

**USAID**  
**OFFICE OF INSPECTOR GENERAL**

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*Semiannual Report to the Congress*  
*October 1, 1996 - March 31, 1997*

U.S. Agency for  
International Development



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## *INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT*

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

Reporting Requirement	Page Reference(s)
(1) Significant Problems, Abuses and Deficiencies .....	4-37 and 40-42
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## EXECUTIVE SUMMARY

During this semiannual reporting period, we report on the accomplishments, status, and problems associated with the programs and operations of the U.S. Agency for International Development (USAID). We reviewed the Agency's progress toward meeting legislative requirements under the Government Management Reform Act (GMRA) and the Government Performance and Results Act (GPRA). We also continued reviews begun in prior reporting periods on USAID's New Management System (NMS) and USAID reconstruction activities in Bosnia-Herzegovina. We issued 377 audit reports and 47 investigation reports with total monetary findings of more than \$23 million.

### Highlights:

- The OIG completed its review of USAID's fiscal year 1996 Agency-wide consolidated financial statements prepared for the first time under GMRA guidelines. Based on this review, the OIG disclaimed an opinion on whether the statements were presented fairly because USAID had not prepared complete, reliable, timely and consistent financial information. (see page 4)
- While the requirements of GPRA do not have to be fully implemented until March 31, 2000, the next six months represent a crucial period in terms of USAID's preparation to meet that deadline. During this period, the Agency will have to consult with stakeholders and reach agreement with Congress on goals, objectives and performance measures; finalize at least a five-year strategic plan; and resolve the issues concerning the New Management System which will impact on the Agency's ability to manage and report on results. (see page 35)
- Premature deployment of USAID's New Management System has increased the Agency's vulnerabilities to fraud and abuse and has not met user needs for more timely and efficient work processes. The system has been unable to process a large portion of Agency activities including the generation of basic financial and management information. (see page 22)
- USAID is the primary implementor of the United States foreign assistance program in the Federation of Bosnia-Herzegovina. To date, this assistance has included \$77 million for humanitarian aid and \$198 million for reconstruction assistance. (see page 25)
- In our prior Semiannual Report to Congress we reported that a vegetable oil supplier under the Food for Peace Program was found guilty in U. S. District Court of multiple felony counts of conspiracy, mail fraud, and "money laundering." During the current reporting period, the supplier pled guilty to four additional counts of money laundering and agreed to waive his right to appeal the previous conviction. The supplier has since been ordered to serve 81 months in prison, make restitution to the U. S. Government in the amount of \$4 million (via forfeited property), pay a \$850 special assessment, serve a three-year supervised release after his prison term ends, and perform 300 hours of community service. (see page 41)

## AUDIT ACTIVITIES

Our audit activities include conducting and reviewing performance and financial audits. Following is a statistical summary of OIG audit activities between October 1, 1996 and March 31, 1997.

### Summary Audit Results (October 1, 1996 - March 31, 1997)

	<u>Number of Reports</u>	<u>Monetary Results</u>
<b>Financial Audits:</b>		
USAID Financial Statement Audits	1	----
Financial-Related Audits of USAID Programs and Operations	10	\$4.9 million
Agency-Contracted Audits	21	\$2.7 million
Recipient-Contracted Audits:		
U.S.-Based Grantees	111	\$2.4 million
Non-U.S.-Based Recipients	171	\$4.8 million
Enterprise Funds	8	----
Audits of U.S.-Based Contractors	22	\$2.2 million
<b>Performance Audits:</b>		
Economy and Efficiency Audits	18	\$0.8 million
<b>Miscellaneous Reports:</b>		
Quality Control Reviews	9	----
Other Reports	<u>6</u>	<u>----</u>
<b>Total for Current Period</b>	<b><u>377</u></b>	<b><u>\$17.8 million</u></b>

## ***FINANCIAL AUDIT PROGRAM***

The OIG's financial audit program comprises financial statement and financial-related audits of USAID activities, as well as reviews of audits done by non-Federal auditors (independent public accounting firms).

### ***—Financial Statement Audits—***

Financial statement audits provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles or any of several other accepted bases of accounting. An audit report on the financial statements renders an opinion which can be:

- Unqualified—issued when the auditor believes that the financial statements are presented fairly in all material respects;
- Disclaimed—issued when the auditor is unable to form or has not formed an opinion as to the fair presentation of the financial statements, generally because an audit of sufficient scope has not been performed;
- Adverse—issued when the auditor believes that the financial statements, taken as a whole, are not presented fairly; or
- Qualified—issued when 1) there are restrictions on the scope of the audit and the auditor has concluded not to disclaim an opinion, or 2) the auditor believes that the financial statements contain a material departure from the applicable accounting principles and the auditor has concluded not to express an adverse opinion.

Financial statement audits also test the entity's internal controls and compliance with laws and regulations. The auditors issue reports on these tests that present the reportable conditions in internal controls, irregularities, illegal acts and any other material noncompliance identified during the audit.

The Government Management Reform Act of 1994 governs the preparation of financial statements for Federal agencies.

## ***Government Management Reform Act***

The Government Management Reform Act builds on the Chief Financial Officers Act to: (1) bring more effective general and financial management practices to the Federal Government; (2) provide for improvement of systems of accounting, financial management and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of Government resources; and (3) provide for the production of complete, reliable, timely, and consistent financial information for use in the financing, management, and evaluation of Federal programs.

Under the Government Management Reform Act, USAID is required to: (1) prepare consolidated financial statements each year for all Agency activities and accounts worldwide, beginning with fiscal year 1996; and (2) submit them, audited, to the Office of Management and Budget.

Office of Management and Budget Bulletin No. 93-06 contains the requirements for audits of Federal financial statements under the Act. This Bulletin required us to:

- express an opinion on whether the financial statements present fairly in all material respects the financial position, the results of operations and changes in net position, in accordance with applicable Office of Management and Budget Bulletins and applicable accounting principles;
- report on USAID's internal control structure related to these financial statements as well as the internal control structure related to the performance measures contained in the "USAID Financial Report Overview" section; and
- report on USAID's compliance with laws and regulations that could have a direct and material effect on the Principal Statements, and any other applicable laws and regulations.

With regard to USAID's financial statements, we elected to disclaim an opinion on whether the statements were presented fairly because USAID had not prepared complete, reliable, timely and consistent financial information. The scope of our work was impaired in the following ways:

- USAID's inability to produce complete, reliable, timely, and consistent interim and year-end financial statements precluded us from performing necessary auditing procedures;

- USAID's inadequate and incomplete internal accounting controls and records precluded us from obtaining timely and sufficient evidential matter; and
- USAID management imposed restrictions that impaired our timely access to Agency personnel and documents.

With respect to USAID's internal controls, USAID's financial systems do not generate the complete, reliable, timely and consistent financial information needed to (1) bring about more effective financial management practices, (2) promote high-level decision-making, and (3) deter fraud, waste and abuse. Because USAID lacks an integrated financial management system, USAID prepares its general ledger, used to produce the financial statements, from many non-integrated existing systems. These systems require multiple re-entry of data, maintenance of supplementary accounting records, and lengthy and burdensome reconciliation processes. The systems do not contain sufficient discipline, effective internal controls, and reliable financial information. USAID has reported these weaknesses in past reports under the Federal Managers' Financial Integrity Act. Accordingly, several serious and fundamental internal accounting control weaknesses, covering a wide range of USAID's accounting operations, adversely affected USAID's overall ability to prepare complete, reliable, timely, and consistent financial information. Our report provided three recommendations to USAID management for addressing these weaknesses.

Concerning USAID's compliance with laws and regulations, we noted several material instances of noncompliance with regard to the Budget, Accounting, and Procedures Act of 1950 and U.S. government regulations.

Our report recommended that USAID develop and implement internal control procedures to ensure that accounting entries are properly prepared, account balances are properly reconciled, and applicable accounting standards and Federal requirements are met. The Agency has not rendered any management decisions regarding corrective actions in response to these recommendations. Further, the Agency has not yet corrected significant findings identified in prior OIG audits of USAID's fiscal year 1995 financial statements prepared in response to the Chief Financial Officers (CFO) Act. (*Audit Report No. 0-000-97-001-C*)



## **—Financial-Related Audits—**

Financial-related audits are used to determine whether (1) financial information is presented in accordance with established or stated criteria, (2) an entity has adhered to specific financial compliance requirements, or (3) an entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

USAID is required by the Federal Acquisition Regulation, the Single Audit Act, Office of Management and Budget (OMB) Circulars and its own internal policies and procedures to obtain appropriate and timely audits of its contractors and grantees. To fulfill these requirements, USAID contracts with the Defense Contract Audit Agency (DCAA), or other Federal agencies, to audit its U.S.-based contractors and relies on non-Federal auditors (independent public accounting firms) to audit its U.S.-based grantees. USAID's foreign grantees and contractors are also audited by non-Federal auditors.

OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," requires periodic audits of U.S.-based recipients in order to test the fiscal integrity of financial transactions and compliance with agreement terms and conditions. USAID applies the same principles to audits of foreign-based grantees. Agency-contracted audits are generally grant/contract agreement-specific audits which are conducted in addition to the recipient-contracted audits mentioned above.

### ***Quality Control Reviews of Non-Federal Audits***

Under the provisions of the Inspector General Act of 1978, as amended, the OIG is responsible to ensure that audits of USAID funds are conducted in compliance with generally accepted government auditing standards. The OIG fulfills this responsibility, in part, by performing quality control reviews (QCRs) of selected audits conducted by non-Federal auditors on behalf of the OIG. QCRs consist of thorough reviews of final reports and audit working papers in order to determine compliance with generally accepted government auditing standards. During this reporting period, the OIG performed QCRs of nine audits conducted by non-Federal auditors.

### ***Audits of U.S.-Based Contractors***

Many USAID-funded activities are carried out through U.S.-based contractors, subject to the Federal Acquisition Regulation. USAID's inventory of U.S.-based contractors, as of December 31, 1996, consisted of approximately 315 contractors, of which USAID was cognizant for about 200. USAID was potentially cognizant over an additional 13 contractors. Presently, USAID's Bureau of Management's Office of Procurement (M/OP) is responsible for maintaining the audit universe and ensuring that contractors submit audit information when required. Once audit submissions are received from contractors for which USAID is the cognizant audit agency, the Agency contracts with the Defense Contract Audit Agency (DCAA) to conduct an audit. USAID

pays DCAA for these services. For those contractors where USAID is not the cognizant agency, USAID is billed by the cognizant agency for a prorated share of the audit cost.

In the September 1996 semiannual report, the OIG declared its plan to restructure the financial audit function in order to meet its responsibilities under the Inspector General Act of 1978, as amended. The OIG, effective October 1, 1996, began that restructuring by starting a process to assume responsibility for coordinating DCAA financial audit work at USAID. This work involves only pre-award and cost-incurred audits of USAID contracts and grants.

As of this semiannual reporting date, the restructuring of responsibilities is still in process. Although the OIG has signed a new memorandum of understanding (MOU) explaining the details and responsibilities of this restructuring, M/OP has not yet signed the MOU. Absent a written agreement with the OIG, M/OP's relationship with DCAA compromises USAID's present audit program.

During this reporting period, the OIG transmitted to Agency officials 22 audit reports issued by DCAA. These 22 audits reviewed \$150 million in costs claimed by the contractors. During the same period, M/OP staff transmitted 52 DCAA audit reports.

### ***Audits of U.S.-Based Grantees***

As described previously, USAID relies on non-Federal auditors (independent public accounting firms) to perform annual audits of its U.S.-based grantees under the Single Audit Act and OMB Circular No. A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Under these requirements, one agency is designated as the cognizant agency for each nonprofit organization. In addition, Circular A-133 prescribes certain responsibilities for cognizant, oversight and awarding agencies. Some of the major responsibilities cited in the Circular are:

- issuing a management decision for findings that relate to Federal awards made to recipients;
- obtaining or conducting quality control reviews of selected audits made by non-Federal auditors;
- advising the auditor and, where appropriate, the auditee of any deficiencies found in the audit that require corrective action; and
- ensuring that audits are completed and reports are received in a timely manner.

USAID currently has grants awarded to approximately 714 U.S.-based nonprofit organizations. Presently, M/OP maintains the audit universe and ensures that these organizations submit audit information when required.

In addition, M/OP conducts reviews of audit reports, notifies USAID management and auditees on the results of its reviews, and makes recommendations to USAID's management based on the audit findings contained in the non-Federal audit reports. Under its current arrangement with the OIG, M/OP forwards those non-Federal audit reports with expenditures over \$1 million to the OIG where certain audits are selected for desk and quality control reviews required by OMB Circular A-133. Additionally, the OIG has made desk reviews of other selected OMB Circular A-133 audit reports under \$1 million. During the current reporting period, the OIG reviewed 111 audit reports of U.S.-based grantees covering \$1.2 billion.

Revised OMB Circular A-133 (April 22, 1996) requires non-Federal auditors to report the following as audit findings in a schedule of findings and questioned costs in their audit reports:

- reportable conditions in the internal control structure over major programs;
- material noncompliance with the provisions of laws, regulations, contracts, or grant agreements, which the auditor concludes, based on evidence obtained, has occurred or is likely to have occurred;
- known fraud affecting a Federal award;
- known questioned costs which are greater than \$10,000 for an individual compliance requirement of a major program;
- instances where the audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding; and
- the circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion.

Additionally, the revised Circular establishes a central clearinghouse designated by OMB for all non-Federal audit reports. This central clearinghouse will distribute only those audit reporting packages to Federal awarding agencies that meet the findings criteria described above. However, the Circular continues to allow Federal agencies discretion in requesting audit reports directly

from recipients. USAID will continue to require its recipients to submit annual A-133 audit reports to the Agency in order to maintain adequate monitoring and tracking of its audits.

The Inspector General determined that certain organizational roles and responsibilities need to be transferred from M/OP to the OIG in order to fully comply with the Inspector General Act of 1978, as amended. As part of this transfer, the OIG will be responsible for processing reports that meet the findings criteria specified in revised OMB Circular A-133, which are described above. For these audit reports, the OIG will conduct report reviews, notify USAID management on the results of the report reviews, re-distribute audit reports, and issue and track audit recommendations through the point where a management decision is made. The OIG will also perform quality control reviews consistent with Circular provisions.

In order to minimize any disruption on the existing report receipt and monitoring process, M/OP will continue to maintain the audit universe and monitor that USAID's grantees submit audit information when required. M/OP will also process and review those audit reports that do not meet the findings criteria of OMB Circular A-133 to determine whether any suggested management actions may be required.

### ***Audits of Enterprise Funds***

Enterprise funds are U.S.-based nonprofit entities established under the Support for East European Democracy (SEED) Act of 1989. According to the SEED Act, these funds are subject to an annual financial statement audit performed in accordance with generally accepted auditing standards as published by the American Institute of Certified Public Accountants. USAID's grant agreements also require that the audits be performed in accordance with government auditing standards. The audits are conducted by non-Federal auditors who receive guidelines from the OIG regarding required reviews of the funds' internal controls and compliance with U.S. Government laws and regulations.

As of 1996, USAID had established eleven enterprise funds of which ten funds focused investments in countries in Eastern Europe and the former Soviet Union and the eleventh fund invested in South Africa. During the current semiannual period, the OIG reviewed non-Federal audit reports on eight of the enterprise funds for the year ended September 30, 1995.

In October and November 1996, concerns over the prospective sale of the investments of the Czech & Slovak American Enterprise Fund for a small fraction of their original cost prompted a call for additional vigilance over the funds. Therefore, we performed expanded desk reviews of enterprise fund audits which went beyond the usual reviews of non-Federal audit reports for compliance with applicable reporting requirements. The expanded reviews considered the importance of information in the audit report and provided to the responsible USAID office various matters for consideration which might affect the financial management, or even the

performance management, of the enterprise funds. Consequently, the OIG developed a checklist for this expanded desk review, applicable only to the enterprise fund audit reports.

Our reviews found that one of the eight non-Federal audit reports we reviewed did not comply with government auditing standards because it did not report on internal controls or compliance. We also noted that several of the audits found common internal control weaknesses such as insufficient monitoring of investments, the lack of fidelity bond insurance, and irregular submissions of travel expense reports. Following is a summary from one of these audits.

### **Czech & Slovak American Enterprise Fund and Subsidiaries for the Year Ended September 30, 1995**

Non-Federal auditors audited the financial statements of the Czech & Slovak American Enterprise Fund (the Fund) and its wholly-owned subsidiaries, Czech American Enterprise Fund and Slovak American Enterprise Fund for the year ended September 30, 1995. According to the audit, as of September 30, 1995, the Fund had received \$41.7 million in USAID grant funds. During that fiscal year, the Fund had experienced a net operating loss of \$2.4 million.

