planned programs and their audit coverage, developed risk profiles of major program components, and explored options for audit coverage. The OIG will respond proactively, quickly, and in concert with USAID's evolving program plans.

Afghanistan

Afghanistan is also a focal point for the U.S. foreign policy agenda. Decades of conflict, years of severe drought, governmental mismanagement, and the related loss of livelihoods and educational opportunities for the Afghan people have created a humanitarian and development crisis in that country. Over the past year, the U.S. government has provided approximately \$300 million in assistance, and funding may increase in the future.



Photograph of Regional Inspector General Bruce Boyer and USAID/Afghanistan Mission Director Craig Buck in front of a sign indicating USAID improvements on a road in northern Afghanistan.

However, the types of assistance will shift from the fast-disbursing humanitarian relief programs to slower-spending economic assistance efforts. To prioritize OIG workload and determine what type of audit coverage is appropriate for each individual activity being funded and managed by the Mission, the OIG performed risk assessments of USAID/Afghanistan's operations by assessing the overall risk related to USAID/Afghanistan's ability to manage assistance activities. The overriding constraint to managing assistance activities in Afghanistan is the tenuous security situation in that country. Because of security concerns, travel within and particularly outside of Kabul is heavily restricted. In assessing overall risk, the OIG reviewed the Mission's own candid assessment of risk, which the Mission undertook to meet the annual certification requirement for the Federal Managers' Financial Integrity Act. The OIG—and the Mission's own assessment—concluded that overall the risks are high and will remain high for the foreseeable future (see page 24).

Pakistan

On November 15, 2001, the Administration provided a \$600 million cash transfer to the Islamic Republic of Pakistan. The purpose of the grant was to free the Government of Pakistan's domestic revenues for spending on its poverty-reduction and social development program. Grant funds were to be used by the Government of Pakistan to meet foreign exchange

needs; to service its debt owed to the Government of the United States of America, World Bank, Asian Development Bank, or International Monetary Fund; and for other purposes or uses as agreed to between the United States and Pakistan.

The OIG conducted an audit to determine if USAID monitored the Government of Pakistan's compliance with the terms of the grant. The OIG concluded that USAID officials did not fully consider its monitoring requirements prior to the grant award or during the Government of Pakistan's use of the award. However, there was no evidence that grant funds were not used for debt relief (see page 25).

The OIG will perform, as needed, additional audits and risk assessments in order to safeguard U.S. interests in Iraq and Central Asia.

Expanding Accountability

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

Expanding Supreme Audit Institutions' Capabilities

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

Before SAI audits can be accepted by USAID, the SAI must meet certain requirements concerning its professional capability and independence. The acceptance process usually requires that the SAI, the USAID Mission, and the OIG all sign a Memorandum of Understanding (MOU) detailing standards and procedures to be used in auditing USAID funds provided to the host government. The MOU states that the OIG will provide technical advice to the SAIs and that the OIG will perform quality control reviews of SAI work. The OIG's close relationship with the SAIs has led to significant improvements in the quality of their audit work. The OIG and USAID missions have signed MOUs with SAIs in 19 countries.

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

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Training USAID Staff and Partners

The OIG remains committed to a proactive approach to preventing losses before they occur and continues to provide financial management and fraud awareness training to USAID employees, contractors, grantees, Supreme Audit Institutions (SAIs), and auditors from local accounting firms.

Financial Management Training

USAID's contracts and grants include provisions (cost principles) that define what types of costs are legitimate charges to support USAID programs. While the full text of these cost principles are contained in voluminous sections of the Federal Acquisition Regulation and various Office of Management and Budget (OMB) Circulars, there generally is only a single sentence in USAID agreements that refers to the applicable section of the Federal Acquisition Regulation or the applicable OMB Circular. To increase awareness of—and compliance with—cost principles and to promote the highest audit standards, the OIG has been presenting training to overseas USAID staff, contractors, and grantees. This training provides both a general overview of U.S. government cost principles and specific real-world examples demonstrating concepts such as reasonableness, allocability and various specific cost principles (e.g. travel expenses, entertainment costs). The training also includes recipient-contracted audit requirements and financial accountability issues.

So far in fiscal year 2003, the OIG has conducted financial management and related training in 11 countries and trained about 700 individuals. These individuals included representatives from USAID missions, SAIs, local governments, local accounting firms, non-government organizations (NGOs), and USAID contractors and grantees.

Fraud Awareness Training

So far in fiscal year 2003, the OIG has conducted fraud awareness training in 19 countries for 1,479 individuals.

October 2002

The OIG conducted two fraud awareness presentations in Katmandu, Nepal, where there were 105 attendees, including USAID employees, contractors, grantees, and employees of the Nepalese Supreme Audit Institution (SAI). The OIG also conducted three fraud awareness presentations in Belgrade, Yugoslavia, which included



Photograph of Jim Gaughran, Audit Manager, presenting a course on USAID Financial Audit Requirements to staff of the Zambian Auditor General's Office (the Supreme Audit Institution for that country), local CPAs, and an NGO in January 2003.

42 attendees made up of Mission employees, contractors and grantees. Finally, the OIG gave a fraud awareness briefing to six newly hired USAID employees who will serve in Mission Executive Offices.

November 2002

The OIG conducted a fraud awareness presentation in Dar Es Salaam, Tanzania, for 37 attendees, including USAID/Tanzanian employees, local CPA firm representatives, NGO personnel, and Tanzanian government officials. The OIG also provided a fraud awareness presentation in Addis Ababa, Ethiopia, to 96 attendees, including USAID/Ethiopia employees, local CPA firm representatives, NGO personnel, and Ethiopian government officials. Finally, in Washington, D.C., the OIG gave a fraud awareness briefing to a plenary session of the NGO Biennial Conference, sponsored by the USAID Office of Foreign Disaster Assistance. There were approximately 220 attendees, primarily from NGOs and Office of Foreign Disaster Assistance.

December 2002

The OIG conducted a fraud awareness presentation in Dhaka, Bangladesh, for 34 attendees, including USAID employees, contractors, and employees of the SAI. The OIG also presented two fraud awareness briefings in Beirut, Lebanon, for 24 attendees made up of USAID employees, contractors and grantees. In addition, the OIG provided two fraud awareness presentations in Kinshasa, Democratic Republic of the Congo, for 53 attendees, including USAID personnel, employees of international organizations, and NGO and Private

Voluntary Organization personnel. Further, the OIG gave two fraud awareness presentations in Katmandu, Nepal, to 34 attendees, including representatives of USAID/Nepal, NGO personnel, and officials of the Government of Nepal. Finally, the OIG conducted a fraud awareness presentation in Pretoria, South Africa, for 29 attendees at a Cognizant Technical Officer training session. Trainees included USAID personnel from Africa and the Middle East and auditors from RIG/Pretoria.

January 2003

The OIG conducted a fraud awareness presentation in Mexico City for 50 attendees, including USAID/Mexico employees, contractors and grantees. The OIG also gave a fraud indicators briefing in Mexico City to a group of Mexican government officials and local businessmen. There were approximately 200 attendees at the presentation, which was given in Spanish.

Also during January, the OIG conducted a fraud awareness presentation in Bosnia-Herzegovina to 43 attendees, including USAID employees, contractors and grantees. In addition, the OIG gave a fraud awareness training session in Manila, the Philippines, to 42 USAID employees, contractors and grantees. In Lusaka, Zambia, the OIG presented two fraud awareness briefings to 60 attendees, including USAID/Zambia employees, local CPA firm representatives, NGO personnel, and representatives from the Zambian Auditor General's Office. Finally, in Pristina, Kosovo, the OIG provided four fraud awareness training sessions to 72 attendees, including USAID employees, contractors and grantees.



Photograph of OIG Investigator Mary O'Mara giving a Fraud Awareness Presentation to staff of the Zambian Auditor General's Office (the Supreme Audit Institution for that country), local CPAs, and an NGO in January 2003.

February 2003

The OIG conducted fraud awareness training in Tashkent, Uzbekistan, for 62 attendees, including USAID employees, contractors and grantees. In Almaty, Kazakhstan, the OIG provided two fraud awareness training sessions for 118 attendees made up of USAID staff, contractors and grantees. Finally, the OIG gave a fraud awareness presentation in Bishek, Kyrgyzstan, for 40 attendees, including USAID employees, contractors and grantees.

March 2003

In Durban, South Africa, the OIG presented two fraud awareness presentations. In the first there were 33 attendees from South African NGO's, USAID contractors and grantees. In the second, there were ten representatives from South African CPA firms. In East London, South Africa, the OIG conducted fraud awareness training for 14 representatives from South African NGOs. Finally, in Cape Town, South Africa, the OIG gave two fraud awareness presentations. One included eight representatives from South African CPA firms, while the other included 28 representatives from South Africa NGOs.

In Moscow, Russia, the OIG presented fraud awareness training sessions to eleven USAID personnel at the USAID/Russia Mission. In addition, in Cairo, Egypt, the OIG provided fraud awareness training for eight USAID personnel from the USAID Commodity Import Office.

Presenting Anticorruption Programs and Concurrent Auditing at International Forums

The OIG made a presentation in Mexico on the importance of education in anticorruption programs to approximately 200 individuals. The forum was sponsored by members of the business community. In addition, during a workshop on good governance the OIG made a presentation in Senegal that addressed OIG activities to increase accountability in the international environment.

The OIG also participated in the 7th Annual Tokyo International Audit Forum in Tokyo, Japan, which was sponsored by the Supreme Audit Institution (SAI) of Japan. Speakers included a representative from the OIG, as well as representatives from the U.S. General Accounting Office and the SAIs of Japan, Canada, Australia, New Zealand, the United Kingdom, the Netherlands, Sweden, and Germany. The OIG representative gave a presentation on "Auditing Foreign Disaster Assistance," which recounted the OIG's experience in auditing the

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Central America and the Caribbean Emergency Disaster Recovery Fund, and the development of a model that assessed risk in large, complex, multi-faceted programs. He then discussed the application of this model to other audit situations, such as flood relief in Mozambique and infrastructure rehabilitation in Afghanistan.

Accountability over Contractors and Grantees

USAID is required by Federal Acquisition Regulations, the Single Audit Act, Office of Management and Budget (OMB) Circulars, and its own internal policies and procedures to obtain appropriate and timely audits of its contractors and grantees. The OIG provides oversight of these audit activities, ensuring that audits are conducted in accordance with appropriate quality standards, thereby enhancing accountability over USAID contractors and grantees. Also, in accordance with provisions in USAID contracts and agreements, the OIG reviews audit reports of foreign organizations receiving USAID funds. The OIG further enhances the accountability over grantees and contractors by providing training in U.S. government cost principles.

Audits of U.S.-Based Contractors

U.S.-based contractors carry out many USAID-funded activities. Since 1994, according to USAID, it has requested audits, reviews, or pre-award surveys on 478 separate for-profit contractors. The Defense Contract Audit Agency (DCAA) conducts this work for USAID; the OIG then reviews DCAA's reports and transmits them to USAID management.



Photograph of Regional Inspector General Bruce Boyer giving closing remarks at the 7th Annual International Audit Forum in Tokyo.

During this reporting period, the OIG reviewed and transmitted 23 DCAA reports on U.S.-based contractors. These reports covered approximately \$261.3 million in costs claimed by the contractors and identified \$2.5 million in questioned costs.

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

U.S.-based nonprofit organizations (grantees) also receive significant USAID funds to implement development programs overseas. As required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," non-Federal auditors perform annual financial audits of USAID grantees that expend over \$300,000 of Federal funds annually. These auditors are required to identify (1) reportable conditions involving major programs, (2) material noncompliance with laws and regulations, (3) known fraud affecting a Federal award, (4) known questioned costs above \$10,000, (5) misrepresentations of the status of prior audit findings, and (6) the reasons why the auditor's report on compliance for major programs is other than unqualified.

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

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

During the current reporting period, the OIG:

- Reviewed and issued 26 non-Federal audit reports covering USAID funds of over \$105 million spent by U.S.-based grantees.
- Completed 6 quality control reviews covering \$120.7 million in grantee expenditures.
- Issued 11 reports completed by DCAA on U.S.-based grantees.

Audits of Foreign-Based Contractors and Grantees

OMB Circular A-133 does not apply to foreign-based contractors and grantees. However, given the high-risk environment in which USAID operates, USAID has extended similar audit requirements to its foreign-based contractors and grantees through standard provisions included in grants, cooperative agreements, and contracts and through “Guidelines for Financial Audits Contracted by Foreign Recipients,” issued by the OIG.

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

The OIG reviews all audit reports and, if they are found to be in compliance with the “Guidelines for Financial Audits Contracted by Foreign Recipients,” transmits the report to the appropriate USAID mission. Audit firms are notified of any problems identified in the review of the audit reports. For example, the OIG did not initially accept a recipient-contracted audit report and worked with the audit firm to correct the problems. As a result, the revised report included over \$325,000 in additional questioned costs and eight additional instances of material noncompliance.

During the most recent reporting period, the OIG reviewed and transmitted 115 audits of foreign-based organizations, resulting in \$3.2 million in questioned costs and 101 recommendations. The OIG also completed 15 quality control reviews to ensure that the audits were completed in accordance with appropriate audit standards.

Introduction to USAID Bureaus

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

USAID is organized into ten major bureaus and has additional specialized offices. The bureaus are further divided by region, program focus, and support function. USAID's bureaus are:

Regional Bureaus

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

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

Program or Pillar Bureaus

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

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

Support Bureaus

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

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

Independent Offices

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

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

This report includes results for the OIG's work related to some, but not all, of USAID's bureaus and offices.

Bureau for Africa

Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities Funded by the Southern Africa Floods Supplemental Appropriations

During 2000, southern Africa experienced the worst flooding in a century. To help alleviate problems caused by this flooding, the U.S. Congress appropriated \$160 million in emergency funds. The purpose of these Southern Africa Floods Supplemental Appropriations (Supplemental Appropriations) was to provide immediate rescue, relief, resettlement and reconstruction activities in the affected countries.

In fiscal year 2000, Congress appropriated \$25 million for the Southern Africa Flood Reconstruction Program to provide assistance for southern African countries affected by flooding. USAID/Mozambique received \$20 million of the \$25 million appropriated, of which \$1 million was allocated for road rehabilitation and reconstruction. In fiscal year 2001, USAID/Mozambique received an additional \$112 million, of which \$34 million was to be used for road rehabilitation and reconstruction.

In a joint effort with the Government of Mozambique, the Mission identified four road segments and a bridge to finance—in part—with Supplemental Appropriations funding. To implement these activities, the Mission

awarded contracts to two engineering consulting firms and to three construction firms. USAID/Mozambique was to provide 94 percent of the funding and indirectly monitor the construction contractors.

The OIG determined that USAID/Mozambique generally implemented and monitored its road and bridge repair and reconstruction activities in accordance with USAID policies and procedures. The bridge and three of the four road segments planned for reconstruction were on target to be completed within established time and budget limitations. However, in spite of USAID/Mozambique's actions in response to problems identified with contractor performance on one road segment, reconstruction work continued to be substantially delayed, and the quality of work was substandard. As a result, although a temporary functional road had been restored for local residents affected by the floods, those residents would not benefit from a permanent road as soon as anticipated. In addition, USAID/Mozambique did not conduct required annual performance evaluations for the two engineering consulting firms. This could result in the future selection of contractors with poor past performance because vital information on the contractors' performance had not been officially documented.

The audit report recommended that:

- USAID/Mozambique develop a plan of action to overcome known shortfalls in the reconstruction of the temporary road segment and include in that plan a definitive timeframe for the timely completion of the road segment.




The photograph on the left shows a road that sustained damage from the floods, the photograph on the right shows a different road that sustained similar damage after repairs had been completed.

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- USAID/Mozambique conduct a current performance evaluation of the two engineering consulting firms contracted to provide design and supervision services for the repair and reconstruction of road segments and bridges funded under the Southern Africa Floods Supplemental Appropriations, and then prepare a Contractor Performance Report documenting the results of the evaluations.

Management accepted both recommendations and stated that the Mission had already taken corrective action.

(Audit Report No. 4-656-03-001-P)



Audit of Potential Conflicts of Interest in USAID/Ghana's Contracting and Managing of USAID-Financed Activities

U.S. Government employees are strictly prohibited from participating in activities involving conflicts of interest and are required to avoid even the appearance of conflicts of interest when serving in an official government capacity. One of the most sensitive and high-risk areas of fraud within USAID programs is collusion for personal gain between USAID employees and USAID recipients, including vendors, grantees, and contractors. This high-risk area has become increasingly important over recent years as USAID relies more and more on contractors, not only to implement projects, but also to design, evaluate and audit them.