We reviewed the non-Federal audit report and determined that the audit complied with the reporting requirements of generally accepted government auditing standards. We also reviewed two letters written by the non-Federal auditors to the Board of Directors of the Fund. In their letters, the auditors discussed their analysis of investment monitoring controls and procedures at the Fund offices in Prague and Bratislava. In one of their letters, the auditors made 12 recommendations concerning the Fund's monitoring of investments. In a memorandum report of our review, addressed to USAID, we recommended that the Agency determine the adequacy of the Fund's plan to address those 12 recommendations. In our report we also brought the following matters to USAID's attention:

- The Fund's strategic plan should address the Fund's financial sustainability in light of its \$2.4 million net operating loss.
- The financial statements did not indicate whether there were any returns on equity investments. Realized and unrealized gains on equity investments should be considered in the Fund's plan.
- The effects of loans and their returns should be assessed in the Fund's plan.
- Potential investment losses as shown by a reserve for potential losses, increased by \$5,302,508 during the fiscal year to a total of \$9,630,447 or over 37 percent of investment cost. Alternatives to reduce such potential losses should be considered in the Fund's plan.

- The utilization of \$11.1 million in uncommitted USAID grant funds should be addressed in the Fund's plan.
- The financial statements indicated that the Fund had over 50 percent ownership in ten of 33 investments. Majority ownership should be justified in the Fund's plan.
- The Fund had over \$8 million in excess cash as of fiscal year end.

To date there has been no management decision by the Agency addressing our recommendation. (*Audit Report No. 0-000-97-003-E*)

### ***Recipient-Contracted Audits of Non-U.S.-Based Grantees***

As a U.S. requirement, OMB Circular A-133 does not apply to non-U.S. grant recipients. However, USAID, through standard provisions in individual grant agreements, has applied the standards of OMB Circular A-133 to foreign-based grantees. USAID's foreign-based grantees receiving a minimum threshold level of USAID funding undergo annual financial audits performed by either local auditing firms or host country Supreme Audit Institutions. These audits, among other things, identify unallowable expenses charged to USAID grants.

During the reporting period, the OIG reviewed 171 recipient-contracted audits of foreign-based grantees covering \$119 million in expenditures. Following is a summary of one of those audits.

#### **USAID Grant to the Road Reinforcement Service Under the Upper Valley Development Project in Mali**

Independent public accounting firms out of Bamako, Mali and Abidjan, Ivory Coast performed a joint financial audit of the Road Reinforcement Service's (SRR) incurred expenditures of \$2,155,157 under the USAID grant for the period January 1, 1991 to December 31, 1993. The purpose of the audit was to evaluate the propriety of costs incurred during this period. The firms also evaluated SRR's internal controls and compliance with applicable laws, regulations, and grant terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The auditors questioned \$292,786 in costs related to unauthorized petroleum tax expenditures. This finding resulted in one OIG recommendation to the USAID Mission in Mali. A final management decision was pending on the recommendation at the time of the OIG's review and distribution of the audit report. (*Audit Report 7-688-97-006-R*)

## ***Agency-Contracted Audits***

An Agency-contracted audit is an audit of a specific USAID-funded grant or contract wherein the OIG manages independent public accountants and issues the resulting audit report. Agency management requests the OIG to contract for such audits upon the determination that an audit is necessary for a particular contract or grant. During this reporting period, the OIG issued 21 Agency-contracted audits covering \$25.8 million in expenditures.

## ***Coordination with Supreme Audit Institutions***

For the past several years, the USAID OIG has been working with Supreme Audit Institutions (SAIs) in many countries receiving U.S. development assistance. An SAI is a foreign country's national internal audit agency. OIG auditors have worked closely with SAIs throughout Latin America, Asia, Africa and the Middle East teaching their staffs how to perform audits of USAID funds in accordance with accepted standards. OIG offices have participated in regional conferences bringing together SAI, international donors, assistance delivery organizations (such as private voluntary organizations), and commercial auditing representatives to discuss accountability issues of mutual concern. The General Accounting Office and the Office of Management and Budget have supported this OIG initiative and in particular the OIG provision for oversight of SAI audits. An important distinction in the program is the use of international auditing standards for audits conducted by SAIs. With OIG technical help (but without OIG funding), certain SAIs have developed comprehensive policies and procedures where none previously existed.

This investment is now paying substantial dividends. The OIG has developed working relationships with SAIs in Benin, Mali, Morocco, Senegal, Bangladesh, Nepal, Pakistan, The Philippines, and Sri Lanka among others. SAIs in Indonesia, Honduras, St. Lucia, Bolivia, Tanzania and Ghana have signed formal agreements with USAID allowing them, with OIG oversight, to audit USAID development funds.

In a time of tightening budgets and taxpayer concerns over foreign aid expenditures, the USAID OIG's work with SAI counterparts has improved accountability levels in many developing countries at relatively modest cost. Where OIG has worked with SAIs, USAID has improved its audit coverage for government-to-government programs.

Following are examples of OIG coordination activities with SAIs during the current semiannual reporting period.

### **Africa**

A representative from our Regional Inspector General office in Pretoria, South Africa, was a key participant at a technical training seminar in Addis Ababa, Ethiopia on March 20, 1997, which was held for the purpose of helping improve financial management capabilities in the region.

The day-long session was attended by 37 representatives from the Government of Ethiopia, non-Governmental organizations, private accounting firms, and USAID/Ethiopia. The conference was co-hosted by Williams, Adley & Company, LLP of Oakland, California, and Getachew Kassaye & Company, the largest private auditing firm in Ethiopia.

The OIG representative made presentations and answered questions on USAID's audit requirements, audit reporting, allowable costs, indirect cost rates, quality control reviews, and eligibility criteria for recipient-contracted audit firms. Other topics covered at the conference included background on the auditing profession in Ethiopia and Eritrea, audit planning, risk assessments, and internal controls for nonprofit organizations.

Following the conference, the OIG representative met with USAID/Ethiopia officials to present a draft of a Memorandum of Understanding to be signed with USAID/Ethiopia and the Auditor General of Ethiopia. Once finalized, this Memorandum of Understanding will provide the basis for future cooperation with the Auditor General of Ethiopia in helping improve accountability over USAID funds.

The Supreme Audit Institution in Mali continues to work with independent accounting firms on audits of USAID funds provided to the Government of Mali. Within the next six months, our Regional Inspector General office in Dakar, Senegal, expects to review this arrangement with the SAI and USAID/Mali. In addition, RIG/Dakar has held discussions with the Ghana SAI and USAID/Ghana on greater use of the SAI staff on (1) audits of USAID funds and host-country-owned local currencies and (2) internal control reviews of Government of Ghana organizations which work with USAID/Ghana. RIG/Dakar intends to work with the respective parties on a revision of the existing Memorandum of Understanding for audit services among the Ghana Audit Service, USAID/Ghana, and RIG/Dakar.

## **Latin America**

In Latin America, our Regional Inspector General office in San Salvador, El Salvador, has made significant progress in working with Supreme Audit Institutions (SAIs).

The Controller General of Bolivia, with whom RIG/San Salvador signed a formal agreement in late 1995, has completed three audits, and currently has other audits under way. Under current Bolivian law, the Controller General can perform audits of the public sector, but cannot charge for these audits.

In Honduras, RIG/San Salvador is working with the USAID Mission to finalize several audits for which field work has been completed. Changes in the administration of the Controller General's office have created some delays, but final reports should be issued in the near future. Honduras was one of the first countries to sign a formal agreement with RIG/San Salvador and has previously issued audit reports that met OIG standards.



RIG/San Salvador is working closely with two additional SAIs in the region in anticipation of formalizing SAI audit agreements. In Peru, RIG/San Salvador is working with the USAID Mission and the Office of the Controller General on some pilot audits as a prelude to signing an agreement with that SAI. These audits are being done as a part of a Project for Modernization of the Office of the Controller General under the Mission's Democracy Strategic Objective. The RIG plans to perform quality control reviews of these audits in April 1997, and, upon successful completion of the audits, will finalize the audit agreement with Peru's Controller General. RIG/San Salvador has also scheduled a review of the Controller General of Guatemala in anticipation of their conducting a pilot audit which is expected to lead to an SAI agreement with them.

Meanwhile, RIG/San Salvador is continuing its SAI educational efforts. Most recent efforts in this area are represented by the preparation of a detailed status and methodology report on work with SAIs presented by RIG/San Salvador at the Eleventh International Conference on New Developments in Government Financial Management for Government Financial Managers in Miami, Florida. The RIG also participated in two seminars, immediately following the conference, concerning auditing and financial management of international development projects. Several SAI representatives planned to attend both the seminars and the conference, giving RIG/San Salvador an excellent opportunity to provide some refresher training to the majority of the SAIs in the region.

## **Europe**

Since being established in September 1995, our Regional Inspector General office in Budapest, Hungary, has developed an excellent professional working relationship with the Hungarian State Audit Office. The Hungarian SAI is very active in the international audit community and will host an international conference on internal controls in October 1997. RIG/Budapest has been assisting the Audit Office in developing an agenda for the conference and will serve as a moderator for one of the conference workshops.

In preparation for the October 1997 international conference, the Hungarian SAI held an international experts' meeting on internal controls in February, attended by SAI representatives from several countries in the region. The meeting also included special presentations by SAI representatives from Brazil and Israel. At the special invitation of the Hungarian SAI, the RIG/Budapest attended this conference as an observer.

RIG/Budapest is exploring opportunities to increase its interaction with SAIs in the region and identify areas where it may be able to provide technical and professional assistance. As one example, RIG/Budapest sponsored a seminar on recipient-contract audits in Warsaw, Poland, in October 1996. There were 68 participants from the Eastern Europe and New Independent States region including USAID grantees, public accounting firms, USAID personnel, and a representative from the Hungarian State Audit Office. The course was well received by the participants. Several individuals from different organizations expressed their appreciation for the course as it helped make them more fully aware of USAID's audit requirements and clarified many questions/issues of concern. The USAID/Warsaw Controller indicated that a participant

from Moscow was interested in RIG/Budapest presenting the same course in Russia. RIG/Budapest also plans to invite representatives from SAIs to attend and participate in upcoming OIG training programs on statistical sampling.

### ***Financial-Related Audits of USAID Programs and Operations***

Following are summaries of the more significant financial-related audits of USAID programs and operations completed during this semiannual reporting period.

#### **USAID Field Missions' Role in Obtaining Audit Coverage of Contracts, Grants, and Cooperative Agreements**

Financial audits of contracts, grants and cooperative agreements are a primary basis for effective management and control of USAID's program expenditures. Responding to Congressional concerns that USAID was not obtaining adequate audit coverage of such expenditures, particularly those by non-U.S. grantees, in April 1992 USAID established an audit management program to improve audit coverage of its assistance activities in developing countries. Under the program, field missions were made responsible for ensuring required audits were obtained from non-U.S. recipients. USAID/Washington was made responsible for U.S. recipients.

In order to assess the effectiveness of USAID's field management of its financial audit program, the OIG has initiated a series of 14 performance audits at selected overseas missions. During the current reporting period, four audits were completed at missions in Egypt, Jordan, South Africa and Zimbabwe. A summary report is planned upon completion of the reviews at the remaining 10 missions. Further, a follow-on review is planned of Washington's management of the financial audit program. For the four missions audited to date, only \$83.9 million out of \$139 million requiring audit was actually audited.

#### **Field Mission Financial Audit Coverage of Non-U.S. Recipients**

<b>USAID Mission</b>	<b>Total Subject to Audit (000)</b>	<b>No. of Audits Required</b>	<b>Amount Audited (000)</b>	<b>No. of Audits Performed</b>	<b>Amount Not Audited (000)</b>	<b>No. of Audits Not Performed</b>
<b>Egypt</b>	<b>\$84,000</b>	<b>148</b>	<b>\$38,000</b>	<b>52</b>	<b>\$47,000</b>	<b>96</b>
<b>Jordan</b>	<b>3,339</b>	<b>16</b>	<b>2,058</b>	<b>5</b>	<b>1,281</b>	<b>11</b>
<b>South Africa</b>	<b>48,600</b>	<b>215</b>	<b>41,200</b>	<b>179</b>	<b>7,400</b>	<b>36</b>
<b>Zimbabwe</b>	<b>2,690</b>	<b>10</b>	<b>2,650</b>	<b>9</b>	<b>45</b>	<b>1</b>
<b>Total</b>	<b>\$138,629</b>	<b>389</b>	<b>\$83,908</b>	<b>245</b>	<b>\$55,726</b>	<b>144</b>

OIG recommendations included doing the required audits, preparing annual audit plans to keep track of when audits should commence and finish, and adjusting audit inventory databases to make them more accurate and useful. (*Audit Report Nos. 6-263-97-001-P, 6-278-97-004-P, 4-674-97-003-P, and 4-613-97-004-P*)

### **Audit of USAID's Management of Funds Available for Operating Expenses**

USAID is required by Federal law and Agency guidance to review funds that have been obligated but not expended and certify to the U.S. Treasury at the end of each fiscal year that the obligations are valid and still needed. If determined to be no longer valid or needed for the originally obligated purpose, the funds are to be "deobligated" so that they are available for other purposes. Deobligated funds become available to meet current funding needs, thereby reducing current year appropriation levels.

In a time of budget reductions, the need to ensure that funds are used effectively and safeguarded from misuse has become increasingly important. The OIG initiated a series of audits to determine the status of Agency reviews of unliquidated obligations for operating expenses, note any noncompliance with existing procedures, and recommend action to improve the timeliness and efficiency of future reviews.

During fiscal year 1996, we completed individual audits in 12 overseas locations including Egypt, West Bank/Gaza, Senegal, Kazakhstan, Namibia, Hungary, Costa Rica, Honduras, Morocco, Ukraine, Russia, and Poland. The audits completed during fiscal year 1996 identified about \$2.3 million in unexpended obligations for operating expenses that were no longer needed and could be deobligated. Additional audits completed during the current semiannual period covered USAID's Mission in Kenya and USAID's Office of Financial Management in Washington, D.C.

#### **Kenya**

Although USAID/Kenya followed some of the procedures for reviewing the validity of dollar obligations for operating expenses, the Mission did not perform these reviews as intended by USAID policy and procedures. The audit established that \$529,925<sup>1</sup> of the \$4.0 million in unliquidated obligations at the end of FY95 were no longer needed for the purposes for which the funds were originally obligated. In addition, the audit determined that the Mission needed to follow up on obligations totalling \$285,946 to establish their validity.

For the period audited, USAID/Kenya did not: (a) perform year-end unliquidated obligation reviews to determine whether obligations certified as correct were valid and not excessive; (b) properly document the review process; (c) follow up on charges for items delivered such as freight and transportation accounts against purchase orders/contracts for offshore procurement;

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<sup>1</sup> This amount includes \$376,457 deobligated by the Mission after the year end.

and (d) review transportation of household effects, unaccompanied baggage, personal vehicle, excess baggage, and consumables to establish whether the amounts set aside were valid and not in excess of required needs.

The report recommended that the Mission review and deobligate, as appropriate, unnecessary funds, and issue written procedures to ensure compliance with regulations on reviewing unliquidated obligations.

The Mission agreed with the findings and recommendations and took immediate action to address the audit recommendations. The Mission deobligated all the amounts identified for deobligation. In addition, the Mission reviewed the amounts recommended for follow up and deobligated all the funds which were determined to be invalidly obligated. Finally, the Mission established a procedure requiring reviews of unliquidated obligations in accordance with USG regulations. Accordingly, all audit recommendations were closed on issuance of the report. (*Audit Report No. 4-615-97-002-P*)

### **Washington, D.C.**

Contrary to Federal Law and Agency guidance, responsible USAID/Washington offices did not adequately review a significant number of operating expense unliquidated obligations for fiscal year 1995. The audit found that the Agency's fiscal year 1995 certification of \$23.8 million in needed operating expense unliquidated obligations included \$1.24 million that could have been deobligated. Required reviews were not performed or documented for several reasons, primarily because insufficient staff was assigned to perform the reviews; supervision of the review process was inadequate; and the process was cumbersome and labor-intensive.

We recommended that USAID review and deobligate, as appropriate, any excess balances and take action to strengthen its review process in order to assure that unneeded obligations are deobligated. Although USAID generally agreed with our findings and recommendations and deobligated the excess obligations, in several cases management action to improve the review process was deferred pending full implementation of USAID's New Management System (NMS), which includes a new accounting system. As noted on page 22 of this report, we recently reported that NMS is not operating effectively. Therefore, reliance on its implementation to correct these problems may continue to prevent USAID from identifying unneeded obligations that should be deobligated.

During the course of our audit, we also identified three issues that were not directly related to our audit, but deserved management attention.

First, three obligations totaling \$7.5 million were made in fiscal year 1994 for costs to be incurred to consolidate USAID offices into one building. Services to be funded by these obligations were to include unspecified design services and telecommunications and furniture procurement. We concluded that the obligations lacked sufficient specificity as to scope of work, costs covered, and time frames for performance and may not constitute valid obligations in

accordance with U.S.C. or GAO interpretations of appropriation laws. We recommended that USAID obtain legal opinions from its General Counsel as to the continuing validity of these obligations. USAID responded that it would defer asking for a legal opinion.

Second, USAID was not properly assigning overseas shipping costs to obligating documents making it difficult to assess whether balances of unliquidated obligations were valid. We identified three expired obligations for dispatch agent services for fiscal years 1992 through 1994. These obligations had unliquidated balances of \$1.9 million as of September 30, 1995. Disbursements had been made against the fiscal year 1992 obligation but not against the obligations for fiscal years 1993 or 1994. This occurred because excessive funds were obligated prior to 1992 and these funds were being used incorrectly by USAID as a source of funds to pay for later services. As a result of this practice, USAID was no longer able to calculate or estimate the actual annual cost of dispatch agent services. We recommended that USAID correct its accounting records to reflect the proper source and use of funds. USAID responded that it had done so.