The Office of Government Ethics requires annual ethics training for Federal employees. At USAID, U.S. direct hires and personal service contractors must attend the training if they are (1) presidential appointees, (2) persons who file either a Public Financial Disclosure or a Confidential Financial Disclosure form, or (3) contracting and procurement officials. The regional legal advisor from USAID/Senegal is responsible for conducting the annual training sessions.

The objective of this audit was to determine if USAID/Ghana's files and other records reflect any potential conflicts of interest in the contracting and managing of its programs. The OIG determined that USAID/Ghana's files and other records did not reflect any potential or actual conflicts of interest in contracting or managing its programs. However, the OIG did note weaknesses in the control areas relating to conflicts of interest certifications and training. First, the Mission's files did not include conflict of interest certifications for all technical evaluation committee members who reviewed contract proposals,

as required by its own internal policy and procedures. Second, the Mission could not provide documentation evidencing the completion of training relating to conflicts of interest.

The OIG recommended that the Mission obtain signed conflict of interest certifications for all members serving on technical evaluation committees and that the Mission document and maintain up-to-date records of its ethics and other training relating to conflicts of interest.

USAID/Ghana concurred with both of the findings and recommendations, which were closed upon issuance of the audit report.

(Audit Report No. 7-641-03-002-P)



Audit of USAID/Uganda's Financial Operations and Controls for Fiscal Year 2002

This was part of a USAID-wide audit of its fiscal year 2002 financial statements prior to submission to the Office of Management and Budget. The objective of this audit was to determine if USAID/Uganda's fiscal year 2002 financial data were free from material misstatements.

The audit reviewed financial data generated in nine of the Mission's accounting processes: advances, accruals, data calls, disbursements, SF-1221 Treasury Fund Balance reconciliation, budgetary balances, Foreign Currency Trust Fund activity, closing procedures, and exception reporting.

Audit results showed that USAID/Uganda's fiscal year 2002 financial data were free from material misstatements. The Mission also had taken corrective actions to correct weaknesses that were identified earlier during the internal control phase of the Government Management Reform Act audit. As a result, the substantive testing phase of the audit did not identify any discrepancies in the Mission's financial data reported for fiscal year 2002 that would materially impact the Mission's account balances. However, the audit identified four issues that had an immaterial impact on USAID/Uganda's financial data. The OIG reported those issues in a separate management letter to the Mission.

Therefore, the audit report did not include any recommendations, and the Mission corrected the immaterial findings detailed in the management letter.

(Audit Report No. 4-617-03-002-F)

Audit of USAID/Mali's Self-Help Program

Funded through the Regional Africa Bureau, the Africa Special Self Help (SSH) Program is designed to provide small grants to fund SSH activities that would have an immediate impact. The projects were funded through USAID allotments, and the accounting for these funds was performed at the USAID field accounting station.

The objective of this audit was to determine if USAID/Mali administered, obligated, and deobligated the funding of its SSH activities in accordance with USAID guidelines. The audit found that, in general, USAID/Mali administered, obligated, and deobligated the funding of its SSH activities in accordance with USAID guidelines; however, the Mission did not always perform annual Section 1311⁶ reviews, support advances, or include all required information in some activity agreements.



Photograph of a water conduit constructed with Special Self Help Program funds in the Koulikoro region of Mali.

The OIG made several recommendations, including that:

- The Controller's Office perform a Section 1311 review for fiscal year 2002.
- USAID/Mali, in coordination with the U.S. Embassy/Bamako, deobligate or justify excess balances, outstanding advances, and unliquidated obligations.
- USAID/Mali develop procedures that address methods of payment, pro forma invoices, and requirements for writing self-help activity agreements.

⁶ Section 1311 of the Supplemental Appropriations Act of 1955 requires agencies to perform annual reviews of all recorded outstanding obligations.

USAID/Mali concurred with all of the findings and recommendations, and six of the seven recommendations were closed upon issuance of the report.

(Audit Report No. 7-688-03-001-P)

Audit of USAID/Ethiopia's Financial Operations and Controls for Fiscal Year 2002

This was part of a USAID-wide audit of USAID's fiscal year 2002 financial statements prior to their submission to the Office of Management and Budget. The objective of this audit was to determine if USAID/Ethiopia's fiscal year 2002 financial data were free from material misstatements.

The audit reviewed and tested management controls over financial data generated in seven of the Mission's accounting processes: advances, accruals, data calls, disbursements, SF-1221 Treasury Fund Balance reconciliation, budgetary balances, and closing procedures.

Audit results showed that USAID/Ethiopia's fiscal year 2002 financial data were free from material misstatement for the Mission processes reviewed. In addition, the OIG did not identify any discrepancies in the Mission's fiscal year 2002 financial data that would materially impact the Mission's account balances. Therefore, the OIG did not provide any recommendations.

However, the audit identified one immaterial reporting issue, concerning property, plant, and equipment, that was reported in a separate memorandum to USAID/Ethiopia.

USAID/Ethiopia management agreed with the OIG's findings.

(Audit Report No. 4-663-03-001-F)

Risk Assessment of USAID-Financed Assistance to Nigeria

After 40 years of ineffective and often corrupt civilian regimes and military dictatorships, Nigeria is in the midst of a difficult political transition. With the May 1999 transition from a military to an elected civilian government, Nigeria took a major political step. The Government of the Federal Republic of Nigeria continues to rebuild government and social institutions, as well as to make attempts to revitalize its economy. This political and economic transition has been difficult, and the challenges ahead

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are significant. Nigeria's development is hampered by an over-dependence on oil, limited foreign and domestic investment, ineffective economic management, a high population growth rate, an overburdened and ineffective education system, ethnic and religious conflict, a history of weak governance and corruption, and an increasing HIV/AIDS prevalence rate.

This risk assessment was designed to develop an understanding of the programs and determine the risks associated with the following:

- Sustainment of the transition to democratic civilian government.
- Economic reform and agricultural growth.
- Education reform.
- Health and child survival.
- The Mission's functional offices (program and projects development, executive, and controller).

The OIG assessed sustaining the transition to democratic civilian governance as high risk due to external factors such as continued civil unrest, political strife and the uncertainties related to the upcoming elections. All other activities reviewed were assessed as moderate risk.

The Mission fully concurred with the risk assessment.

(Report No. 7-620-03-002-S)

Survey of USAID-Financed Assistance to the Democratic Republic of the Congo

USAID/Democratic Republic of the Congo has programs relating to health, democracy, and environment. In order to perform the survey, the OIG assessed the risk associated with each area, as well as other major functions of the Mission program, executive, and controller's offices. In addition, the OIG examined the risk associated with the USAID/Office of Foreign Disaster Assistance in the Congo.

Due to a minimal operating budget in conjunction with experienced personnel, risk in the executive office was assessed as moderate. All other functions—including child survival and health activities, democracy and governance, environmental activities, Office of Foreign Disaster Assistance, and the Mission's program and controller's offices—were assessed as high-risk due to the volatile political and economic situation in the Congo.

For example, rebel armies occupy parts of the country, project sites have been robbed, and planes carrying supplies to Mission programs have been subject to gunfire.

The risk assessment also revealed that the Mission does not have a set of mission orders or a performance-monitoring plan and did not properly perform the assessment of internal controls as required by the Federal Managers' Financial Integrity Act.

Overall, the risk exposure associated with USAID mission in the Congo is considered high.

The Mission fully concurred with the OIG's conclusions.

(Report No. 7-660-03-001-S)

Investigation Results in Bills for Collection Totaling \$765,363

An OIG investigation into Foreign Nationals not returning from USAID-financed training in the U.S. has resulted in the issuance of seven Bills for Collection for \$765,363 by a USAID Mission in East Africa. This amount covers the cost of the long-term training paid by USAID to seven different Foreign Nationals who failed to return home and report for work for two years upon completion of their training in the U.S. (as stipulated in their training agreement). The OIG is working with the U.S. Department of Justice and Homeland Security to locate these individuals.

Investigation Results in Guilty Plea by USAID Employee

An OIG investigation was initiated based on an allegation that a USAID employee, a Contracting Officer, submitted a false lodging receipt in connection with pre-departure expenses associated with assignment to an overseas post.

The OIG investigation disclosed that the employee (subject) created and submitted a fraudulent invoice to a USAID Mission for payment of expenses that were not incurred. USAID reimburses employees a maximum of 10 days for pre-departure expenses, including lodging and meals. The invoice submitted by the subject indicated that the person stayed in a furnished apartment for 10 days at a cost of \$3,000. However, the investigation revealed that the subject stayed at the apartment for 30 days and received two invoices totaling \$2,916. The

subject created the fraudulent invoice by using the top half of one of the true invoices and typing in false information indicating a stay of ten days at a cost of \$2,950 plus a bed tax of \$50.

The employee pled guilty in the United States District Court (USDC) for the District of Columbia to a charge of violation of Title 18, U.S. Code, Section 641, Theft of Public Money. Furthermore, the subject agreed to pay restitution in the amount of \$1,978. Subsequently, the employee was sentenced to two years' probation and 100 hours of community service. In addition, the employee is prohibited from engaging in any financial contracts unless approved by the probation office.

Joint Audit/Investigation Results in Systemic Improvements and Refund of over \$12,000

An OIG investigation conducted in cooperation with OIG Audit resulted in the adoption of systemic improvements by a U.S.-based contractor and the voluntary refund of \$12,753. The investigation was initiated based on allegations submitted to RIG/Pretoria. The allegations involved overcharges to a USAID project in Southern Africa and centered on the housing costs for the U.S. contractor's Chief of Party. As a result of the audit/investigative effort, the contractor instituted two systemic changes for its internal operations. It formulated and implemented a housing policy to prevent such over-expenditures, and it adopted a practice of reviewing project support expenditures on a monthly basis. The contractor also returned overcharges of \$12,753.

Bureau for Asia and the Near East

Risk Assessment of Major Activities Managed by USAID/Afghanistan



To prioritize OIG workload and determine what type of audit coverage is appropriate for each activity being funded and managed by the Mission, the OIG performed risk assessments of USAID/Afghanistan's operations as a whole and of those activities planned to date. In calendar year 2002, the Mission established and began implementing two major activities. One was a three-year, \$143 million Rehabilitation of Economic Facilities and Services Program, whose purpose is to promote economic recovery and political stability in Afghanistan by repairing selected infrastructure. The other was a \$40 million Sustainable Economic Policy and Institutional Reform Support Program, whose purpose is to provide technical assistance to the Afghan government in the areas of economic governance and institutional reform.

The OIG concluded that the overall risk related to USAID/Afghanistan's ability to manage assistance activities was high and will remain so for the foreseeable future. The overriding constraint to managing assistance activities in Afghanistan is the tenuous security situation in the country. Security concerns affect the Mission's ability to (1) provide suitable working and living conditions, (2) readily travel to project sites, and (3) recruit and retain personnel. The Mission fully recognized these constraints and the risks they posed, and proposed corrective actions. However, most of the proposed actions will require the support of the U.S. Embassy in Kabul. For the two major activities assessed, the OIG rated the risk exposure as high for the Rehabilitation of Economic Facilities and Services Program and medium for the Sustainable Economic Policy and Institutional Reform Support Program. Based on these risk exposures, the OIG determined the appropriate level of audit coverage for the two activities.

USAID/Afghanistan is a new mission just beginning to carry out its own funded activities. As it establishes additional activities, the OIG will perform, as needed, additional risk assessments to determine appropriate audit coverage and to prioritize its workload to assist the Mission in ensuring adequate audit coverage of the activities it directly funds and manages.

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USAID/Afghanistan generally agreed with the risk assessment but did comment on what it believed were limitations of the risk assessment. For example, the Mission commented that the risk assessment (1) did not cover operational activities such as procurement and warehousing and (2) seemed to indicate a limited role by the OIG in ensuring adequate audit coverage of USAID activities in Afghanistan. The OIG pointed out that the operational activities were not covered because procedures and personnel for them were just being put into place at the time the risk assessment was performed. The OIG also pointed out that it had developed a comprehensive audit strategy for Afghanistan. This strategy calls for significant, direct involvement by the OIG to help USAID ensure that its activities in that country receive appropriate audit coverage.

(Report No. 5-306-03-001-S)

Risk Assessment of USAID-Financed Assistance to West Bank and Gaza

The OIG performed this review at the Mission's request to determine (1) USAID's current and planned activities and funding levels for the West Bank and Gaza, (2) who are the U.S. and local implementers of USAID/West Bank and Gaza activities, and (3) the significant risk areas that should be covered in future audits. This review assigned an audit priority of high, medium, or low for each of the Mission's projects. A higher priority simply indicates that the particular activity is more vulnerable to its objectives not being achieved or irregularities occurring, and should be a high audit priority. It does not imply that irregularities are actually occurring.

The OIG identified a universe of 39 projects that were included in its audit strategy. Some large projects, which have not yet been awarded, were included because of the high dollar amount of the project. Other projects that have ended were excluded from the audit strategy. Of the 39 projects reviewed, the OIG concluded that 7 projects were rated as high priority for audit, 23 projects were rated medium, and 9 projects were rated low.

Based on the assessments of risk, the OIG suggested that the Mission first focus on finalizing a plan to audit the seven highest priority projects identified during the assessment. The management of USAID/West Bank and Gaza agreed with the OIG's risk assessments and suggestions. With the assistance of the Mission an audit strategy was developed which addressed the suggested action.

(Report No. 6-294-03-001-S)

Audit of USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005

On November 15, 2001, the Administration provided a \$600 million cash transfer to the Islamic Republic of Pakistan, a key front-line partner in our global campaign against terrorism. The funds were to be used by the Government of Pakistan to meet foreign exchange needs; to service its debt owed to the Government of the United States of America, World Bank, Asian Development Bank, or International Monetary Fund; and for other purposes or uses as agreed to in writing between the United States and Pakistan. The OIG conducted this audit to determine if USAID monitored the grant activity of the Government of Pakistan to ensure its compliance with the terms of the grant.

The OIG determined that the Bureau for Asia and the Near East (USAID/ANE) did not design the grant to allow for effective oversight and did not effectively monitor the Government of Pakistan's compliance with certain provisions of the grant. Specifically, the OIG determined that:

- USAID/ANE officials did not secure authorizations from the Government of Pakistan to have loan records released by each of the Government of Pakistan's creditors to corroborate loan payment data provided by the Government of Pakistan.
- USAID/ANE officials did not obtain timely required reports from the Government of Pakistan on the use of the separate dollar funds and the status of the Separate Dollar Account, as required by the agreement.
- USAID transferred grant funds into an interest-bearing account, although Article V, Section 5.1, of the agreement requires grant funds to be deposited into a non-interest-bearing account, and did not establish procedures to ensure that interest earned was returned to USAID.

The OIG recommended that USAID:

- Implement procedures to obtain third-party authorizations necessary to monitor its cash transfer grant awards to the Government of Pakistan and all other foreign government grantees.
- Implement procedures to monitor its grant agreements on an ongoing basis.

- Identify and collect the difference between interest remitted by the Government of Pakistan and total interest earned in the Separate Dollar Account associated with this grant.

USAID officials agreed with the recommendations.

(Audit Report No. 0-000-03-001-F)

Audit of USAID/Egypt's Small and Microenterprise Development Activities

In support of USAID's small and microenterprise program, USAID/Egypt began implementing a \$35 million Small Enterprise Credit Project in 1996 and an \$85 million Small and Emerging Business Project in 1997. The OIG audited these two projects to determine if: (1) USAID/Egypt administered its activities in accordance with applicable USAID guidance and (2) the activities had progressed towards their intended results.

The audit concluded that USAID/Egypt had administered small and microenterprise development activities in accordance with applicable USAID guidance. However, USAID/Egypt's small and microenterprise activities had mixed results for calendar year 2001. One indi-



Photograph of a borrower (left), who mixes and sells car paints, and the loan extension officer (right), who arranged for the borrower's loan.

cator (poverty loans) exceeded its target by more than 90 percent, but another indicator (value of loans disbursed) fell short of its target by 15 percent. Also, the Mission had underreported poverty lending⁷ results in its 2002 Annual Report, and results for two banking institutions could not be verified.