Third, the Department of State had overcharged USAID over \$500,000 for dispatch agent services and transportation costs. The overcharge was the result of a flaw in the Department of State's system for collecting and allocating charges for overseas transportation charges. We requested that the Department of State review its billings to USAID. State reported that it had found several errors and that \$507,952 would be credited back to USAID. USAID also did not receive any billings for obligations made during fiscal year 1993 for Army Post Office (APO) mail services. We found two expired obligations totaling \$560,000 for APO mail services to be performed in fiscal years 1993 and 1994. USAID had received an invoice for \$309,282 for fiscal year 1994 charges which it paid. We found no documentation related to fiscal year 1993 charges and could not validate a need for the remaining \$250,718. We recommended that USAID pay appropriate charges and deobligate the remaining funds. The Agency complied. (*Audit Report No. A-000-97-001-P*)

### **Congressional Request for Review of the U.S. Russian Investment Fund's Investment in U.S. Global Health Limited**

This report responded to requests made by Senator Joseph I. Lieberman, Senator Connie Mack, Congresswoman Ileana Ros-Lehtinen, and Congressman Christopher Shays in September and October 1996 regarding questions surrounding financial losses associated with The U.S. Russian Investment Fund's (TUSRIF) investment in U.S. Global Health Limited, which operated a western-style health clinic in Moscow. TUSRIF, a federally funded nonprofit fund authorized by the Freedom Support Act of 1992, invested \$3.75 million in U.S. Global Health Limited in December of 1994. The clinic ceased operation in October 1995.

The Support for Eastern European Democracy (SEED) Act of 1989 authorized the U.S. Agency for International Development (USAID) to sponsor private, nonprofit Enterprise Funds in Eastern Europe. In 1992, the SEED Act was supplemented by the Freedom Support Act which

authorized USAID to sponsor enterprise funds in countries that were formerly part of the Soviet Union. The objectives of the Funds were to promote: (a) private sector development including small businesses, the agricultural sector, and joint ventures with United States and host country participants; and (b) policies and practices conducive to private sector development. The Funds provide loans, grants, equity investments, feasibility studies, technical assistance, training, and other forms of assistance to these private enterprises.

As originally structured, there was to be limited U.S. Government involvement in Fund activities. The only reporting requirement in the original grant agreements involved the publication of an annual report, as called for by the legislation. The 1991 Appropriations Act and the related Senate Conference Committee report include statements such as: "AID's role is simply to write the check"; and "AID is not to attempt to second-guess investment decisions." At the same time, there was a recognition that some oversight was needed: "The Committee expects the Administration to keep it regularly and closely informed about the performance of enterprise funds."<sup>2</sup>

In December 1994, TUSRIF's predecessor—the Fund for Large Enterprises in Russia (FLER)—invested a total of \$3.75 million to acquire preferred stock, valued at \$625,000, and one-third of the common stock, valued at \$3.125 million, of U.S. Global Health Limited, a Bermudian-registered company. Two other investors, Pepsi Trading International and Columbia Presbyterian Hospital of New York City, each owned one-third of U.S. Global Health Limited's common stock.

U.S. Global Health Limited owned 85 percent of a subsidiary, U.S. Global Health-Moscow—which operated a clinic that marketed its services primarily to Americans, other foreign expatriates, and wealthy Russians in Moscow. The clinic featured American Board Certified physicians and state-of-the-art diagnostic equipment. Individuals and families paid a membership fee to participate as well as separate fees for the health care services provided.

In October 1995, less than a year after TUSRIF's investment, the health clinic closed. Currently, U.S. Global Health Limited is in voluntary liquidation.

We found that the failure of U.S. Global Health Limited was caused by lower than expected revenues combined with start-up and operating costs that depleted the firm's capital before it was able to earn a profit. Several factors contributed to reduced revenues, including a court injunction that prevented the firm from marketing its services to certain U.S. firms doing business in Moscow. After considering the situation and the prospect for future profitability, TUSRIF and its two partners in the investment decided against investing additional funds. As a result, U.S. Global Health Limited is being liquidated. TUSRIF performed various analyses before acquiring

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<sup>2</sup> See OIG Audit Report No. 8-180-95-015, dated August 25, 1995 entitled "Audit of the Economy and Efficiency of Four Central and Eastern Europe Enterprise Funds" for a detailed discussion of the evolution of USAID's oversight of enterprise funds and other issues concerning the funds.

a one-third interest in U.S. Global Health Limited, including analyses of the market potential for quality health services, revenue and expense estimates, and risks associated with the investment. TUSRIF also structured its investment in a manner that provided it with rights and risks that were commensurate with other investors. Although TUSRIF has taken action to receive its share of proceeds from liquidation proceedings, it appears that TUSRIF and the other investors will suffer a total or near total loss. (*Audit Report No. A-000-97-003-P*)

### **OIG's Administratively Uncontrolled Overtime, Special Differential, and Law Enforcement Officer Availability Pay in Fiscal Year 1996**

The OIG audited USAID's administration of Administratively Uncontrolled Overtime (AUO) in response to a requirement contained in Section 650 of Public Law 104-208, the Omnibus Consolidated Appropriations Act. That section required the Inspector General of each federal department or agency to conduct an audit of the use of AUO by the department or agency, if such overtime has been paid.

AUO is overtime that is authorized to be paid to civil service employees whose jobs require them to work in situations where pre-approval of overtime is not practical. Civil service employees are eligible for AUO if they meet the eligibility requirements. AUO is commonly used to compensate criminal investigators in job series 1811, who often are assigned to the inspector general offices. Two other forms of premium pay are also paid to criminal investigators. Civil service and non-commissioned foreign service investigators can receive Law Enforcement Officer Availability Pay (LEAP), and commissioned foreign service officers can receive special differential. The OIG audit covered all forms of premium pay paid to criminal investigators in fiscal year 1996.

Although we conducted our audit in accordance with generally accepted government audit standards, the audit did not meet the general auditing standard that calls for auditors to be organizationally located outside the staff or line management function of the unit audited. We did not meet the standard because the Office of Investigations--which paid special differential and LEAP--and the Office of Audit--which performed this audit--are both under the supervision of the Inspector General, who is responsible for administering premium pay for investigators. Our noncompliance with the independence standard did not, however, affect the results of the audit.

The report found that the OIG did not pay investigators AUO in fiscal year 1996, even though all premium pay was recorded as AUO in USAID's payroll records. In addition, although the OIG administered the payment of special differential in FY96 in accordance with laws and regulations, it did not comply with all requirements for LEAP because it did not have procedures in place to administer LEAP until April 1996. It had, prior to April 1996, made payments to investigators following procedures that did not distinguish between AUO, special differential, or LEAP.

The report included four recommendations to improve the administration of premium pay for investigators. The Office of Investigations agreed to implement the recommendations. (*Audit Report No. A-000-97-002-P*)

### **Programming of Local Currency in Jordan**

USAID and the Government of Jordan entered into a grant agreement in 1985 whereby USAID would finance foreign exchange costs of purchasing U.S. commodities. According to the agreement, Jordan would establish a special account to deposit local currency accruing from the sale or import of the commodities provided via the agreement. The local currency was to be used for (1) USAID development projects in Jordan, (2) USAID administrative costs, and (3) other mutually agreed upon activities including the repayment of host government debt. For the period under audit (January 1994 through October 1996), Mission records showed that the equivalent of \$23.7 million in local currency had been withdrawn and used.

At USAID's request, the OIG performed an audit to determine whether USAID and the Government of Jordan implemented systems to program and monitor the use of the local currency and whether the local currency funds were used to achieve intended purposes. The audit found that USAID and the Government of Jordan had not implemented a number of key systems required to program and monitor the use of the local currency, nor clearly established intended purposes for funds allocated for development projects. Further, the audit determined that USAID had up to \$1.3 million in related U.S. dollar obligations that were no longer necessary and could be deobligated.

The audit report recommended that USAID 1) improve the reporting on and auditing of local currency; 2) decide whether to sustain over \$2.6 million in questioned costs; 3) establish, in writing, the intended uses for local currency funds allocated for individual projects; and 4) deobligate up to \$1.3 million in unneeded funds. USAID agreed with all the recommendations and has taken action to establish new programming, reporting, and verification procedures; disallow \$1.1 million in questioned costs; establish intended uses for funds allocated for 1997; and deobligate \$363,018 of unneeded funds. (*Audit Report No. 6-278-97-003-P*)



## ***PERFORMANCE AUDIT PROGRAM***

Performance audits are objective and systematic examinations of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function. Performance audits provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. Our audit strategy seeks to increase collaboration between the OIG and USAID management in order to find solutions to performance problems, as well as to help the Agency more efficiently and effectively manage for results. Our audit reports are also used by Members of Congress to assist them in their oversight role.