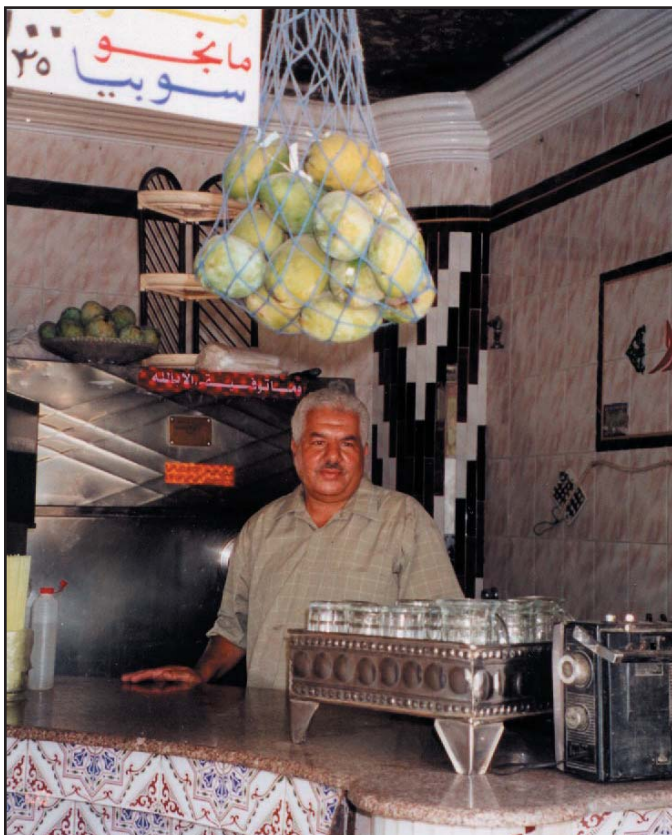
The OIG recommended that the Mission not report lending results until data quality assessments have been performed. USAID/Egypt agreed and took action to perform the required data quality assessments.

(Audit Report No. 6-263-03-002-P)

Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities

USAID/Egypt has procured significant amounts of commodities annually for the Commodity Import Program and for other projects. During fiscal year 2001, USAID/Egypt procured over \$265.8 million in commodities for the Commodity Import Program and paid almost \$22 million for project commodities.

⁷ Poverty lending is a subset of microfinance program efforts in which very small loans are targeted toward very poor clients. For sub-Saharan Africa, Asia, and the Near East poverty loans are loans of \$300 or less.



Photograph of a borrower, who operates a juice shop.

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The OIG conducted this audit to determine whether USAID/Egypt performed end-use checks in accordance with USAID requirements and applicable regulations, which require missions to carry out, or to arrange to have carried out, end-use checks on commodities purchased by USAID funds to confirm their use in accordance with USAID's requirements and applicable regulations.

Overall, USAID/Egypt performed end-use checks as required on the bulk of commodities purchased. However, commodities purchased for five strategic objectives had not received periodic end-use checks.

The OIG recommended that the Director, USAID/Egypt, implement the aforementioned requirements and regulations.

USAID/Egypt agreed with the recommendation.

(Audit Report No. 6-263-03-001-P)



Photograph of OIG Special Agent Marvin Burgos (left), Auditor Mark Norman (center), and Special Agent Scott Nichols (right) discussing a case of overcharging by a contractor in the West Bank and Gaza.

Investigation Results in Refund of \$51,622 in Overcharges

As the result of an OIG investigation, an American construction firm working on a USAID-funded project in the West Bank and Gaza reimbursed USAID \$51,622 for overcharges of project costs. A joint review by OIG auditors and investigators discovered that, contrary to the contract provisions, the construction firm incorporated a 20-percent markup in the overall cost of the project. The USAID contract stipulated that the contractor was entitled to a 5-percent markup if it used sub-contractors to accomplish the work. The construction firm represented to USAID that it would perform all the work itself. However, the investigation determined that some of the work was subcontracted to a local Palestinian construction company.

As a result of this investigation, the construction company reimbursed the overcharged amount.

Investigation Leads to Suspension of Company and Chief Executive Officer

The OIG previously reported that an investigation into a series of suspicious price quotations submitted by a beneficiary of the USAID-financed Commodity Import Program (CIP) in Egypt resulted in an indictment against a Northern California company and its owner. The indictment charged the company and its owner with one count each of wire fraud, false claims, and money laundering for allegedly supplying phony bids on the USAID-financed program. The CIP helps the Egyptian private sector import U.S. products by providing financing in U.S. dollars.

During the current reporting period, the company and its Chief Executive Officer were suspended from eligibility for (1) future contracting with USAID and other U.S. Government agencies; (2) future participation in other USAID-financed agreements, transactions and programs; and (3) future participation in non-procurement activities of other U.S. Government agencies. The suspensions will last for a period of 12 months, pending conclusion of legal proceedings that are a result of the indictment.

Investigation Results in Termination of Foreign Service National Employee

An OIG investigation resulted in the termination of a USAID/Cambodia Foreign Service National (FSN) employee for malfeasance and violation of the USAID "Standards of Ethical Conduct." The OIG initiated the

investigation in response to allegations that the FSN (subject) committed procurement integrity violations during the Mission recruitment process. The investigation revealed that the subject assisted substantially with the recruitment process for a senior FSN position within the Mission and that the subject's spouse applied for that position. In addition, the subject—who had access to the position description, evaluation and selection criteria, and applicant information—also provided assistance to the spouse in support of his application. Furthermore, 80 applicant files that had been transferred to the subject's custody disappeared. Finally, the subject failed to notify USAID officials that the spouse had applied for the position and failed to request recusal from the recruitment process.

Since the subject had extensive involvement with the recruitment process and a direct financial interest in securing employment for the spouse, the recruitment process was suspended, and the subject's employment terminated.

Investigation Results in Reimbursement of over \$39,000

During the previous reporting period, the OIG reported that an investigation in Egypt into submission of false Biographical Data Sheets had resulted in the termination of a prime contractor employee for cause and the termination of the subcontract. During the current reporting period, the prime contractor refunded the over-inflated salary of its former employee and resubmitted the correct amount, resulting in a recovery of \$39,369.

Investigation Yields Recovery of \$142,397

An OIG Investigation into possible source and origin violations associated with a telecommunications project in Egypt resulted in the refund of \$142,397. USAID entered into a \$36 million contract with a U.S. company to build 15 digital switching system central offices in Cairo, Alexandria, Port Said and several new communities in Egypt. The contract also called for the construction of a new operation and maintenance facility in Cairo. An investigation was initiated based on evidence that the contractor had installed electronic parts manufactured outside the United States. The company, which cooperated in the investigation, provided documents showing that electronic parts manufactured in China were installed into the digital switching systems. At that time, USAID regulations prohibited the purchase of Chinese parts.

As a result of the investigation, the company admitted its mistake and agreed to either replace the Chinese components, valued at approximately \$142,000, or refund the money. The company opted to refund the money. However, since the project required further work, the company credited USAID \$142,397 for additional equipment and services.

Bureau for Democracy, Conflict and Humanitarian Assistance

Investigation Leads to Refund of \$50,000 and Savings of \$107,824

An OIG investigation into procurement irregularities in a relief program in Kosovo resulted in a voluntary in-kind refund of \$50,000 and cost savings of approximately \$107,824. The investigation was initiated based on allegations received by the Office of Foreign Disaster Assistance (OFDA). OFDA had contracted with a non-governmental organization (NGO) to purchase commodities on an emergency basis to assist refugees returning to Kosovo. An internal audit by the NGO revealed numerous problems with the procurement procedures used by the unit established for implementation of the contract.

The OIG investigation determined that the head of the unit and the purchasing officer had engaged in a fraudulent scheme to profit from the lease for office and warehouse space. They had the owner lease the space to a company controlled by the purchasing officer, and then subleased the space to the NGO after inflating the price by \$32,000. Furthermore, they failed to follow proper competitive bidding procedures and accepted fake bids from vendors, which increased the price of commodities by about \$800,000.

The NGO did not extend the contract of the project coordinator as a result of their internal audit. The purchasing officer vacated her job when the acting project coordinator began to question the lease arrangements. As a result of the OIG investigation, the NGO revised and strengthened its procurement policies and procedures to prevent similar abuses in the future. Further, the NGO did not charge USAID for the \$32,000 portion of the lease that was inflated or for a \$75,824 advance paid to a vendor for chlorine gas tanks that were not usable. Finally, the NGO voluntarily provided \$50,000 of its own funds to support another USAID program for which it was the grantee.

Bureau for Economic Growth, Agriculture and Trade

Investigation Results in Reprimand for USAID Employee

An OIG investigation was initiated based on an allegation that a USAID Cognizant Technical Officer (CTO) was engaged in a conflict of interest when that CTO accepted website design services from a USAID grantee employee. The CTO, who was responsible for oversight of the grant, was a personal friend of the grantee employee.

The OIG investigation disclosed that the CTO (subject) later learned that the grantee employee did not pay for the website; rather, the president of the grantee company paid for it. The OIG obtained copies of both the invoice and a personal check from the grantee president that reflected that the website design cost \$3,150. Based on these findings, it was determined that the subject was in violation of the Standards of Ethical Conduct for Employees of the Executive Branch.

The United States Attorney's Office declined prosecution in lieu of administrative action. Subsequently, the USAID Office of Human Resources issued the employee a letter of reprimand for failing to act in a trustworthy and reliable manner. The letter of reprimand will remain in the individual's official personnel file for a period of 24 months.

Bureau for Europe and Eurasia

Audit of USAID Mission for the Caucasus' Monitoring of American International Health Alliance's Performance in Georgia

This audit was designed to test whether USAID/Caucasus monitored American International Health Alliance's (AIHA) performance to ensure that intended results were achieved in Georgia.

The OIG found that USAID/Caucasus was adequately monitoring AIHA's performance and determined that sites and activities—including primary health clinics, the blood bank, the infectious control center, the health management education center, and the women's wellness center—were in existence, operating as reported, and staffed by enthusiastic, well-trained Georgian health professionals.

However, the OIG recommended that USAID/Caucasus strengthen its monitoring of its partner by:

- Requiring AIHA to submit a monitoring and evaluation plan for Mission concurrence as soon as possible, including agreed-upon performance measures.



Photograph of AIHA- and USAID-sponsored generator, which is an essential piece of equipment for the Mtshketa primary health care center since the city is frequently without electric power.

- Developing a field site visit plan for AIHA's activities based on a risk assessment of its portfolio, including required trip reports recording the purpose and results of the trips.
- Issuing an administrative modification to AIHA requiring timely and consistent submission of financial information.

USAID/Caucasus officials agreed with the findings and recommendations and have taken final action to address them.

(Audit Report No. B-123-03-001-P)

Investigation Results in Jail Terms and Restitution of \$700,000

The OIG previously reported that as a result of an investigation conducted jointly by the OIG and the Federal Bureau of Investigation, two former executives of a USAID enterprise fund pled guilty in Federal court to several offenses in connection with a scheme to defraud a USAID development program.

Consequently, a Federal judge sentenced one former executive to 12 months' incarceration in Federal prison, 3 years of supervised release, 200 hours of community service, and restitution in the amount of \$400,000. Likewise, the other former executive was sentenced to 18 months' incarceration in Federal prison, 3 years of supervised release, 200 hours of community service, and restitution in the amount of \$300,000.



Photograph of ultrasound machine in renovated Kutaisi Women's Wellness Center. Georgian medical staff received training in the use of this equipment in both the U.S. and Georgia.

During the investigation, Federal agents also seized a yacht and \$150,000 from a brokerage account. The cash obtained from the brokerage account, along with the proceeds from the sale of the yacht, will be applied towards restitution payments to the U.S. government.

Investigation Results in Probation and Fine

During the previous reporting period, the OIG reported that the former Chief of Party (COP) of a USAID grantee in Moscow, who had been working on a project involving democracy building and business enterprise development in Russia, had pled guilty to filing false statements. The investigation determined that the COP falsified documents to obtain payment for expenses that were found to be bogus.

During the current reporting period, the COP was sentenced to unsupervised probation for a term of 3 years, fined \$7,500, and assessed \$100 court costs in the United States District Court for the District of Columbia.

Bureau for Global Health

Audit of Selected USAID Operating Units' Monitoring of the Performance of Their HIV/AIDS Programs



The audits were designed to determine (1) whether selected USAID operating units monitored the performance of their HIV/AIDS programs in accordance with USAID guidance, (2) whether selected USAID operating units achieved intended results from their HIV/AIDS program, and (3) the status of the efforts of selected USAID operating units to meet anticipated additional HIV/AIDS reporting requirements.

According to the individual audit reports, five of the eight operating units generally monitored performance in accordance with USAID guidance and policies, while three did not. However, all eight operating units had areas for improvement that prompted audit recommendations. Those areas fell into two main categories:

- Improving performance-monitoring plans.
- Planning, conducting, and documenting data quality assessments.

The eight audits also found that, for the 23 performance indicators tested under this objective, the operating units achieved intended results for 10 indicators, but did not achieve intended results for 5 indicators, in part due to circumstances beyond the associated operating units' control. For the remaining 8 indicators, the OIG could not assess whether the operating units met the intended results because (1) performance data were not available due to civil turmoil in the host country, (2) performance targets had not been established, or (3) performance target data were not yet due.

In late fiscal year 2001, with increased resources from Congress, USAID developed an "Expanded Response" to the HIV/AIDS pandemic. In fiscal year 2002, USAID developed a new HIV/AIDS operational plan to accelerate the implementation of the "Expanded Response," to develop a comprehensive program monitoring and reporting system, and to provide increased resources to the field.

The OIG summary report recommended that the Bureau for Global Health, Office of HIV/AIDS:

- Provide training on performance-monitoring development and requirements training to the appropriate operating units.

- Provide training on performing and documenting data quality assessments to appropriate operating units.

In response to the report's findings and recommendations, the Bureau for Global Health, Office of HIV/AIDS acknowledged the ongoing need for training and provided training and technical assistance to priority HIV/AIDS missions to meet the audit recommendations. Moreover, USAID has conducted a refresher workshop on performance management, monitoring, and data quality for USAID/Washington staff providing HIV/AIDS technical assistance to missions.

Based on the actions USAID has taken, the OIG considered that final action had been taken on both report recommendations upon report issuance.

(Audit Report No. 9-000-03-004-P)

Bureau for Latin America and the Caribbean

Risk Assessment of Major Functions Within USAID/Ecuador



Ecuador faces a variety of development challenges. According to the fiscal year 2003 Budget Justification to the Congress, USAID noted that, although the economy is improving, inflation and unemployment in 2001 were high, at 24 percent and 11 percent, respectively. Furthermore, 70 percent of Ecuador's population lives in poverty, confidence in democracy is dangerously low, and narco-terrorism from Colombia increasingly threatens the northern border region. The purposes of this risk assessment were to assist the OIG in planning future audits and to identify opportunities for improvement in USAID/Ecuador operations. In judging the risk exposure for the major functions in USAID/Ecuador, the OIG considered several factors, such as the amount of funding the individual programs received relative to the overall mission budget, the experience of key staff members, and the level of risk inherently present in the activity.

Based upon its review, the OIG assigned:

- High risk to Northern Border Development (improved health conditions in vulnerable towns, improved infrastructure, and strengthened civil society), and Democracy.
- Moderate risk for Southern Border Development (income generation, access to social services, natural resources management, and effective local governance), Poverty Reduction (micro-finance development and improved policy and investment climate), Biodiversity Conservation (protection of Quito's watershed, conservation of the Galapagos Islands, and protection of habitats in the northern border region) and USAID/Ecuador's executive office.
- Low risk for the Mission's contracting, program, and financial management offices.

USAID/Ecuador will take the necessary measures to reinforce or implement new controls.

(Report No. 1-518-03-001-S)

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Audit of USAID/EI Salvador-Financed Housing Reconstruction Activities

The OIG audited Phase I of USAID/EI Salvador-financed housing activities. The audit sought to determine (1) whether the USAID/EI Salvador housing reconstruction activities were on schedule to achieve planned outputs and (2) if eligibility criteria were properly applied to potential beneficiaries.

The OIG found that the USAID/EI Salvador housing reconstruction program was not on schedule. The mission had planned to complete 7,135 houses by July 31, 2002, under Phase I of the program. However, only 3,903, or 55 percent of the number planned, were actually completed by that date. Three out of the seven implementing partners, representing 60 percent of the houses to be built under Phase I of the housing reconstruction program, were behind schedule. Further, one of these three implementing partners had completed only 357 of the 2,880 houses that were to be completed by July 31, 2002. During the course of implementation for Phase I, the Mission identified several problems related to the delays and initiated corrective action.

The OIG recommended that USAID/EI Salvador (1) implement timeliness standards with procedures and a clear statement of responsibilities for preparing and reviewing environmental assessments and (2) obtain a detailed plan from the partner above, showing how it will complete 3,050 houses by its next deadline, March 31, 2003.

The OIG concluded that eligibility criteria were properly applied to potential beneficiaries.

USAID/EI Salvador agreed with the recommendations in this report.

(Audit Report No. 1-519-03-001-P)



Risk Assessment of Major Functions Within USAID/Guatemala

USAID development assistance to Guatemala consists of an agreement between the United States government and the Guatemalan government to address development challenges within the country and a regional program to implement activities throughout Central America. In conducting this risk assessment, the OIG reviewed Guatemalan and regional programs, as well as administrative functions of USAID/Guatemala. The purpose of the risk assessment was to assist the OIG in planning future audits and to identify opportunities for improvements in USAID/Guatemala operations.

In judging the risk exposure for the functions, the OIG considered several factors, among them the amount of funding of the individual functions relative to the overall Mission budget, the experience of key staff members, and the level of risk inherently present in the activity.

Based upon its review, the OIG assigned high risk to the Guatemalan programs for democracy and income; moderate risk to the Guatemalan and regional programs for education, health, environment, and HIV/AIDS; and low risk for the Guatemalan program for environment⁷ and regional program for trade. USAID/Guatemala's administrative functions were assessed as moderate risk for the executive office and low risk for the contracting, program, and financial management offices.

USAID/Guatemala management generally agreed with the report.

(Report No. 1-520-03-002-S)

Audit of USAID-Financed Human Rights Activities in Colombia



The OIG performed this audit to determine (1) how USAID/Colombia funds have been spent under the human rights program, (2) if USAID/Colombia-financed human rights activities were on schedule to achieve planned outputs, and (3) whether USAID/Colombia implemented a monitoring system for its activities in accordance with USAID policies.

As of June 30, 2002, USAID's implementing partner for human rights activities had expended approximately \$5.5 million on prevention of human rights abuses, \$2.4 million on protection of human rights workers, \$1.3 million on programs to improve responses to human rights abuses, and \$1.8 million on management costs.

The OIG determined that 22 of 30 activities were on schedule to achieve planned outputs as of June 30, 2002. In addition, USAID/Colombia implemented a monitoring system for its human rights activities in accordance with USAID policies. However, the Mission did not define data quality assessment procedures in its plan to monitor performance and had not developed an indicator to judge the effectiveness of the program's early warning system.


⁷USAID/Guatemala supports an environmental program at the Guatemalan and regional levels.

The OIG recommended that USAID/Colombia:

- Review the result areas where activities are behind schedule or have not been started and as part of the review, USAID should (a) collaborate with its partner to determine why activities are behind schedule or have not started, (b) determine how other activities in the work plan are impacted by the delayed activities, and (c) determine if planned program results can be achieved with the time and funding remaining under the contract.
- Document data quality assessment procedures for the human rights program in its performance monitoring plan.
- Develop an indicator that demonstrates the effectiveness of the early warning system in preventing human rights abuses.

USAID/Colombia agreed with the OIG's findings and recommendations.

(Audit Report No. 1-514-03-002-P)



Audit of Accountability for Costs Incurred in Peru by U.S.-Based Contractors and Grantees

USAID's U.S.-based contractors are subject to incurred-cost audits, which are generally conducted by the Defense Contract Audit Agency (DCAA). Its U.S.-based grantees are subject to audits performed by audit firms pursuant to Office of Management and Budget (OMB) Circular A-133. The OIG performed this audit regarding U.S.-based contractors and grantees to determine (1) what testing of costs incurred in Peru had been performed and (2) what additional measures USAID/Peru had taken to help ensure that the costs incurred were allowable, allocable, and reasonable.

USAID/Peru monitors costs incurred in Peru by U.S.-based contractors and grantees through voucher reviews and reviews conducted by USAID/Peru financial analysts. In addition, USAID/Peru staff review progress reports and conduct site visits and meetings with contractors and grantees to maintain cognizance of the activities. USAID/Peru relies on OMB Circular A-133 and DCAA audits and has not arranged for any additional audit testing of costs incurred.

Although this report contained no formal recommendations, the OIG determined that USAID/Peru could increase audit coverage of its programs by requesting additional audits. Also, the Mission could request that the audit firms and DCAA perform more in-depth testing procedures.

USAID/Peru agreed with the report and findings.

(Audit Report No. 1-527-03-002-F)

Bureau for Management

Report on USAID's Consolidated Financial Statements, Internal Controls, And Compliance for Fiscal Year 2002

For fiscal year 2002, the OIG reported that USAID's Balance Sheet, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing present fairly, in all material respects, the financial position of USAID as of September 30, 2002, in conformity with generally accepted accounting principles. However, the OIG issued a qualified opinion on USAID's fiscal year 2002 Statement of Net Costs because USAID had not developed a process to consistently allocate expenses to the funding sources, strategic objectives, and related agency goals when it finances grants from multiple sources. Therefore, USAID cannot be fully assured that about \$384 million in fiscal year 2002 expenses were allocated to the corresponding agency goals according to their original purpose or the related activity.

The OIG determined that USAID made improvements in some areas, but still needs to improve certain processes; therefore the OIG recommended that USAID:

- Modify its manual expense distribution methodology.
- Provide reconciliation guidance to its overseas missions.
- Develop and implement standardized documentation and guidance for calculating accounts payable.
- Ensure that new grants and/or modifications are entered into the Department of Health and Human Services Payment Management System in a timely manner.
- Develop and implement a system to immediately recognize and report accounts receivable.
- Conduct second party reviews for credit program balances and activities.
- Establish procedures to close all accounting periods.
- Dispose of all unneeded non-expendable property at its overseas missions.

USAID management agreed with all the recommendations and plans to implement the necessary corrective actions.

(Audit Report No. 0-000-03-001-C)

Audit of USAID's Workforce Planning for Procurement Officers

USAID achieves development results largely through intermediaries—contractors or recipients of grants or cooperative agreements; therefore, efficient and effective acquisition and assistance (A&A) systems are critical. As part of the OIG's multi-year strategy for auditing USAID's procurement activities, this audit was conducted to determine (1) how USAID's A&A function was organized and staffed, (2) what human capital trends were developing within the A&A workforce, and (3) whether USAID had a human capital management plan for the A&A workforce.

The OIG determined that the Bureau for Management, Office of Procurement had not developed a comprehensive workforce plan that covers its entire A&A workforce. As a result, workforce data needed to provide a basis for long-term recruitment, succession planning, budget requests, and training requirements for the entire procurement workforce have not been routinely collected and analyzed.

Since 1997, USAID's procurement function has been the topic of numerous reviews. The reports stated that staffing levels were too low. Moreover, A&A employees consistently reported that their workloads were unmanageable and unfairly distributed between individuals and offices, causing stress and necessitating significant overtime.

The OIG recommended that USAID develop a comprehensive workforce plan for the procurement workforce. The Director of Office of Procurement generally concurred with the audit recommendation; however, USAID has not provided a corrective action plan. According to the Office of Procurement officials, it may be difficult to develop and implement a procurement workforce plan in the absence of a comprehensive USAID workforce plan. The OIG understands that implementation of all components of a workforce plan may not be within the Office of Procurement's total control; however, the OIG believes that developing a procurement plan, including a plan for collecting relevant data, would provide many benefits, including providing support for budget and staffing requests.

(Audit Report No. 9-000-03-001-P)

Audit of USAID's Human Capital Data

The ability of USAID to carry out its mission in the 21st century will depend in part on successfully managing its human capital. This audit was designed to determine (1) what human capital data are being collected by USAID, (2) the accuracy of that data, and (3) when analyzed, what the data indicates.

The OIG found that USAID captures a significant amount of human capital data on its U.S. Foreign Service and civil service employees, which numbered 1,951 at the end of fiscal year 2001. USAID records also indicated that at the end of fiscal year 2001, the non-direct-hire workforce was composed of 5,528 individuals, the majority of whom were non-U.S. personal service contractors working overseas. The OIG found that the human capital data collected and maintained by USAID on these non-direct hires were neither complete nor totally accurate.

The OIG also found that USAID's direct-hire workforce is aging, with high rates of retirement anticipated in the near future. Although USAID has developed a preliminary workforce plan, more work remains in order to meet the requirements reestablished by the Office of Management and Budget. Further, although USAID has a recruitment plan to address anticipated Foreign Service retirements and resignations, a similar plan was not developed for the civil service nor for the non-U.S. direct-hire workforce.

The OIG's recommendations included (1) developing procedures and requirements for reporting accurate complete, consistent and timely data; (2) training personnel to improve performance; (3) issuing reporting guidance; and (4) developing workforce plans.

USAID management agreed with all recommendations.

(Audit Report No. 9-000-03-002-P)

Independent Offices

Office of the General Counsel

Audit of USAID's Compliance with Federal Requirements for Annual Ethics Training and Financial Disclosure Reports for Selected Employees

The OIG conducted this audit, as a result of preliminary findings in the audit of the Agency's overall training function, to determine whether USAID had complied with Federal requirements for financial disclosure reports and annual ethics training for employees having substantive roles in executive branch decisions. In addition to senior-level officials, such employees include individuals with duties involving the exercise of significant discretion in sensitive areas such as contracting, and administering and monitoring grants. The Office of the General Counsel's Division of Ethics and Administration maintains the tracking systems for ensuring required disclosure reports are submitted and reviewed and for ensuring employees receive ethics training when required.

The OIG found that, due to the limitations of Office of the General Counsel's Division of Ethics and Administration's Financial Disclosure Tracking System, ethics program managers were unable to identify all required filers or determine whether every individual required to file a disclosure form had, in fact, done so. In addition, the audit identified 9 public filers and 39 confidential filers who had not filed as of February 1, 2002, although all but two filed by the date of the audit report's issuance. Similarly, there was no reliable system for identifying specific individuals who were required to attend ethics training and ascertaining that they had done so. The ethics training tracking list was incomplete and formatted in a way that made it difficult to use as a tracking tool. With only limited testing, the OIG identified 18 public filers and 20 warranted procurement and executive officers who were either not listed or listed and not shown as having received ethics training.

The OIG recommended several improvements or revisions to USAID's Financial Disclosure Tracking System, including:

- identifying up front the personal service contractors and local national employees who should file disclosure reports.
- using exception lists to track late filers.

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- tying the related ethics training to the Financial Disclosure Tracking System.
- preparing detailed written procedures describing all aspects of maintaining and operating the tracking system.

USAID management concurred with and planned actions to address the OIG's recommendations, primarily through a redesign of the Financial Disclosure Tracking System.

(Audit Report No. 9-000-03-003-P)

African Development Foundation

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

ADF began field operations in 1984 and provides grants directly to community groups in Africa. Based in Washington, D.C., and governed by a seven-member Board of Directors appointed by the President of the United States, ADF receives its funding from congressional appropriations and also obtains supplemental funding from public and private sources. As of March 31, 2003, ADF supported 193 projects in 13 African countries. With an appropriation of about \$18.7 million in fiscal year 2003, ADF provides development grants directly to local organizations in Africa.

OIG Strategy

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

Performance audits also play a key role in maintaining ADF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected ADF operations. These assessments were used to determine where selected ADF operations could be vulnerable and to assist in developing future plans. Further, the OIG has disseminated information to ADF and conducted employee briefings on the OIG Hotline. ADF employees and others can contact the Hotline or the OIG directly to report their concerns about ADF operations. Finally, the OIG will, at all times, remain responsive to any congressional concerns regarding ADF.

Management Challenges

In pursuit of its mission, ADF faces a number of problems, concerns, and difficult issues. This section describes the continuing efforts by ADF to address those major management challenges and OIG efforts to assist in overcoming these challenges.

Performance Monitoring

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

In response to an OIG audit, ADF has replaced its CLOs with new overseas representatives to provide technical assistance to grassroots organizations. ADF plans to add other representatives to assume the monitoring and reporting functions previously performed by CLOs. These representatives will monitor the submission of the grantees' progress and financial reports (including the reports of the technical assistance providers) and screen new grant applications on behalf of ADF. As of March 31, 2003, ADF had recruited field representatives for 10 of the 13 countries where it has active programs. ADF expects to have representatives in the remaining three countries by April 30, 2003.

Implementing an Integrated Financial Management System

ADF prepares a complete set of financial statements, and a private accounting firm, with OIG oversight, audits those statements. Even though ADF again received an unqualified opinion on its financial statements for fiscal year 2002, the OIG identified a number of significant challenges. For example, ADF performed significant accounting functions in systems that are not connected to its general ledger. Information from these separate accounting systems is used to compile elements of ADF's financial statements. Because of this, significant elements of the financial statements are developed from sources other than the general ledger. Some of these elements include grant advances, accounts payable,

undelivered orders, unexpended appropriations, and expenses. ADF management is working with its accounting service provider to correct these material weaknesses.

OIG Oversight Activities

Audit of the African Development Foundation's Financial Statements for the Fiscal Year Ended September 30, 2002

An audit of the African Development Foundation's financial statements for the fiscal year ended September 30, 2002, was performed, under OIG oversight, by a non-federal audit firm. The audit firm provided an unqualified opinion on the financial statements. In its report, the audit firm identified one material weakness in internal control and three findings of noncompliance. These issues involved ADF's general ledger, its separate accounting systems, and its maintenance of asset, liability, and expense accounts.

The OIG recommended that ADF develop a plan to implement the U.S. Standard General Ledger at the transaction level. The OIG also recommended that ADF develop a plan to ensure that its accounting system is capable of providing full disclosure of its results of financial operations and adequate financial information needed in the management of its budget and operations, and of providing effective control over its revenues, expenditures, funds, property, and other assets in accordance with the Budget and Accounting Procedures Act of 1950, Office of Management and Budget Circular A-127, and the Joint Financial Management Improvement Program's *Federal Financial Management System Requirements*.

ADF management agreed with the report's findings and recommendations. ADF has already addressed the material weakness and will address the noncompliance findings during its validation of the financial and accounting system of its federal service provider during 2003.

(Audit Report No. 0-ADF-03-003-C)

Audit of Awarding and Monitoring of Grants by the African Development Foundation

The OIG designed this audit to determine if ADF had (1) awarded grants in accordance with ADF policies and procedures, (2) implemented a system to monitor grantee projects and obtain project results, and (3) implemented a system to audit funds provided to grantees.

The audit found that ADF did not always select grant proposals for funding in accordance with its internal policies and procedures. ADF did not always have clear economic justification for proposed enterprises and had not always documented the required environmental assessments before project approval. Furthermore, ADF's project monitoring guidelines were not always followed, and grantees' progress reports did not always include accurate and useful information. Finally, ADF's procedures for auditing grantees and following up on audit recommendations provided only limited assurance that grant funds were being used for intended purposes.

The OIG included procedural recommendations to correct the identified problems, including (1) enhanced reviews of each project's economic assumptions and potential environmental problems, (2) development of accurate performance monitoring indicators, and (3) implementation of improved controls over audits and audit recommendation tracking.

In its response to our report, ADF management concurred with our recommendations and described the actions ADF has planned or undertaken to address our concerns.

(Audit Report No. 9-ADF-03-005-P)



Photograph of local villagers obtaining clean drinking water from an ADF-sponsored well in the Luweero District, Uganda.

Inter-American Foundation

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

IAF was established in 1969 and provides grants directly to local organizations in Latin America and the Caribbean. Based in Arlington, Virginia, IAF has 47 employees and is governed by a nine-member Board of Directors appointed by the President of the United States. IAF's operating budget and program budget consist of congressional appropriations and funds derived through the Social Progress Trust Fund. As of March 31, 2003, IAF is currently supporting 200 projects in 18 countries. With an appropriation of \$16.2 million in fiscal year 2003, it provides development grants directly to local organizations in Latin America and the Caribbean.