The Office of the Inspector General issued 18 performance audit reports during the first half of fiscal year 1997. Following are summaries of the more significant audits.

### **Worldwide Deployment of the New Management System (NMS)**

The objective of this audit was to assess the extent to which the NMS operates effectively and the impact any deficiencies have had on Agency operations. USAID has been working to replace outdated information technology with an integrated system that corrects financial and management information deficiencies and supports redesigned business processes. However, six months after deployment, the NMS is not operating effectively. Although most users believe the system could eventually provide significant benefits, the NMS has been unable to process a large portion of Agency activities including generating basic financial and management information. Premature deployment has also increased vulnerabilities to fraud and abuse and has not met user needs for more timely and efficient work processes. By diverting resources to fix numerous software defects, premature deployment has postponed efforts to correct the underlying design deficiencies that will continue to limit the NMS from operating effectively.

The report concludes that USAID must act aggressively to correct these deficiencies if the NMS is to achieve its potential. The report contains five recommendations, all of which remain without management decision.

**Background** - The NMS was designed to (1) streamline business processes, (2) eliminate paper forms, (3) correct material noncompliance with federal accounting and financial management requirements, and (4) provide managers with the information needed to make appropriate decisions and reliably report the status of agency activities. USAID will have invested about \$89 million by the end of fiscal year 1997 and about \$100 million by the end of fiscal year 1998 to develop the NMS.

Although the NMS originally consisted of eight subsystems, only four have been developed and deployed. These are the AID Worldwide Accounting and Control System (AWACS), Acquisition and Assistance (A&A), Budget, and Operations. Plans still call for implementation of the Property Management and Human Resources subsystems, but no longer include the Communications or Guidance subsystems.

The NMS first began processing a limited number of accounting transactions in July 1996. These transactions were limited to Washington offices and primarily to operating expense funds used for travel, small purchases, and some procurements. On September 27, 1996, we reported that USAID's plan to deploy the NMS worldwide on October 1, 1996 involved significant risk to Agency operations.<sup>3</sup> On October 1, 1996, the NMS was deployed worldwide as the primary system for conducting Agency business, recording accounting transactions, and preparing financial and management information.

**The NMS Has Limited Operational Capabilities** - As of March 1997, none of the NMS subsystems was fully operational. Problems are especially severe at overseas missions, where communications difficulties have prevented effective use of most system functions. Although some activities can be entered into the partially completed subsystems, little Agency business was being conducted in the NMS and few financial transactions have been recorded in the AWACS subsystem. To a large extent, transactions are limited to new activities funded from fiscal year 1997 appropriations. The NMS has been unable to handle important Agency business, including processing transactions needed to carry out USAID's almost \$14 billion of ongoing development activities, making payments in a timely manner, accounting for receivables, and processing loan repayments. The NMS also does not meet basic Federal financial system requirements such as being able to generate financial and management information.

**The NMS is Not Operating Effectively** - The NMS has not corrected previously identified financial and management information deficiencies or satisfied users' needs for more timely and efficient work processes. NMS deployment has not corrected any of the material weaknesses reported in USAID's fiscal year 1996 Federal Managers' Financial Integrity Act report and does not meet Federal financial management system requirements. The NMS is intended to, but has not, corrected weaknesses relating to the lack of an integrated financial management system, a transaction level general ledger, and effective systems to account for receivables, property, and loans. In fact, NMS deployment has worsened the problems by further fragmenting USAID's accounting records, reducing USAID's ability to prepare financial and management information, and creating computer access control weaknesses.

Operational problems such as slow system response times, frequent system errors, and unreliable system performance have also disrupted Agency operations. These problems have (1) hindered users in performing important duties related to development assistance; (2) wasted large amounts

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<sup>3</sup> Interim Report on the Status of USAID's New Management System (Report No. A-000-96-001-S, September 27, 1996).

of employee time and resources; and (3) lowered morale. Although both Washington and mission users have been affected, the problems are more severe at missions. Agency officials reported that the NMS has reduced their organizational efficiency and also reduced the Agency's ability to provide development assistance.

**Deficiencies Reflect Technical and Implementation Problems** - The NMS is encountering these problems because USAID's acquisition and system development approach deviated from guidelines calling for (1) thorough system tests to verify that the system operates effectively, and (2) adequate implementation planning to ensure that the system meets user needs. Although the Agency committed to follow a disciplined process, it did not thoroughly test the system or adequately plan for its implementation.

Technical problems include hundreds of software defects as well as design flaws that have prevented key parts of the system from operating. Database design problems are especially troublesome. Many of the most severe NMS problems are related to design flaws, which are generally more difficult to correct than software defects. USAID has postponed dealing with the design flaws, most of which are not tracked in its problem reporting system. Implementation planning problems include USAID's failure to successfully transfer or migrate data contained in the old systems to the new system, and limited and outdated training.

**Information Resources Management Weaknesses** - To a large extent, this situation exists due to underlying organizational and management deficiencies that allow substandard IRM practices to continue despite high risks of adverse consequences. Several studies have pointed out that deficient IRM practices increased the likelihood that NMS would not operate effectively. For example, individuals and offices were allowed to develop systems without regard to standards, data sharing, or the cost effectiveness of the investment and the IRM Division lacked the authority to manage information resources and enforce data or system development standards. USAID, however, has not taken effective actions to correct the deficiencies.

To ensure that information resources are managed effectively, recent legislation, the Clinger-Cohen Act of 1996, calls for agencies to appoint a Chief Information Officer (CIO) who is to report directly to the head of the agency and to have IRM responsibilities as the primary duty.<sup>4</sup> However, USAID's CIO does not have IRM as the primary responsibility, as defined by the Office of Management and Budget (OMB), because he is also responsible for several other major management organizations including procurement, personnel, and financial management.

At this time, it also does not appear that the NMS, as an operational system, meets OMB criteria for continued funding. OMB's criteria for managing risks include using (1) fully tested pilots,

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<sup>4</sup> The fiscal year 1997 Omnibus Consolidated Appropriations Act, Public Law 104-208, renamed both Division D (the Federal Acquisition Reform Act) and E (the Information Technology Management Reform Act) of the 1996 DOD Authorization Act, Public Law 104-106, as the "Clinger-Cohen Act of 1996."

simulations, or prototypes before going to production, (2) a phased implementation strategy to deploy narrowly scoped system segments, and (3) performance-based contracts that appropriately allocate risks between the government and contractors. USAID, however, did not (1) adequately test the NMS before making it operational, (2) deploy the NMS in narrowly scoped phases, or (3) use performance-based contracts to acquire the NMS.

We asked USAID management to comment on a draft of the report, but they did not do so prior to issuance of the report. (*Audit Report No. A-000-97-004-P*)

### **U.S. Assistance to Bosnia-Herzegovina**

USAID is the primary implementor of the United States foreign assistance program in the Federation of Bosnia-Herzegovina. To date, this assistance has included \$77 million for humanitarian aid and \$198 million for reconstruction assistance. During the current semiannual reporting period, the OIG issued three audit reports on USAID assistance activities in Bosnia-Herzegovina.

**Disaster Assistance** - The first audit report dealt with USAID's Disaster Assistance Activities in Bosnia-Herzegovina and covered a \$25 million emergency shelter program. This program's principal goal was to make emergency repairs to 2,500 destroyed homes and was managed by USAID's Disaster Assistance Response Team/Former Yugoslavia (DART). DART entered into cooperative agreements with eight nongovernmental organizations to carry out this program in 44 villages in Bosnia-Herzegovina. The audit found:

- DART and the implementing nongovernmental organizations ensured that the disaster assistance authorized under the emergency shelter program was delivered to the intended beneficiaries as agreed;
- DART was proactively monitoring the program's progress to ensure that problems caused by changing circumstances were promptly and effectively addressed; and
- The principal program goal—the repair of 2,500 destroyed homes—should be achieved on time and within budget. (*Audit Report No. B-168-97-001-P*)

[photo not included]

A shelter that met the criteria of a "badly destroyed home," in Ulnisnjak, Bosnia-Herzegovina.  
Source: Photograph taken by World Vision International program personnel, June 1996.

[photo not included]

The same "badly destroyed home," pictured above, four months later after repairs were made.  
Source: Photograph taken by USAID OIG auditors, October 1996.

The OIG is carrying out ongoing audits of two USAID reconstruction programs in Bosnia-Herzegovina—Bosnia Reconstruction Finance Facility (BRFF) and Municipal Infrastructure Services (MIS) Programs—and issued audit reports on both programs covering the period from their inception through December 31, 1996.