OIG Strategy

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

Performance audits also play a key role in maintaining IAF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected IAF operations. These assessments were used to determine where selected operations could be vulnerable and to assist in developing future plans. Further, the OIG has disseminated information to IAF and conducted employee briefings on the OIG Hotline. IAF employees and others can contact the Hotline or the OIG directly to report their concerns about IAF operations. Finally, the OIG will, at all times, remain responsive to any congressional concerns regarding IAF.

Management Challenges

In pursuit of its mission, IAF faces a number of programmatic problems, concerns, and difficult issues. Moreover, as noted in previous semiannual reports, IAF has or continues to address management challenges that have been identified by the OIG and the General Accounting Office. Examples of these management challenges include performance monitoring, organizational structure changes, and results documentation. As discussed below, IAF has identified management initiatives to address these challenges.

IAF has brought to fruition several major management initiatives, including (1) outsourcing of procurement, human resources, accounting, payroll, and Equal Employment Opportunity services; (2) significant changes in organizational structure; and (3) formulation of new programmatic vehicles.

The OIG has been instrumental in helping IAF systematically and effectively monitor the outsourced services. The new organizational structure reduces the number of management layers and provides for an interlocking and flexible set of peer-led teams. In the program area, IAF is undertaking new work with corporate foundations, work which will entail new management and monitoring techniques.

Now that the IAF has consolidated tangible grant performance results reporting, management is focusing greater attention on performance indicators of democracy-building and other societal changes. IAF is engaged in dialogue with leading experts regarding the effective articulation of such gains. It remains to be seen whether the existing results system can encompass the new techniques, however. Dialogue with the OIG as the IAF weighs alternatives will no doubt lend valuable insight into possible options.

OIG Oversight Activities

Audit of the Inter-American Foundation's Financial Statements for the Fiscal Year Ended September 30, 2002

An audit of the Inter-American Foundation's financial statements for the fiscal year ended September 30, 2002, was performed, under OIG oversight, by a non-federal audit firm. The audit firm provided an unqualified opinion



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on the financial statements, and the report did not contain findings or recommendations for IAF management relative to noncompliance or material weaknesses in internal controls.

(Audit Report No. 0-IAF-03-002-C)

Audit of Awarding and Monitoring of Grants by the Inter-American Foundation

The audit was conducted to review the process used by IAF for selecting proposals for funding in fiscal year 2001 and to assess the systems IAF had in place to monitor selected grantee projects and project results, and audit funds provided to selected grantees. The OIG audit showed the following:

- For the two countries—Mexico and Peru—selected for review, IAF awarded grants in accordance with its policies and procedures.
- For those grants sampled in four countries—El Salvador, Mexico, Nicaragua, and Peru—IAF implemented a system to monitor grantee projects and project results.
- IAF instituted many aspects of a good audit management system. However, it needed to (1) develop an audit universe and an annual audit schedule, (2) formalize procedures for audit recommendation follow-up, and (3) establish procedures for its quality control program.



Photograph of OIG auditor Peter Greene helping two children with their chores. The photograph was taken on the grounds of the orphanage which was part of an IAF project in Peru.



Photograph of a beneficiary in Nicaragua showing auditors how training on erosion control has benefited her garden.

The OIG recommended that IAF:

- Establish a complete audit universe database and use that database to develop a centralized annual audit schedule to make sure that audits are conducted in a timely manner.
- Establish written policies and procedures to implement (a) an audit recommendation tracking system for audits performed by accounting firms under contract to IAF and to make sure that the system complies with the requirements of Office of Management and Budget (OMB) Circular A-50, (b) an audit quality control program that complies with OMB Circular A-50 and General Accounting Office guidelines, and (c) an audit recommendation follow-up system in accordance with OMB Circular A-50 for those audits conducted by the General Accounting Office and OIG.

IAF management concurred with each of the report's recommendations and had already initiated action.

(Audit Report No. 9-IAF-03-006-P)

APPENDICES

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Reports Issued

October 1, 2002 through March 31, 2003

USAID Financial Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		—USAID Programs and Operations—		
0-000-03-001-C	01/24/03	Report on USAID's Consolidated Financial Statements, Internal Controls and Compliance for Fiscal Year 2002		
0-000-03-001-F	01/07/03	Audit of USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005		
1-527-03-002-F	12/20/02	Audit of Accountability for Costs Incurred in Peru by U.S.-Based Contractors and Grantees		
4-663-03-001-F	02/28/03	Audit of USAID/Ethiopia's Financial Operations and Controls for Fiscal Year 2002		
4-617-03-002-F	03/17/03	Audit of USAID/Uganda's Financial Operations and Controls for Fiscal Year 2002		
		—Foreign-Based Organizations—		
0-000-03-005-D	10/18/02	AT Uganda, Ltd. Audit Report on Preaward Accounting System Survey		
0-000-03-034-D	02/28/03	Transparency International, Report on Pre-award Accounting System Survey		
0-000-03-035-D	03/26/03	University of Natal, The Health Economics & HIV/AIDS Research Division, Report on Follow-up of Pre-award Accounting System Survey		
5-438-03-001-D	12/04/02	Financial Audit of the International Federation of Red Cross and Red Crescent Societies -- Mongolia Snowfalls Program Under USAID Grant Agreement No. 492-G-00-00-00017-00	68	QC
7-625-03-001-D	10/02/02	Audit of USAID's Resources Managed by the Permanent Interstate Committee to Combat Drought in the Sahel (CILSS) for the Period January 1, 2000 to December 31, 2000	15 1	QC UN
B-169-03-002-D	02/10/03	DCAA Report on Agreed-Upon Procedures of Government of Montenegro Budget Support Programs I, II, and III		
B-118-03-003-D	03/06/03	Report on the Financial Advisory Services for Evaluation of Moscow Public Science Foundation's Accounting System and Provisional Indirect Cost Billing Rates		
1-524-03-001-N	10/01/02	Closeout Financial Statement Audit of the Transitional Housing Project-Nicaragua, USAID/Nicaragua Grant No. 524-G-SS-99-00037-00, Managed by the International Federation of Red Cross and Red Crescent Societies, for the Period September 1, 2000 to March 15, 2001		
1-519-03-002-N	10/09/02	Audit of USAID/EI Salvador Resources, Managed by the National Popular Housing Fund, Under the Special Objective Grant Agreement No. 519-0458 "Earthquake Recovery Program" Housing Activity, for the Quarter Ended June 30, 2002	7	QC
1-519-03-003-N	10/01/02	Concurrent Financial Statement Audit of the USAID Resources, Managed by the Social Investment Fund for Local Development Under Special Objective Grant Agreement, Activity No. 519-0458, Earthquake Recovery Program, Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, for the Quarter Ended June 30, 2002		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

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Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-532-03-004-N	10/07/02	Closeout Financial Statement Audit of the United States Agency for International Development Contract No. 532-0129, Management Education Project with the University of the West Indies for the Period from October 1, 1996 to May 31, 1998	324 163	QC UN
1-522-03-005-N	10/10/02	Concurrent Financial Statement Audit of Funds Provided by USAID/Honduras, for the Project FHIS/DIM-Urban Water, Under the Hurricane Reconstruction Program No. 522-0410.03 and No. 522-0410.05, Administered by the Honduran Social Investment Fund, for the Period October 1 to December 31, 2001		
1-524-03-006-N	10/22/02	Closeout Concurrent Financial Statement Audit of the USAID Resources Under Cooperative Agreement No. 524-A-00-00-00002-00, Program of Agricultural Rehabilitation and Credit for Poor Families in the Hurricane Mitch Devastated Areas of Northern and Northwestern Nicaragua, Managed by the Catholic Relief Services for the Period from July 1, 2001 to December 31, 2001		
1-514-03-007-N	10/25/02	Closeout Concurrent Financial Statement Audit of the USAID/Colombia Resources Under the Earthquake Reconstruction Program Project No. 514-9005, Managed by Planning and Development Collaborative International, for the Period from January 1 to February 28, 2002		
1-519-03-008-N	10/29/02	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Period April 1, 2002 to June 30, 2002		
1-522-03-009-N	11/04/02	Closeout Financial Statement Audit of the USAID Resources Administered by Fernandez, Fortin, Bogran y Asociados Under Contract Nos. 522-C-00-00-00244-00, 522-C-00-99-00003-00 and 522-C-00-99-00043-00, for the Period January 1 to December 31, 2001		
1-522-03-010-N	11/08/02	Concurrent Financial Audit of the Fund Accountability Statements of the Emergency Reconstruction Roads and Bridges Program, Under the Hurricane Reconstruction Program No. 522-0410.00 of USAID/Honduras, for the Period of October 1 to December 31, 2001	1	QC
1-519-03-011-N	12/11/02	Financial Statement Audit of the Special Objective Grant Agreement, Earthquake Recovery Program, Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, Activity No. 519-0458, Managed by the Social Investment Fund for Local Development, for the Quarter Ended September 30, 2002		
1-519-03-012-N	12/12/02	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Period July 1, 2002 to September 30, 2002		
1-522-03-013-N	12/19/02	Closeout Financial Statement Audit of the USAID Resources Managed by the Escuela Agricola Panamericana-Zamorano, Under Grant Agreement No. 522-A-00-00-00202-00, REACT Activity Component of the Hurricane Reconstruction Program, for the Period January 1 to December 31, 2001	8	QC
1-518-03-014-N	12/19/02	Financial Audit of Limited Scope Grant Agreement No. 518-0126, Environmental Support Program - Conservation and Management of Salinas Lagoon and Other Wetlands in Puerto Villamil, Isabela Island, Galapagos Province, Administered by Parque Nacional Galapagos, for the Year Ended December 31, 2001		
1-522-03-015-N	12/20/02	Closeout Financial Statement Audit of USAID Resources Managed by Development Alternatives Inc., Under Contract No. LAG-I-801-99-00017-00, Upper Watershed Rehabilitation Activity, Component of the Hurricane Reconstruction Program, for the Period January 1 to March 31, 2002	6	QC
1-519-03-016-N	01/10/03	Quarterly Financial Audit of USAID Resources, Managed by the National Popular Housing Fund, Under the Special Objective Grant Agreement No. 519-0458, "Earthquake Recovery Program" Housing Activity, for the Quarter Ended September 30, 2002		

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-511-03-017-N	03/17/03	Fund Accountability Statement Audit of the Mother and Neonatal Program Funds Granted by USAID, in Accordance with USAID Cooperative Agreement No. HNR-A-00-98-00043-00, Managed by the Johns Hopkins Program for International Education in Gynecology and Obstetrics, for the Period from February 3, 2000 to July 31, 2001	154 137	QC UN
1-511-03-018-N	03/17/03	Closeout Fund Accountability Statement Audit of Training in Reproductive Health Project Funds Granted by USAID, in Accordance with USAID Cooperative Agreement No. HNR-A-00-98-00041-00, Managed by the Johns Hopkins Program for International Education in Gynecology and Obstetrics, for the Period from February 3, 2000 to July 31, 2001	220 155	QC UN
1-519-03-019-N	03/17/03	Financial Statement Audit of the Special Objective Grant Agreement, Earthquake Recovery Program, Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, Activity No. 519-0458, Managed by the Social Investment Fund for Local Development, for the Quarter Ended December 31, 2002		
4-656-03-001-N	11/15/02	Agreed Upon Procedures Review of USAID/Mozambique's Resources Managed by Grinaker/LTA Under the Increased Rural Incomes Program for the Period June 26, 2001 to May 31, 2002		
4-611-03-002-N	11/22/02	Audit of USAID/Zambia's Resources Managed by Development Alternatives Inc. Under Contract No. 690-C-00-99-00251-00 for the Period August 23, 1999 to September 30, 2001	25	QC
4-611-03-003-N	02/24/03	Audit of USAID/Zambia's Resources Managed by Credit Management Services Limited Under Cooperative Agreement No. 690-A-00-99-00026-00 for the Period February 5, 1999 to March 31, 2001	590 50	QC UN
5-492-03-001-N	12/19/02	Financial Audit of USAID/Philippines' Peso Trust Funds Operating Expenses, the General Santos City Airport, and Makar Port		
6-263-03-001-N	03/10/03	Audit of USAID Resources Managed by the Ministry of International Cooperation/ Development Support Program Unit, Under Implementation Letter No. 2A, USAID/ Egypt's Results Package No. 263-0277, for the Period from October 1, 2000 to September 30, 2001	3	QC
1-517-03-001-R	10/01/02	Closeout Financial Statement Audits of Health, Water and Sanitation, Project No. 517-G-00-99-00225-00; Health, Water and Sanitation, Project No. 517-G-00-00-00118-00; Sexual and Reproductive Health, Project No. 517-G-00-00139-00; and Reconstruction of Primary Health and Sanitation in Six Rural Communities in the Provinces of Hato Mayor and El Seybo, Project No. 517-G-00-01-00121-00 and Financial Statement Audit of Reproductive Health Services Project No. 517-G-00-01-00115-00, Managed by Asociacion Dominicana de Planificacion Familiar, Inc., for the Year Ended December 31, 2001		
1-527-03-002-R	10/01/02	Audit of the Fund Accountability Statements for USAID Projects: Creating Awareness Concerning the Drug Problem in Coca-Growing Areas, Agreement No. 527-A-00-98-0071-00, Component 5, for the Year Ending December 31, 2001; Treatment of Abandoned Children in Peru's Coca-Producing Areas, Agreement No. 527-G-00-99-00302-00, for the Period from October 1, 2000 to September 30, 2001; and Open Homes for Peru Street's Children and Adolescents, Agreement No. 527-G-00-99-00321-00, for the Period from October 1, 2000 to September 30, 2001 -- Managed by the Center for Information and Education on the Prevention of Drug Abuse		
1-519-03-003-R	10/01/02	Audit of the Sustainable Sexual and Reproductive Health Project, Cooperative Agreement No. 519-A-00-99-000-92-00, Managed by the Salvadoran Demographic Association, Covering the Period January 1 through December 31, 2001		
1-526-03-004-R	10/02/02	Audit of Agreement No. 526-A-00-00125-00, Managed by the Fundacion para el Desarrollo Sustentable del Chaco, for the Fifteen Months Ended December 31, 2001		
1-526-03-005-R	10/02/02	Audit of Agreement No. 526-A-00-94-00008-00, Managed by Alter Vida Association, for the Year Ended December 31, 2001		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-522-03-006-R	10/02/02	Audit of the More Responsive and Effective Municipal Government Post-Mitch Revitalization Program Managed by Fundacion para el Desarrollo Municipal, Project No. 522-A-00-00-00255-00, for the Period March 31, 2000 to December 31, 2001	7	QC
1-522-03-007-R	10/03/02	Audit of the USAID Cross Cutting Agreement No. 522-G-00-00-00398-00, Managed by Proyecto Aldea Global, for the Period July 1, 2000 - December 31, 2001		
1-526-03-008-R	10/07/02	Audit of Agreement No. 526-A-00-99-00008-00, "Fortalecimiento Institucional del CEPEP," Managed by Centro Paraguayo de Estudios de Poblacion (CEPEP), for the Year Ended December 31, 2001		
1-526-03-009-R	10/08/02	Audit of Project No. 526-A-00-92-00-00019-00, Managed by the Paraguay Kansas Committee, for the Period January 1 through September 30, 2001		
1-526-03-010-R	10/08/02	Audit of USAID Agreement No. 526-A-00-93-00001-00, Development of Economic Policy Programs, Managed by Centro Paraguayo Para la Promocion de la Libertad Economica y de la Justicia Social, for the Year Ended December 31, 2001		
1-522-03-011-R	10/11/02	Audit of the Fund Accountability Statement of Proyecto Mejorando la Salud Infantil, Grant Agreement No. 522-G-00-00-00390-00, Managed by CARE International, for the Period of July 20, 2000 to December 31, 2001		
1-524-03-012-R	10/15/02	Asociacion Pro Bienestar de la Familia Nicaraguense (PROFAMILIA) (A Civil Nicaraguan Association); Audit of USAID Resources Managed by PROFAMILIA Under Cooperative Agreement No. 524-G-SS-99-00013-00; Year Ended December 31, 2001	42	QC
1-520-03-013-R	10/18/02	Audit of USAID/G-CAP Agreement No. 520-98-A-00-00037-00, for the Development of the Program "Better Health for Rural Women and Children," Managed by Asociacion Pro-Bienestar de la Familia de Guatemala, for the Year Ended December 31, 2001		
1-527-03-014-R	10/24/02	Audit of the USAID Public Law 480 Title II (Monetization) Program, Administered by Caritas del Peru, for the Fiscal Period Between October 1, 2000 and September 30, 2001		
1-511-03-015-R	10/25/02	Audit of the Integral Health Coordination Program (PROCOSI), Child Survival and Reproductive Health Activities, USAID Cooperative Agreement No. 511-0644 (511-A-00-98-00156-00), for the Year Ended December 31, 2000	49 23	QC UN
1-518-03-016-R	10/28/02	Closeout Financial Statement Audit of the Project on the Analysis and Promotion of Health Policies in Ecuador, USAID/Ecuador Agreement No. 518-A-00-95-00133-00, Managed by Centro de Estudios de Poblacion y Desarrollo Social, for the Period January 1 to September 30, 2000		
1-527-03-017-R	10/30/02	Financial Audit of Project 2000 and Project Coverage with Quality, Grant Agreement Nos. 527-0366 and 527-0375 Between the Government of Peru (Ministry of Health) and the Government of the United States, for the Year Ended December 31, 2000	12 12	QC UN
1-524-03-018-R	11/05/02	Closeout Financial Statement Audit of the Sustainable Reconstruction and Rehabilitation of the Communities of the Coco and Bocay Rivers, Managed by Fundacion Alistar Nicaragua, for the Period January 1, 2001 to December 31, 2001	17 6	QC UN
1-519-03-019-R	11/06/02	Financial Audit of the USAID/EI Salvador Project Under Cooperative Agreement No. 519-0401, Managed by Fundacion Empresarial Para el Desarrollo Educativo, for the Period from January 1 to February 28, 2002		
1-519-03-020-R	11/12/02	Financial Statement Audit of the Healthy Salvadorans Project, USAID Grant No. 519-0430, Managed by the Ministry of Public Health and Social Assistance, for the Year Ended December 31, 2001		
1-522-03-021-R	11/12/02	Financial Statement Audits of the Municipal Training and Development Program Under Cooperative Agreement No. 522-A-00-95-00108-00, Program II Support to the Municipalities for the Reconstruction Under Cooperative Agreement No. 522-A-00256-00, and the Geographic Information Center Program Under Cooperative Agreement No. 522-A-00-00250-00, Managed by Universidad Tecnologica Centroamericana for the Years Ended December 31, 2000 and December 31, 2001		

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-518-03-022-R	11/25/02	Financial Audit of the "Biodiversity Preservation of the Galapagos Marine Reserve Project, No. 518-0126," Financed by USAID/Ecuador and Managed by the Charles Darwin Foundation for the Galapagos Islands; for the Period from January 1 to December 31, 2000		
1-522-03-023-R	11/25/02	Financial Statement Audit of USAID Resources Managed by the Secretary of Health of Public Health Protection Component Under the Hurricane Mitch Reconstruction Program No. 522-0410.03, for the Period of January 1, 2001 to March 31, 2002	8 8	QC UN
1-527-03-024-R	11/26/02	Fund Accountability Statement Audit of the Project Microfinance Initiative, USAID Agreement No. 527-A-00-00-00188-00, Managed by Consortium of Private Organizations for Promotion of the Development of Micro- and Small Business (COPEME), for the Period from October 1, 2000 to December 31, 2001, and Audit of COPEME's Financial Statements for General Purposes as of December 31, 2001		
1-523-03-025-R	12/02/02	Audit Report on the Fund Accountability Statement in Accordance with the Agreement Between Secretaria Del Medio Ambiente Recursos Naturales y Pesca and the United States Agency for International Development Corresponding to the Emergency Program for Wildfire in Mexico for the Period June 11 to 30, 1998		
1-520-03-026-R	12/03/02	Financial Statement Audit of Fondo de Tierras -- USAID/FonTierras Project, Executed as Part of Fondo de Tierras -- Peace Accords Trust Fund, Funded by Agreement No. 520-0426, Managed by BANRURAL, for the Period July 1, 2000 to December 31, 2001		
1-520-03-027-R	12/06/02	Financial Audit of the Effective Access to Sustainable Production Factors in Conflict Zones Area Component, Private Sector Investment in Productive Infrastructure Activity, Support to the Implementation of the Peace Accords Project No. 520-0426, Managed by Banco de Desarrollo Rural, S.A. -- BANRURAL, through the Rural Credit Trust Fund, for the Year Ended December 31, 2001		
1-520-03-028-R	12/06/02	Financial Audit of the Support to the Implementation of Peace Accords Component, Better Access to Credit and Training for Microenterprises and Small Farmers Activity, Increase of Rural Poor People Income Project No. 520-0425, Managed by Banco de Desarrollo Rural, S.A. -- BANRURAL through the Rural Credit Trust Fund, for the Year Ended December 31, 2001		
1-524-03-029-R	12/06/02	Financial Audit of USAID Resources Managed by the Adventist Development and Relief Agency, Under Project No. 524-A-00-00-0012-00 "Reconstruction and Rehabilitation of Mitch-Affected Areas in Las Segovias and PL-480 Title II Program" for the Period October 1, 2000 to December 8, 2001		
1-522-03-030-R	12/12/02	Audit of the Institutional Strengthening for Citizen Participation in the Administration of Justice Program, USAID Agreement No. 522-A-00-97-00005-00, Managed by the Federacion de Organizaciones Privadas de Desarrollo de Honduras, for the Period July 1, 1999 to September 30, 2001	5	QC
1-522-03-031-R	12/12/02	Audit of USAID/Honduras Resources Forestry Development Project No. 522-0246, Phase II, Managed by the Escuela Nacional de Ciencias Forestales, for the Period January 1, 2000 through December 31, 2001		
1-522-03-032-R	12/16/02	Financial Audit of USAID's Municipal Development Project No. 522-A-00-93-00264-00, Municipal Services' Privatization Program No. 522-A-00-98-00116-00, and the Emergency Clean-Up Program No. 522-G-00-99-00021-00 for the Period from January 1, 2000 to December 31, 2001	6 1	QC UN
1-522-03-033-R	12/20/02	Financial Audit of the USAID Program/Recovery for Small and Microbusiness, No. 522-A-00-99-00047-00, Managed by the Foundation for the Promotion of Small and Microbusiness, Jose Maria Covelo, for the Year Ended December 31, 2001		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-527-03-034-R	12/23/02	Fund Accountability Statement Audit of the Project Access to Basic Services and Citizen Participation in Decision-Making Financed by the United States Agency for International Development - USAID through Cooperative Agreement No. 527-A-00-98-0151-00, Component I of the Alternative of the Alternative Development Program, Managed by the Association of Municipalities of the San Martin Region - AMRESAM, for the Year Ended December 31, 2001, and the Audit of AMRESAM's General Purpose Financial Statement as of December 31, 2001		
1-527-03-035-R	01/10/03	Audit of the Fund Accountability Statement for Cooperative Agreement No. 527-A-00-01-00166-00 Financed by USAID in the Mark of the Program of Alternative Development, Executed by the Association of Municipalities of the Apurimac and Ene River Valleys, for the Period from August 1 to December 31, 2001		
1-522-03-036-R	01/07/03	Closeout Audit of the Financial Statement of USAID/Honduras Resources Under Cooperative Agreement No. 522-A-00-98-00117-00, Project Centro Nacional de Concientizacion y Prevencion del SIDA, Managed by the Fundacion Fomento en Salud, for the Period December 1, 2000 to December 15, 2001	5 5	QC UN
1-523-03-037-R	01/07/03	Audit of the Fund Accountability Statement of the Trust Fund Under Cooperative Agreement No. 523-4007-A-6001-00, Managed by the Mexican Fund for Nature Conservation, A.C., for the Year Ended December 31, 2001		
1-527-03-038-R	01/09/03	Financial Audit of the Fund Accountability Statement of USAID Grant Agreement No. 527-G-00-00-00176-00, Managed by "Asociacion Civil Transparencia (the Association)" for the Period from September 1, 2000 to August 31, 2001; and Recipient Financial Statements as of December 31, 2000 and 2001		
1-527-03-039-R	01/09/03	Financial Audit on the Framework Sub-Agreement for Execution of the Alternative Development Program Undersigned Between the Commission to Fight Against the Consumption of Drugs and the Transitory Regional Administration Council for Ucayali, USAID Agreement No. 527-0348 and Appendices, for the Period Between January 1, 2000 and July 31, 2002	2 1	QC UN
1-520-03-040-R	01/09/03	Audit of the USAID Resources Under Project No. 520-0424.2 Reducing Violence Against Women, Managed by Asociacion Mujer Vamos Adelante in Coalition with Centro de Investigacion, Capacitacion y Apoyo a la Mujer and Consejo de Mujeres Mayas de Desarrollo Integral, for the Period July 1, 2001 through June 30, 2002		
1-532-03-041-R	01/13/03	Audit of the USAID/Jamaica Increased Literacy and Numeracy Among Targeted Jamaican Youth, Project No. 532-0004-01, Managed by the Ministry of Education, Youth and Culture, for the Period June 1, 1998 through March 31, 2001		
1-511-03-042-R	01/14/03	Audit of the Project for the Improvement of Sexual and Reproductive Health for Women, Men, and Adolescents, USAID Grant Agreement No. CA 511-A-00-98-00158-00, Managed by Centro de Investigacion, Educacion, y Servicios, for the Year January 1 to December 31, 2001	18	QC
1-520-03-043-R	01/17/03	Audit of the Award No. 596.0182.00: "Upgrade the Capacity of the Costa Rican Educational System in Selected Communities Affected by Mitch-Related Nicaraguan Migration" (the Project), Managed by International Organization for Migration, for the Period from January 1, 2001 to February 28, 2002		
1-527-03-044-R	01/29/03	Audit of USAID's Resources of the Framework Sub-Agreement for Execution of the Alternative Development Program, Managed by Special Project Alto Huallaga, Grant Agreement No. 527-0348, for the Period from January 1, 2000 to December 31, 2001	8 7	QC UN
1-527-03-045-R	01/31/03	Fund Accountability Statement Audit for Framework Sub-Agreement for Execution of the Alternative Development Program Subscribed Between DEVIDA (Formerly CONTRADROGAS) and the National Institute for Development - INADE Financed by Grant Agreement No. 527-0348 Executed Between the Governments of the United States and Peru, Managed by the Special Project Huallaga Central and Bajo Mayo, for the Years Ending December 31, 2000 and 2001	29 28	QC UN

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-522-03-046-R	02/10/03	Financial Statement Audit of Municipal Development Program, USAID/Honduras Project No. 522-A-00-93-00324-00, Managed by the Foundation for Municipal Development, for the Year Ended December 31, 2001		
1-532-03-047-R	02/19/03	Closeout Fund Accountability Statement Audit of the USAID/Jamaica AIDS/STD Prevention and Control Project No. 532-0153, Managed by the Ministry of Health, for the Period from January 1, 2001 to November 30, 2001	1	QC
1-524-03-048-R	02/18/03	Financial Statement Audit of USAID Resources Managed by Fundacion Chispa (Programa Pequeños Negocios y Expansion de Microempresas), USAID Cooperative Agreement No. 524-A-00-99-00033-00, for the Period July 1, 2000 through June 1, 2002		
1-518-03-049-R	02/25/03	Financial Statement Audit of the Program Supporting Family Planning Services and Promotion of Other Services, Cooperative Agreement No. 518-G-00-97-00267-00, Managed by APROFE (Asociacion Pro-Bienestar de la Familia Ecuatoriana), for the Nine Months Ended September 30, 2001		
1-521-03-050-R	02/27/03	Financial Statement Audit of the Fondation Haitienne de L'Enseignement Prive, for the Period August 1, 2000 to July 31, 2001		
1-527-03-051-R	02/27/03	Peruvian Society for Environmental Law, Audit of the Fund Accountability Statement for the Program Environment, Participation and Private Administration, USAID Contract No. 527-C-00-97-00201-00 and Audit of the General Purpose Financial Statements for the Years Ended December 31, 2000 and 2001	10 5	QC UN
4-674-03-001-R	12/03/02	Audit of the South African Teachers' Union, Under USAID Grant Agreement No. 674-G-00-99-0061-00, for the Year Ended December 31, 2001	1	QC
4-674-03-002-R	02/24/03	Audit of South Africa Opportunities Industrialisation Centres, Under Award No. 674-A-00-98-00057-00 for the Period October 1, 1999 to April 15, 2002	325 325	QC UN
5-492-03-001-R	10/02/02	Financial Audit of the International Marinelife Alliance Philippines, Inc. Relating to Costs Incurred on the Coastal Communities Empowerment Project and Destructive Fishing Reform Initiative Under USAID Cooperative Agreement No. 492-A-00-97-00060-00		
5-386-03-002-R	10/24/02	Financial Audit of the Power Finance Corporation Limited Under the Energy Management Consultation and Training Project 386-0517		
5-497-03-003-R	11/19/02	Financial Audit of the International Catholic Migration Commission Relating to Costs Incurred on the Local Capacity Building Grant Under USAID Grant Agreement No. 497-G-00-00-00019-00 and Various Other Sub-Grants		
5-497-03-004-R	11/20/02	Financial Audit of the Sustainable Indonesian Growth Alliance Relating to Costs Incurred on the Partnership for Economic Growth Linkage Grants Under USAID Cooperative Agreement No. 497-A-00-99-00005-00	17	QC
5-386-03-005-R	11/25/02	Financial Audit of the Friends of Women's World Banking, India Relating to Costs Incurred on the Strengthening India's Micro Finance Institutions to Enhance Poor Women's Access to Appropriate Financial Services Project Under USAID Cooperative Agreement Nos. 386-A-00-01-00218-00	6	QC
5-492-03-006-R	11/25/02	Financial Audit of the Philippine Exporters Confederation, Inc. - Trade and Investment Policy Analysis and Advocacy Support Project - Advocacy for Trade and Investment Liberalization, Cooperative Agreement No. AID-492-A-00-00-00012-00		
5-367-03-007-R	12/17/02	Financial Audit of the Ministry of Health, Government of Nepal, Relating to Costs Incurred on Child Survival/Family Planning Services Under USAID Project No. 367-0157 for PIL Nos. 51, 52, 56, 57, 62 and the Strategic Objective Grant Agreement, Project No. 367-02A1 for IL Nos. 4, 10, 14, 16, 17	631 613	QC UN
5-492-03-008-R	12/26/02	Financial Audit of the Gerry Roxas Foundation, Inc. Relating to Costs Incurred on the Barangay Justice Service System Project Under USAID Grant Agreement No. 492-G-00-98-00044-00	84 22	QC UN