**BRFF Program** - USAID's BRFF program is a five-year, \$278 million balance-of-payment initiative intended to "jump-start economic growth and generate employment opportunities for the general population." The grant agreement for this program was signed on May 7, 1996 and, on May 16, USAID signed a task order with Development Alternatives, Inc., to establish and operate the On-Lending Management Unit which would be the primary implementor of the BRFF program.

During the first year of operation, the BRFF program planned to approve approximately \$60 million in loans and anticipated that loans totaling \$256 million would be disbursed over the first three years of the program. USAID expected that \$45 million in loans would be disbursed, which would generate 6,750 jobs, during the six-month period ended December 1996.

As of December 31, 1996, \$68 million had been available for the BRFF program, with \$60 million allocated for the loan program and \$8 million for technical assistance and support costs. During the reporting period, USAID obligated and disbursed \$40 million to Bosnia-Herzegovina to assist with their balance-of-payment needs; and obligated \$11.9 million for program implementation costs. USAID approved 43 loans totaling \$24.3 million and disbursed \$20.4 million for 39 of these loans. An additional 96 loan proposals were classified as "prospective," meaning that they could be recommended to USAID for approval.

The \$24.3 million in loans which the On-Lending Management Unit recommended to USAID was short of the targeted amount of \$45 million. According to Management Unit officials, this shortfall resulted primarily from too few credit officers to analyze and process loan applications. This shortfall is expected to result in 722 fewer loan-generated jobs than planned.

Much of the audit work was focused on obtaining an understanding of lending procedures and controls for the program and obtaining information on the status of loan activities.

Testing was done of compliance with loan procedures and the agreement with agent banks. These tests disclosed one major control weakness—two agent banks disbursed loan proceeds without obtaining invoices or supporting documentation, resulting in the potential for borrowers to use loans for purposes other than stipulated in the loan agreement. Also, the audit identified an unauthorized use of loan proceeds. Six preliminary audit findings were issued to the USAID Mission. The Mission took corrective actions on all preliminary findings, including recovering the loan proceeds used without authorization.

Auditors visited 19 of the 39 borrowers who had received loans to inspect any reconstruction and equipment purchases funded by the loan proceeds at the borrower's place of business. No major problems were identified. However, in many cases, machinery and equipment purchased by the loan proceeds had not yet arrived. Auditors plan to revisit these borrowers at a later date to verify that machinery and equipment is installed and being used as intended. All 13 agent banks being used by USAID for the loan program were visited by the auditors. Several instances of noncompliance with loan procedures and the agent bank agreements were found and reported to USAID. Auditors plan to revisit some of these banks at a later time to verify that they are in compliance. *(Audit Report No. B-168-97-002-P)*

**MIS Program** - USAID's MIS Program is a 4½-year, \$182 million program to help finance the reconstruction of community infrastructures and support the return of displaced persons and demobilized soldiers to their homes. The grant agreement was signed in May 1996 and, on June 10, USAID contracted the Ralph M. Parsons Company to implement the program. Infrastructure projects eligible to receive assistance under the MIS program include water resources, sanitation, electric power, transportation (local roads and bridges), communication, and public services such as school and health clinics. Over the 4½-year implementation period, the following construction targets were established:

- Sixty-five municipal infrastructure projects, costing approximately \$1.5 million each;
- Forty small infrastructure projects, costing \$2 million in total; and,
- Thirty-two shelter rehabilitation projects with about 200 houses per project that costs about \$7,000 per house, for a total of 6,400 rehabilitated shelters costing \$45 million.

As of December 31, 1996, USAID obligated and disbursed \$58 million to Bosnia-Herzegovina to implement the MIS projects. USAID also identified and approved for funding:

- 38 major projects valued at \$50.1 million in five public sector areas: energy, transportation, water resources, education and health; and
- 111 small (about \$50,000 each) Community Infrastructure Rehabilitation Projects with a value of \$4.4 million.

Construction work was underway for 31 MIS projects and the work was essentially complete on four projects. In addition, subcontractors had completed 44 of the small community projects.

Implementation of the MIS program is on a pace that, if maintained, should complete the construction targets well in advance of the 4½ years originally established for the program.

As was the case with the BRFF program, much of the audit work was focused on obtaining an understanding of the internal control structure for the project and obtaining information on the status of project activities.

During this period auditors tested certain contractor invoices and found one major control weakness—USAID's program office did not have adequate procedures to detect duplicate payments. Auditors also identified contractor over-billings in the amount of approximately \$370,000. Three preliminary audit findings were issued to the USAID Mission. USAID has taken corrective action on all of the preliminary audit findings and recovered the overpayments made to the contractor.

Auditors also visited project sites to verify the project's existence, construction status, and subcontract amount, and assess the monitoring done by USAID and the implementing contractor. Twelve of 149 projects were visited. No major problems were identified. However, work was conducted at many of these projects during the winter months and some minor repairs, such as repainting, will need to be done when the weather permits. Also, some of the projects visited were not yet being used for various reasons such as: the project had only recently been completed; usage was awaiting the completion of a second, related project; or, municipalities did not yet have sufficient resources to staff and equip the facility. Auditors will revisit some of these projects at a later time to verify that needed repairs were made and that the projects are being used as intended. (*Audit Report No. B-168-97-003-P*)

### **Disaster Assistance Activities in Rwanda and New Independent States**

During the current semiannual reporting period, the OIG issued audit reports of USAID disaster assistance activities in Rwanda and the New Independent States. Results of those audit reports are summarized below.

**Rwanda** - When the presidents of Rwanda and Burundi were killed in an airplane crash in April 1994, Rwandan government forces and bands of armed militia launched a campaign of genocide against the Tutsi minority and moderate Hutus. Heavy fighting throughout Rwanda killed an estimated 500,000 Rwandans and forced over 3.5 million more to leave their homes. The United Nations reported that, as of November 1994, there were approximately 1.8 million Rwandan refugees displaced within their own country and over 2 million in neighboring countries. The United States' response to the Rwanda disaster was coordinated by USAID. During fiscal years 1994 through 1996, USAID obligated over \$34 million in U.S. funds for disaster assistance in Rwanda. The OIG audited USAID's disaster assistance activities in Rwanda to determine whether USAID ensured that aid was delivered to the intended beneficiaries.

The audit found that USAID ensured that disaster assistance was delivered to the intended beneficiaries inside Rwanda. However, the audit identified some problems with regard to USAID's emergency preparedness, monitoring of activities, and identification of activities funded by the U.S. Government. In addition, although the audit did not specifically cover USAID disaster assistance delivered to refugees in camps bordering Rwanda in Zaire, Tanzania, and



Burundi, we reviewed evidence that came to our attention of inflated refugee counts resulting in the delivery of excess amounts of USAID food resources to those camps.

[photo not included]

Agricultural warehouse in Rwanda rehabilitated with USAID funds.  
Sign recognizes Japanese Government as donor instead of the U.S. Government.

The report recommended that USAID (1) design and implement a disaster response plan for its Mission in Rwanda and ensure that Mission staff members are better trained in disaster preparedness and response procedures, (2) improve monitoring of grant activities conducted by non-governmental organizations, (3) ensure that U.S.-funded activities are properly marked to identify the U.S. Government as donor, and (4) take appropriate action to initiate re-counts of refugees in refugee camps bordering Rwanda and adjust USAID's disaster assistance contributions accordingly. (*Audit Report No. 4-696-97-001-P*)

**New Independent States** - This report summarized five previous audits conducted by the OIG involving USAID's emergency assistance activities in the New Independent States. The five audits reviewed emergency assistance activities in the New Independent States spanning fiscal years 1991 through 1996. Cumulatively, the audits covered approximately \$144 million in obligations and \$123 million in expenditures for emergency assistance in former Soviet republics including Russia, Ukraine, Georgia, Armenia, and Azerbaijan. The objective of this report was

to review, based on the results of the five previous audits, how USAID defines, plans and responds to disasters and emergencies in the New Independent States.

The audits found that USAID was successful in providing much needed food, medicine and other basic supplies to millions of people affected by the consequences of economic and political dislocation, civil strife, and ethnic conflict throughout the New Independent States. However, each of the five audits disclosed weaknesses in USAID's performance monitoring of emergency humanitarian assistance activities which needed to be improved. For example, the audit of \$92 million in food assistance to the Caucasus during fiscal years 1994 through 1996 disclosed serious problems with in-country monitoring of 100,000 metric tons of wheat in Georgia (*Audit Report No. 8-110-97-001-P*). Better planning by USAID would have provided a plan for performance monitoring commensurate with the large amount of assistance provided and the internal control vulnerabilities existing in the Caucasus.