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
5-497-03-009-R	01/14/03	Financial Audit of the PT Bank Rakyat Indonesia Relating to Costs Incurred on the Facilitating Economic Recovery and Growth through Micro Banking Project Under USAID Cooperative Agreement No. 497-A-00-00-00006-00 for the Period January 21, 2000 to April 30, 2002		
5-493-03-010-R	01/22/03	Financial Audit of the Asian Disaster Preparedness Center Relating to Costs Incurred on the Asian Urban Disaster Mitigation Program (Phases I and II) Under USAID Cooperative Agreement No. 940-1008-A-00-5531-00, Asian Urban Disaster Mitigation Program (Phase III) Under USAID Cooperative Agreement No. 386-A-00-00-00068-00, and OFDA 98 Under USAID Grant Agreement No. AOT-G-00-98-00184-00, for the Period July 1, 1999 to December 31, 2000	127 46	QC UN
5-497-03-011-R	02/07/03	Financial Audit of the Yayasan Keanekaragaman Hayati Indonesia (Yayasan KEHATI) Relating to Costs Incurred on the Indonesian Biodiversity Foundation Project Under USAID Cooperative Agreement No. AID-497-0384-A-00-5011-00, for the Period January 1, 2001 to December 31, 2001	23 21	QC UN
5-367-03-012-R	02/14/03	Financial Audit of the Nepal CRS Co. Pvt. Ltd. (Nepal CRS) Relating to Costs Incurred Under USAID Cooperative Agreement No. 367-A-00-97-00086-00 for the Period July 17, 1999 to July 15, 2000	219 147	QC UN
5-367-03-013-R	02/14/03	Financial Audit of the Nepal CRS Company Pvt. Ltd. (Nepal CRS) Relating to Costs Incurred Under USAID Cooperative Agreement No. 367-A-00-97-00086-00 for the Period July 16, 2000 to July 15, 2001	4 2	QC UN
5-386-03-014-R	03/04/03	Financial Audit of the Industrial Development Bank of India Relating to Costs Incurred on the Energy Management Consultation and Training Project Under USAID Project No. 386-0517 for the Period April 1, 2001 to March 31, 2002	24 23	QC UN
6-263-03-001-R	12/02/02	Audit of USAID Resources Managed by Egyptian Exporters Association-ExpoLink, Cooperative Agreement No. 263-A-00-98-00004-00, for the Period from January 1, 2001 to April 30, 2002	24	QC
6-294-03-002-R	12/09/02	Audit of the Palestinian Academic Society for the Study of International Affairs Under the Civil Society Empowerment through Training and Skills Development Project, Grant No. 294-00-97-A-00025-00, for the Year Ending December 31, 2000		
6-263-03-003-R	12/18/02	Audit of Egyptian Center for Economic Studies, Cooperative Agreement No. 263-A-00-93-00104, Under USAID/Egypt Grant Agreement No. 263-0230, for the Period January 1, 2001, through December 31, 2001		
6-263-03-004-R	12/30/02	Audit of the Agricultural Technology Utilization and Transfer Project, Project Implementation Letters (PILs) 2, 3, and 4 Under Grant Agreement No. 263-0240 for the Period from July 1, 2001 to September 30, 2002		
6-263-03-005-R	12/31/02	Audit of USAID Resources Managed by the Ministry of Health and Population Under Implementation Letter (IL) No. 4, USAID/Egypt's System Development Project III, Grant Agreement No. 263-0267 for the Period from July 1, 2000 through June 30, 2001	34 34	QC UN
6-294-03-006-R	01/08/03	Audit of the Palestinian Academic Society for the Study of International Affairs (PASSIA) Under Cooperative Agreement No. 294-00-97-A-00025-00 for the Period from January 1, 2001, to December 31, 2001		
6-263-03-007-R	02/02/03	Audit of USAID Resources Managed by Dakahlya Businessmen Association for Community Development, Under Cooperative Agreement No. 263-A-00-97-00062-00, for the Period from January 1, 2001, through December 31, 2001		
6-294-03-008-R	03/12/03	Audit of the Palestine Trade Center, Cooperative Agreement No. 294-A-00-98-00066-00, for the Period from January 1, 2000 to February 24, 2000		
7-675-03-001-R	12/20/02	Audit of the Fund Accountability Statement of GREDF FINANCE, Under Award No. 9901 with the Non-Governmental Organization, VITA, for the Eight-Month Period Ended December 31, 1999	41 11	QC UN
7-641-03-002-R	01/27/03	Audit of the Planned Parenthood Association of Ghana USAID CBS Project Under Agreement No. CA-641-A00-00-00022 for the Period January 1, 2001 to December 31, 2001		

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
7-641-03-003-R	03/12/03	Audit of Funds Provided to the Ghana Social Marketing Foundation Under USAID's Grant No. 641-A-00-00-0021 for the Year Ended June 30, 2001		
7-641-03-004-R	03/13/03	Audit of USAID's Grant to the Ghana Social Marketing Foundation for the Year Ended June 30, 2001		
B-193-03-001-R	12/16/02	Audit of Foundation EKOPOLIS for the Year 2000		
B-650-03-002-R	12/31/02	Audit of Veterinaires Sans Frontieres ASBL in Bruxelles, Belgium Under USAID Grant Nos. AOT-G-00-98-00187-00 and AOT-G-00-00-00178-00 for the Year Ended December 31, 2000		
B-114-03-003-R	12/31/02	Audit of the Fund Accountability, Cost Sharing, and General Financial Statements of Horizonti: Foundation for the Third Sector, for the Year Ended December 31, 2001		
B-118-03-004-R	01/31/03	Audit of the Institute for the Economy in Transition for Nine Months Period Ended December 31, 2000		
B-118-03-005-R	02/06/03	Audit of Academy of Management and the Market for the Year Ended December 31, 2000		
		—U.S.-Based Grantees—		
0-000-03-001-D	10/18/02	Fairfax County Fire and Rescue Department, USAID Solicitation No. M/OP 02-964		
0-000-03-002-D	10/18/02	Los Angeles County Fire Department, Report on Audit of Cost Reimbursable Grant Proposal for Office of Foreign Disasters Urban Search and Rescue		
0-000-03-003-D	10/18/02	The Hesperian Foundation, Report on Pre-Award Accounting System Survey		
0-000-03-004-D	10/18/02	International Intellectual Property Institute, Report on Follow-Up of Accounting System		
0-000-03-007-D	10/18/02	Miami Dade Fire Rescue, Report on Audit of Miami-Dade Fire Rescue Proposal for Urban Search and Rescue		
0-000-03-025-D	12/03/02	Environmental Research Institute of Michigan, Report on Audit of Incurred Cost for the Period of October 1, 1999 through September 30, 2000		
0-000-03-026-D	12/03/02	AmeriCares Foundation, Inc. Report on Pre-award Accounting System Survey		
0-000-03-027-D	12/03/02	Latin American Mission, Report on Pre-award Accounting System Survey		
0-000-03-028-D	12/03/02	Plantado, Report on Pre-award Accounting System Survey		
0-000-03-029-D	12/03/02	Federacion Sindical de Plantas Electricas Gas y Agua de Cuba en El Exilio, Report on Pre-award Accounting System Survey		
1-522-03-001-D	11/07/02	Report on Audit of Specified Cost Elements of the Mitch Program's Final Fund Accountability Statement Covering the Period January 1, 2001 through March 31, 2002 Under the Audit of the USAID Resources Managed by Planning Assistance	2,419 2,419	QC UN
0-000-03-001-T	10/17/02	Initial Review of the Audit of World Learning Inc. for the Fiscal Year Ended June 30, 2001		
0-000-03-002-T	10/17/02	Initial Review of Audit Report of Mercy Corps for the Fiscal Year Ended June 30, 2001		
0-000-03-003-T	10/17/02	Initial Review of Audit Report of International College for the Fiscal Year Ended June 30, 2001		
0-000-03-004-T	10/17/02	Initial Review of Audit Report of FINCA International, Inc. for the Fiscal Year Ended August 31, 2001		
0-000-03-005-T	12/04/02	Initial Review of Audit Report of ACEC Research & Management Foundation for Fiscal Year Ended June 30, 1999		
0-000-03-006-T	12/04/02	Initial Review of Audit Report of International Center for Not-for-Profit Law, Inc. for the Fiscal Year Ended December 31, 2000		
0-000-03-007-T	01/24/03	Initial Review of Audit Report of International Relief and Development, Inc. for Fiscal Year Ended December 31, 2001		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-03-008-T	01/29/03	Initial Review of Audit Report of the Corporate Council on Africa, Inc. for the Fiscal Year Ended December 31, 2001		
0-000-03-009-T	01/24/03	Initial Review of Audit Report of AGA Khan Foundation, USA for Fiscal Year Ended December 31, 2001		
0-000-03-010-T	01/31/03	Initial Review of Audit Report of American ORT, Inc., for the Fiscal Year Ended December 31, 2001		
0-000-03-011-T	01/31/03	Initial Review of Audit Report of Medecins Sans Frontieres USA Inc./Doctors Without Borders USA Inc. for the Fiscal Year Ended December 31, 2001		
0-000-03-012-T	01/31/03	Initial Review of Audit Report of Adventist Development & Relief Agency International for the Fiscal Year Ended December 31, 2001		
0-000-03-013-T	01/31/03	Initial Review of Audit Report of Salesian Missions Inc., for the Fiscal Year Ended December 31, 2001		
0-000-03-014-T	01/31/03	Initial Review of the Audit Report of Enterpriseworks Worldwide, Inc. for the Fiscal Year Ended December 31, 2001		
0-000-03-015-T	01/31/03	Initial Review of Audit Report of Shelter Now International Inc. for the Fiscal Year Ended December 31, 2000		
		—U.S.-Based Contractors—		
0-000-03-006-D	10/18/02	Boston Institute for Developing Economies, Ltd. Report on Incurred Cost Review for Fiscal Years Ending November 30, 1997, 1998, 1999 and 2000		
0-000-03-008-D	10/18/02	Development Associates, Inc. Report on Incurred Cost Audit for Fiscal Year Ended 1999		
0-000-03-009-D	10/18/02	Logical Technical Services, Report on Audit of FY 1999 Incurred Cost		
0-000-03-010-D	10/18/02	Harza Engineering Company, Report on Review of 1999 Incurred Costs		
0-000-03-011-D	10/18/02	Harza Engineering Company, Report on Examination of 2000 Incurred Costs		
0-000-03-012-D	10/18/02	Ronco Consulting Corporation, Report on Examination of FY 1999 Incurred Cost Rate Proposal	2	QC
0-000-03-013-D	10/18/02	CH2M Hill International Services, Inc. Review of Fiscal Year 2000 Incurred Costs	113	QC
0-000-03-014-D	10/18/02	AMEX International, Inc. Supplement to Report on Audit of Fiscal Years 1998 and 1999 Incurred Costs for AMEX International, Inc.		
0-000-03-015-D	10/18/02	Metcalf and Eddy, Inc. Report on Audit of Fiscal Year 2000 Final Indirect Expense Rate Proposal		
0-000-03-016-D	10/18/02	International Science and Technology Institute, Inc. Report on Audit of Fiscal Year 1999 Incurred Cost		
0-000-03-017-D	10/18/02	CH2M Hill International Services, Inc. Audit of Fiscal Year 1999 Incurred Costs	245	QC
0-000-03-018-D	10/18/02	K&M Engineering & Consultant, Corp. Supplement to Report on Incurred Cost for Fiscal Year 1998		
0-000-03-019-D	10/18/02	Black & Veatch International, Inc. Report on Audit of Fiscal Year 1998 Incurred Costs	30	QC
0-000-03-020-D	11/08/02	Development Alternatives, Inc. Report on Audit of Fiscal Year 1998 Incurred Costs	1,918	QC
0-000-03-021-D	11/08/02	Chemonics International, Inc. Report on Audit of Fiscal Year 1999 Incurred Costs	158	QC
0-000-03-022-D	11/08/02	Datex, Inc., Floorcheck		
0-000-03-023-D	11/08/02	Ronco Consulting Corporation, Supplement to Report on Examination of FY 2000 Final Incurred Cost Rate Proposal	2	QC
0-000-03-024-D	12/03/02	Eccles Associates, Inc. Report on Audit of Incurred Costs for Fiscal Years 1998 and 1999		

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-03-030-D	01/24/03	Sibley International, Inc. Report on the Audit of Termination for Convenience Proposal		
0-000-03-031-D	01/29/03	The Mitchell Group, Inc. Audit Report on Annual Incurred Cost for Fiscal Years 1999 and 2000		
0-000-03-032-D	01/29/03	LTG Associates, Inc. Audit Report for Calendar Year 1999 Incurred Costs		
0-000-03-033-D	02/28/03	LTG Associates, Inc. Audit Report for Calendar Year 2000 Incurred Costs		
B-121-03-001-D	01/31/03	DCAA Report on the Agreed-Upon Procedures for Evaluation of Compliance with Terms and Conditions Under the Georgia Winter Heating Assistance Program IV by PA Government Services, Inc.		
		—Enterprise Funds—		
0-000-03-001-E	10/18/02	Initial Review of Audit Reports for the Polish-American Enterprise Fund for the Fiscal Years Ended September 30, 1999, 2000, and 2001		
0-000-03-002-E	11/08/02	Initial Review of the Audit of the Western NIS Enterprise Fund for the Fiscal Years Ended September 30, 2000 and 2001		
0-000-03-003-E	11/08/02	Initial Review of Audit of the Central Asian-American Enterprise Fund for the Fiscal Years Ended September 30, 2000 and 2001		
0-000-03-004-E	12/04/02	Initial Review of Audit Reports for the Southern Africa Enterprise Development Fund for the Fiscal Years Ended September 30, 2000 and 2001		
0-000-03-005-E	12/04/02	Initial Review of Audit Reports for the Baltic-American Enterprise Fund for the Fiscal Year Ended September 30, 2001		
0-000-03-006-E	12/04/02	Initial Review of Audit Reports for the Bulgarian-American Enterprise Fund for the Fiscal Year Ended September 30, 2001		
0-000-03-007-E	12/04/02	Initial Review of Audit Reports for the U.S. Russia Investment Fund for the Fiscal Year Ended September 30, 2001		
0-000-03-008-E	03/17/03	Initial Review of Audit Reports for the Albanian-American Enterprise Fund for the Fiscal Years Ended September 30, 2000 and 2001		
0-000-03-009-E	03/17/03	Initial Review of the Audit Report for the Hungarian-American Enterprise Fund for the Fiscal Year Ended September 30, 2001		
0-000-03-010-E	03/17/03	Initial Review of the Audit Report for the Romania-American Enterprise Fund for the Fiscal Year Ended September 30, 2001		
0-000-03-011-E	03/17/03	Initial Review of the Audit Report for the Czech and Slovak-American Enterprise Fund for the Fiscal Year Ended September 30, 2001		

USAID Miscellaneous Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		—Quality Control Reviews—		
0-000-03-001-Q	11/21/02	Quality Control Review of the Gelman, Rosenberg & Freedman FY 2001 Audit of Cooperative Housing Foundation		
0-000-03-002-Q	12/10/02	Quality Control Review of the Ernst & Young LP FY 2001 Audit of Family Health International		
0-000-03-003-Q	02/28/03	Quality Control Review of the FYE 6/30/01 Audit of Mercy Corps International		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
1-511-03-001-Q	11/07/02	Quality Control Review of Audit Report and Working Papers Related to Asociacion de Proteccion a la Salud (PROSALUD), Project for Expansion of Coverage of Reproductive Health Services and Products, Project Number 511-G-00-95-00089-00, for the Year Ended December 31, 2000		
1-524-03-002-Q	11/14/02	Quality Control Review of Audit Report and Working Papers Related to the Fundacion Alistar Nicaragua, Project Number 524-A-00-00-00029-00, for the Period from January 1, 2001 to December 31, 2001		
1-511-03-003-Q	11/26/02	Quality Control Review of Audit Report and Working Papers Related to the Centro de Investigacion, Educacion y Servicios, Project for the Sexual and Reproductive Health for Women, Men and Teenagers, Cooperative Agreement 511-A-00-98-00158-00, for the Year Ended December 31, 2000		
1-526-03-004-Q	11/26/02	Quality Control Review of Audit Report and Working Papers Related to Helvetas Paraguay and Fundacion para el Desarrollo Sustentable del Chaco Sudamericano, both as of December 31, 2001		
1-526-03-005-Q	11/27/02	Quality Control Review of Audit Report and Working Papers Related to the Paraguay Kansas Committee, Project No. 526-A-00-92-00019-00, for the Year Ended December 31, 2000 and for the Period from January 1, 2001 through September 30, 2001		
1-524-03-006-Q	12/20/02	Quality Control Review of Audit Report and Working Papers Related to the Nicaraguan Development Center, Cooperative Agreement No. 524-A-00-00-00023-00, for Period from January 1, 2001 to August 28, 2001		
4-674-03-001-Q	10/21/02	Quality Control Review of Gobodo Incorporated Chartered Accountants Audit of the Independent Mediation Service of South Africa Under USAID Award No. 674-0301-G-SS-4113 for the Period January 1, 1999 to May 31, 1999		
4-621-03-002-Q	10/11/02	Quality Control Review of the Auditor General Tanzania's Audit of the Ministry of Health - Family Planning Unit Under USAID Grant No. 621-0173 for the Year Ended June 30, 2002		
4-674-03-003-Q	10/11/02	Quality Control Review of the Audit of the Centre for Higher Education Transformation Trust Performed by Sithole, Inc. for the Period November 26, 1999 through December 31, 2000		
4-674-03-004-Q	10/11/02	Quality Control Review of PriceWaterhouseCoopers' Audit of KwaZulu-Natal Local Government Association Under USAID Agreement No. 674-0312-A-00-6072-00 for the Period July 25, 1996 to June 30, 2000		
4-663-03-005-Q	02/19/03	Quality Control Review of Tadesse Woldegabriel & Company's Audit of the Relief Society of Tigray PL 480 Title II Development Program Fund and Compliance Audit for the Year Ended September 30, 2001		
5-493-03-001-Q	10/24/02	Quality Control Review of the Recipient-Contracted Audit Conducted by KPMG Audit (Thailand) Limited, Bangkok, Thailand, of Asian Disaster Preparedness Center Relating to the Costs Incurred on the Asian Urban Disaster Mitigation Program (AUDMP Phases I and II), Asian Urban Disaster Mitigation Program (AUDMP Phase III) and OFDA 98		
5-388-03-002-Q	01/13/03	Quality Control Review of the Recipient-Contracted Audit Conducted by Rahman Rahman Huq, Dhaka, Bangladesh, On the Social Marketing Company Relating to USAID Cooperative Agreement No. AID-388-A-00-97-00033-00		
5-442-03-003-Q	03/14/03	Quality Control Review of the Recipient-Contracted Audit Conducted by PriceWaterhouseCoopers (Cambodia) Limited, Phnom Penh, Cambodia, of Reproductive Health Association of Cambodia's Institutional Development and Service Delivery Support Project for the Period from January 1 to December 31, 2001		
7-688-03-001-Q	12/04/02	Quality Control Review of the Financial Audit of Local Currency Expenses Incurred by the Malian Ministry of Health Under the Youth Strategic Objective Project No. 688-0272 for the Period March 1, 1999 to December 31, 2000		

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

Semiannual Report to the Congress

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
7-688-03-002-Q	12/05/02	Quality Control Review of the Financial Audit of Expenditures Made by the Ministry of Education Under the Basic Education and Expansion Project in Mali Agreement No. 688-0258 for the Period January 1, 2000 to December 31, 2000		
7-688-03-003-Q	01/28/03	Quality Control Review of the Financial Audit of Local Currency Expenses Incurred by the Office du Niger to Implement the Sustainable Economic Growth Strategic Objective June 1, 1999 through December 31, 2000		
7-688-03-004-Q	01/30/03	Quality Control Review of the Financial Audit of Expenditures Under USAID/Mali's Youth Strategic Objective (SOAG No. 688-0272) from August 1, 1999 to December 31, 2000		
		—Other—		
1-518-03-001-S	10/01/02	Risk Assessment of Major Functions Within USAID/Ecuador		
1-520-03-002-S	10/01/02	Risk Assessment of Major Functions Within USAID/Guatemala		
5-306-03-001-S	03/11/03	Risk Assessment of Major Activities Managed by USAID/Afghanistan		
6-294-03-001-S	03/12/03	Risk Assessment of USAID-Financed Assistance to West Bank and Gaza		
7-660-03-001-S	10/01/02	Survey of USAID-Financed Assistance to the Democratic Republic of the Congo		
7-620-03-002-S	12/30/02	Risk Assessment of USAID-Financed Assistance to Nigeria		
A-000-03-001-S	01/29/03	Follow-up of Recommendation No. 2 of Audit Report No. A-000-00-001-P, "Audit of the Effectiveness of USAID's Contractor Performance Evaluation Program," Issued on December 14, 1999		

USAID Performance Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		—Economy and Efficiency—		
1-519-03-001-P	11/19/02	Audit of USAID/EI Salvador-Financed Housing Reconstruction Activities		
1-514-03-002-P	12/13/02	Audit of USAID-Financed Human Rights Activities in Colombia		
4-656-03-001-P	01/31/03	Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities Funded by the Southern Africa Floods Supplemental Appropriations		
6-263-03-001-P	03/12/03	Audit of USAID/Egypt's Performance of End-Use Checks on Purchased Commodities		
6-263-03-002-P	03/12/03	Audit of USAID/Egypt's Small and Microenterprise Development Activities		
7-688-03-001-P	02/28/03	Audit of USAID/Mali's Self-Help Program	73	BU
7-641-03-002-P	02/28/03	Audit of Potential Conflicts of Interest in USAID/Ghana's Contracting and Managing of USAID-Financed Activities		
9-000-03-001-P	11/13/02	Audit of USAID's Workforce Planning for Procurement Officers		
9-000-03-002-P	12/20/02	Audit of USAID's Human Capital Data		
9-000-03-003-P	12/30/02	Audit of USAID's Compliance with Federal Requirements for Annual Ethics Training and Financial Disclosure Reports for Selected Employees		
9-000-03-004-P	02/03/03	Audit of Selected USAID Operating Units' Monitoring of the Performance of Their HIV/AIDS Programs		
B-123-03-001-P	12/11/02	Audit of USAID Mission for the Caucasus' Monitoring of American International Health Alliance's Performance in Georgia		

BU--Better Use of Funds

QC--Questioned Costs

UN--Unsupported Costs

Note: UN is part of QC

Semiannual Report to the Congress

African Development Foundation Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		—ADF Programs and Operations—		
0-ADF-03-003-C	01/29/03	Audit of the African Development Foundation's Financial Statements, Internal Controls, and Compliance for the Fiscal Year Ended September 30, 2002		
		—Economy and Efficiency—		
9-ADF-03-005-P	02/28/03	Audit of the Awarding and Monitoring of Grants by the African Development Foundation		

Inter-American Foundation Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		—IAF Programs and Operations—		
0-IAF-03-002-C	01/29/03	Audit of the Inter-American Foundation's Financial Statements, Internal Controls, and Compliance for the Fiscal Year Ended September 30, 2002		
		—Economy and Efficiency—		
9-IAF-03-006-P	02/28/03	Audit of Awarding and Monitoring of Grants by the Inter-American Foundation		

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

Audit Reports Over Six Months Old With No Management Decision*

As of March 31, 2003

NOTHING TO REPORT.

*Applies to USAID, ADF, and IAF.

Semiannual Report to the Congress

Significant Audit Recommendations Described In Previous Semiannual Reports Without Final Action

As of March 31, 2003

USAID

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action Target Date
A-000-97-008-P	USAID's Compliance with Federal Computer Security Requirements	09/30/97	2.2	09/30/97	09/03
			2.4	09/30/97	09/03
			2.5	09/30/97	09/03
0-000-98-001-F	USAID's Financial Statements for FY 1997/96	03/02/98	7.1	03/31/99	12/03
A-000-99-002-P	Access and System Software Security Controls Over the Mission Accounting and Control System	12/31/98	1	12/31/98	07/03
0-000-99-001-F	USAID's Financial Statements Internal Controls and Compliance for FY 1998	03/01/99	1.1	03/01/99	12/03
0-000-99-002-F	Report to USAID Managers on Selected USAID Internal Controls	03/31/99	10.2	07/01/99	12/04
A-000-00-003-P	USAID's Actions to Correct Financial Management System Planning Deficiencies	08/24/00	1.1	08/24/00	09/03
			1.2	08/24/00	09/03
9-000-01-003-P	USAID's Cargo Preference Reimbursements Under Section 901d of the Merchant Marine Act of 1936	03/30/01	1	03/30/01	05/03
			2	03/30/01	05/03
			3	03/30/01	07/03
			5	03/30/01	07/03
			6	03/30/01	07/03
A-000-01-001-P	USAID's Compliance with Internet Privacy Policies	05/14/01	2	05/14/01	07/03
0-000-01-011-F	Indirect Costs Charged by the Cooperative for Assistance and Relief Everywhere Inc. to USAID Internal Transport Storage and Handling Awards	08/31/01	1	02/14/02	04/03
			2	02/14/02	04/03
			3	02/14/02	04/03
0-000-01-012-F	OMB Circular A-133 Audit Costs of Catholic Relief Services	08/31/01	1	02/15/02	04/03
			2	02/15/02	04/03
A-000-01-002-P	USAID's Compliance with the Provisions of the Government Information Security Reform	09/25/01	1	09/25/01	07/03
			8	09/25/01	07/03
			9	09/25/01	07/03
9-000-01-006-P	USAID's Monitoring of Interagency Arrangements with the Department of State and Other Federal Agencies	09/28/01	6	03/27/02	07/03
0-000-02-001-F	USAID's Compliance with Provisions of the Federal Program Information Act of 1977	02/13/02	1	02/13/02	06/03
			2	02/13/02	06/03
			3	02/13/02	06/03

Semiannual Report to the Congress

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action Target Date
B-194-02-001-F	USAID/Regional Services Center/Budapest's Financial Operations and Management Controls	03/14/02	4.1	06/04/02	06/03
9-000-02-004-P	USAID's Governmentwide Commercial Purchase Card Program	03/19/02	1	07/03/02	06/03
			10	03/19/02	06/03
			2	07/03/02	06/03
			3	09/06/02	09/03
			4	03/19/02	06/03
			5	03/19/02	06/03
			6	03/19/02	06/03
			7	03/19/02	06/03
			8	03/19/02	06/03
5-442-02-002-P	USAID/Cambodia's Monitoring of the Performance of Its HIV/AIDS Program	06/21/02	1.1	06/21/02	04/03
			1.2	06/21/02	04/03
			2	06/21/02	04/03
			3	06/21/02	04/03
			4	06/21/02	04/03
			5	06/21/02	04/03
			6	06/21/02	04/03
4-674-02-006-P	USAID/South Africa's Monitoring of the Performance of Its HIV/AIDS Program	06/28/02	1	06/28/02	04/03
9-000-02-005-P	USAID's Staff Training and Development Activities	07/11/02	1	07/11/02	03/04
			2	07/11/02	03/04
			3	07/11/02	03/04
7-608-02-001-F	USAID/Morocco's Accountability for Local Costs of U.S.-Based Grantees and Contractors in Africa	09/05/02	1	09/05/02	04/03
			2	01/21/03	04/03
1-522-02-013-P	USAID/Honduras' Executive Office Operations	09/12/02	1	09/12/02	04/03
			7	09/12/02	04/03
A-000-02-004-P	USAID/Washington's Management of Its Photocopying Program	09/25/02	1	02/07/03	12/04
			2	02/07/03	12/04

African Development Foundation

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action Target Date
9-ADF-01-002-P	Selected Processes at the African Development Foundation	02/26/01	1	06/14/01	09/03

Semiannual Report to the Congress

Reports Issued With Questioned And Unsupported Costs

October 1, 2002 through March 31, 2003

REPORTS	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS ¹
A. For which no management decision had been made as of October 1, 2002	16	\$2,490,500 ²	\$1,974,249
B. Add: Reports issued October 1, 2002 through March 31, 2003	52	\$8,088,864 ³	\$4,371,985 ³
Subtotal	68	\$10,579,364	\$6,346,234
C. Less: Reports with a management decision made October 1, 2002 through March 31, 2003	52 ⁴	\$6,168,013 ⁵	\$4,787,948 ⁵
i. Value of Recommendations Disallowed by Agency Officials		\$2,048,066	\$1,156,317
ii. Value of Recommendations Allowed by Agency Officials		\$4,119,947	\$3,631,631
D. For which no management decision had been made as of March 31, 2003	20	\$4,411,351 ⁶	\$1,558,286

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

²Amounts include \$22,830 in Questioned Costs for audits performed for the OIG by other federal audit agencies.

³Amounts include \$4,969,771 in Questioned Costs and \$2,420,465 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

⁴Unlike the monetary figures of this row, this figure is not being subtracted from the subtotal. Some audit reports counted here are again counted in the figure below it.

⁵Amounts include \$2,960,984 in Questioned Costs and \$2,420,465 in Unsupported Costs for audits performed for the OIG by other federal audit agencies.

⁶Amounts include \$2,031,617 in Questioned Costs for audits performed for the OIG by other federal audit agencies.

Reports Issued With Recommendations That Funds Be Put To Better Use

October 1, 2002 through March 31, 2003

REPORTS	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
A. For which no management decision had been made as of October 1, 2002	1	\$400,000
B. Add: Reports issued October 1, 2002 through March 31, 2003	1	\$72,848
Subtotal	2	\$472,848
C. Less: Reports with a management decision made October 1, 2002 through March 31, 2003	2	\$472,848
i. Value of Recommendations Agreed to by Agency Officials		\$393,184
ii. Value of Recommendations Not Agreed to by Agency Officials		\$79,664
D. For which no management decision had been made as of March 31, 2003	0	\$0

Semiannual Report to the Congress

Reporting Requirements

Summary of Instances in Which Information or Assistance Was Refused

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires the identification of any reports made to the head of the agency describing where information or assistance was unreasonably refused or not provided. During this reporting period, there were no reports to the Administrator of USAID describing instances where information or assistance was unreasonably refused or not provided.

Decisions and Reasons for Significant Revised Management Decisions

The Inspector General Act requires that each Inspector General's Semiannual Report to the U.S. Congress include a description and explanation of significant revisions of management decisions. There was one significant revised management decision during the period. Audit report number 0-000-02-038-D, Recommendation No. 1 received a management decision. The recommendation and management decision were based upon a Defense Contract Audit Agency (DCAA) audit of Price Waterhouse's (PricewaterhouseCoopers is the successor organization to Price Waterhouse) fiscal year 1992 through 1994 incurred costs. After a detailed analysis by the Office of Procurement's Contract Audit Branch and General Counsel, a memorandum dated January 23, 2003, the Office of Procurement's General Counsel issued an opinion stating that USAID accepted and approved Price Waterhouse's labor costing methodology and USAID would not go back now and collect the questioned costs. The OIG concurs with the decision.

Significant Management Decisions with Which the Inspector General Disagrees

The Inspector General Act requires that each Inspector General's Semiannual Report to the U.S. Congress include information concerning any significant management decisions with which the OIG is in disagreement. During this reporting period, there were no management decisions with which the OIG disagreed.

Remediation Plan

The Inspector General Act requests an update on issues outstanding under a remediation plan required by the Federal Financial Management Improvement Act (FFMIA). OIG audit work has shown that, although USAID has made some progress, additional work is needed in two key areas before USAID can become substantially compliant with the Act. First, USAID needs to implement an integrated financial management system. As discussed in the "Collaboration with USAID Management" section (see page 6), USAID is developing plans to implement a system overseas. Second, USAID needs to continue to strengthen its computer security controls. As discussed in the "Improving Computer Security" section of "Major Management Challenges" (see page 10), USAID has made substantial improvements, such as upgrading its system software and performing some risk assessments. However, USAID needs to perform more work to develop and implement an Agency-wide security program. The OIG will continue to monitor USAID's progress in becoming compliant with FFMIA.

OIG Statistical Summary USAID

As of March 31, 2003

Investigative Actions

WORK LOAD			CIVIL	
Cases Pending (10/01/02)	87		Civil Referrals	3
Cases Opened	71		Complaints	0
Cases Closed	62		Judgements/Recoveries	0
Cases Pending (03/31/03)	96		Settlements	0
CRIMINAL			ADMINISTRATIVE	
Prosecutive Referrals	2		Reprimands/Demotions	3
Prosecutive Declinations	4		Personnel Suspensions	1
Indictments	0		Resignations/Terminations	1
Convictions	1		Other Administrative Actions	0
Fines	1		Recoveries	6
Restitutions	3		Suspensions/Debarments	2
			Savings	2

Investigative Recoveries

JUDICIAL RECOVERIES	\$481,797
ADMINISTRATIVE RECOVERIES	\$1,061,504
SAVINGS	\$107,824
TOTAL INVESTIGATIVE SAVINGS/ RECOVERIES	\$1,651,125

The Hotline



The purpose of the OIG Hotline is to receive and resolve complaints of fraud, waste or abuse in USAID programs and operations, including mismanagement or violations of law, rules or regulations by USAID employees or program participants. The OIG also has oversight of the Inter-American Foundation (IAF), the African Development Foundation (ADF), and upon request, to the Overseas Private Investment Corporation. Complaints may be received directly from USAID, IAF or ADF employees, contractors, or the general public. Matters that are not within the purview of the OIG are referred to other agencies or to management and handled in accordance with USAID administrative procedures.

During this reporting period, the OIG received 1,397 hotline contacts. Of these, 10 cases were initiated, 36 actions were referred for management resolution, 242 actions were referred to other law enforcement agencies, and 17 actions were referred to other federal agencies. The remaining contacts were solicitations for money, advertisements, or requests for general information or other non-OIG related matters.

The Inspector General Act and other pertinent laws provide for the protection of persons making Hotline complaints. Individuals have the option of submitting their complaints via the Internet, telephone, or the U.S. mail. If persons elect to submit their complaints via the Internet, they waive confidentiality due to the non-secure nature of Internet electronic mail systems.

Hotline Phone Number – 800-230-6539 or 202-712-1023

Hotline Email Address – IG.HOTLINE@USAID.GOV

**Hotline Address:
USAID/IG/I
P.O. Box 657
Washington, DC 20044-0657**

**U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Room 6.06D
Washington, DC 20523**

**The Semiannual Report to the Congress
is available on the Internet at
<http://www.usaid.gov/oig/public/semiannual1.htm>**