This report recommended that USAID require that performance monitoring of emergency assistance activities in the New Independent States be defined, with appropriate resources devoted to it, and linked to expected results, during the design phase of those activities to help ensure that the expected results are achieved. Cognizant USAID management reported that subsequent to the draft audit report, it had established a performance management system which mandates the development of performance monitoring plans for all strategic objectives in its missions including strategic objectives for humanitarian assistance, where applicable. The performance management system enables USAID's overseas operating units to manage and monitor their program activities, including humanitarian assistance, on a systematic basis. An integral element of the performance management system is the articulation of strategic objectives, intermediate results, indicators, baseline and targets. (*Audit Report No. 8-110-97-003-P*)

### **Non-Emergency Food Aid in Burkina Faso and Ghana**

As part of a worldwide audit effort of P.L. 480 Title II Non-Emergency Food Aid Programs, the OIG audited USAID's Food Aid Program in Burkina Faso and Ghana. The audits were designed to determine whether USAID, with its cooperating sponsors, had an adequate management structure to ensure that food aid was targeted to the most needy and reached the intended beneficiaries, and whether USAID had progressed towards achieving the planned results of its food aid activities in those two countries.

**Burkina Faso** - This audit found that USAID and its cooperating sponsor in Burkina Faso collectively had an adequate management structure to ensure that food aid was targeted to the most needy for Food-for-Work and Welfare Programs, but not for a School Feeding Program. The audit also found that a significant amount of food aid (\$378,000) was not used for its intended purpose. Due to a combination of weaknesses involving performance objectives and indicators, baseline data, and performance monitoring systems, it was not clear what progress the overall program had made towards achieving its intended results.

The report recommended that USAID determine the allowability of \$378,000 in questioned costs, strengthen internal controls at the beneficiary level, and correct the weaknesses in performance objectives and indicators. (*Audit Report No. 7-624-97-001-P*)

**Ghana** - This audit found that USAID and its cooperating sponsors had adequate management structures to ensure that the food aid was targeted to the most needy people. In general, the food aid reached the intended recipients. However, we found that for 1996, some food deliveries were made late. While USAID and its cooperating sponsors were making progress towards achieving the intended results of the program activities, certain practices taking place in the program needed to be corrected. In particular, one cooperating sponsor had a policy for the personal usage of project vehicles which exceeded that allowed by USAID guidance. Further, management actions should be taken to ensure the sustainability of activities related to farmers' cooperatives, small-scale palm oil processing mills, and nurseries.

Accordingly, the report recommended that USAID take action to ensure more timely delivery of food assistance, establish a policy on the personal usage of project vehicles in Ghana, and assess the continuation of the Inventory Credit Program to farmer's cooperatives. The future viability of small palm oil processing mills, and a means to make nurseries self-sustaining and self-sufficient were also recommended. USAID agreed with all the audit recommendations and is taking the appropriate actions. (*Audit Report No. 7-641-97-002-P*)

### **Natural Resources Management and Biodiversity Activities in Senegal**

As part of an Agency-wide audit effort of USAID's implementation of the Government Performance and Results Act, the Regional Inspector General in Dakar audited USAID/Senegal's Natural Resources Management and Biodiversity Activities. This audit was the first in a series of similar audits planned for other overseas locations including Ecuador, Uganda, Namibia, Morocco, and Indonesia. The audit's objectives were to determine if USAID/Senegal had a) developed a strategic plan and an annual plan which were consistent with the Agency's strategic framework, b) developed performance indicators which were consistent with Agency goals, c) developed a system for collecting and reporting accurate performance data, and d) used performance information to enhance program effectiveness. In addition, the audit sought to determine if the Mission had effectively monitored the technical assistance contracts under its natural resources management and biodiversity activities to ensure that the technical assistance funds were efficiently utilized and that technical assistance contracts achieved their intended results.

The audit found that the Mission had developed a strategic plan and an annual plan which were consistent with the Agency's Strategic Framework and that it had generally developed performance indicators which were consistent with Agency goals. However, the Mission had not established targets for 5 of 20 performance indicators and 3 of 20 performance indicators did not appear to be practical. The audit also found that the Mission had developed a system for collecting and reporting performance data, but the system did not ensure that the most recently available performance data was reported. In addition, our audit fieldwork indicated that the

Mission may be reporting more results at the strategic objective level than what it was actually accomplishing. Further, although we found that the Mission had used performance information to enhance program effectiveness, it could improve its use of performance targets.

To address the above issues, we recommended that the Mission establish targets for each of its performance indicators, update its performance information, establish a performance reporting checklist, reassess whether its activities are sufficient to contribute to an increase in the Mission's strategic objective, and reassess its established performance targets.

Regarding its technical assistance contracts, the audit found that the Mission, for the most part, had effectively monitored four of five technical assistance contracts under its natural resources management activities. Regarding a fifth technical assistance contract that was reviewed, we found that the Mission monitored the contract, but did not ensure that its funds totaling \$446,000 were efficiently utilized or that the contractor achieved the intended results. No recommendation was warranted, but the contract's circumstances represented lessons learned for the Mission to ensure that its development partners fully support USAID's development efforts and understand their development responsibilities.

The audit report contained five recommendations. Final action has been taken on one recommendation and management decisions have been made to address the other four recommendations. (*Audit Report No. 7-685-97-003-P*)

### **Technical Assistance Contracts in Indonesia**

USAID uses technical assistance contracts and grants to support USAID-funded activities in many locations. For these contracts and grants, USAID is responsible for ensuring that the technical assistance clearly contributes toward USAID's strategic objectives and that the work achieves intended results. As of July 31, 1996, USAID was administering 21 active contracts and grants for technical assistance in Indonesia with total estimated costs of \$117.7 million. The OIG audited three contracts and one grant in Indonesia with total estimated costs of \$33.9 million to determine whether USAID ensured that work performed by technical assistance contractors and grantees produced results that make a clear and distinct contribution toward achieving USAID's strategic objectives and intermediate results.

The audit found that although USAID was in the process of implementing its new directives for managing for results, USAID has much to do before it fully meets the new requirements with respect to technical assistance contracts and grants in Indonesia. For example, USAID has not developed comprehensive results packages and performance monitoring plans that clearly articulate how and to what extent each contract or grant contributes toward achieving the indicators and targets established for measuring progress in achieving strategic objectives and intermediate results. In addition, USAID has not ensured that the anticipated results under the contracts and grant reviewed were well defined, or that progress reports received from the contractors and grantee include information necessary to enable USAID to objectively measure progress in achieving the contract or grant objectives.

The audit report recommended that USAID better ensure that technical assistance activities in Indonesia more clearly contribute toward achieving strategic objectives and demonstrate progress made by contractors and grantees in achieving those objectives. USAID officials in Indonesia did not concur with the findings and recommendations of the audit. They believe that they have aligned their portfolio of activities with USAID's strategic objectives, and that they are properly monitoring the performance of contractors and grantees. (*Audit Report No. 5-497-97-001-P*)

### **Democracy Activities**

The Office of the Inspector General is conducting an agency-wide audit of USAID's implementation of the Government Performance and Results Act for democracy-civil society activities. The audit intends to answer the following objectives:

- Did USAID, for its civil society activities, in accordance with Agency directives and in support of USAID's actions to comply with the Government Performance and Results Act:
  - (a) develop a strategic plan and an annual plan which were consistent with the Agency's strategic framework;
  - (b) develop performance indicators which were consistent with Agency goals;
  - (c) develop a system for collecting and reporting accurate performance data; and
  - (d) use performance information to enhance program effectiveness?
  
- Were USAID's civil society/pluralism activities making satisfactory progress toward achieving the intended benefits?

We have audits scheduled in seven countries and the Bureau for Europe and New Independent States (ENI). Audits have been completed in Egypt, Russia (two audits), Kazakhstan, the Ukraine and at the ENI Bureau. Audits are ongoing in South Africa and Romania and pending in El Salvador. (*Audit Report Nos. 6-263-97-002-P, 8-118-97-004-P, 8-118-97-006-P, 8-115-97-005-P, 8-121-97-007-P, and 8-000-97-008-P*)

## ***SURVEY REPORTS AND OTHER SIGNIFICANT MATTERS***

Some circumstances require that the OIG prepare survey reports or management letters to quickly communicate the status of programs or problems to USAID management. Interim reports are used to provide feedback on the status of particular programs or operations. Following are summaries of some of the survey reports and management letters issued by the OIG during the current reporting period.

### **USAID's Implementation of the Government Performance and Results Act**

Congress' desire to improve federal agencies' accountability for program performance lay at the heart of three landmark reforms of the 1990s: the Chief Financial Officers Act of 1990 (CFO), the Government Management Reform Act of 1994 (GMRA) and the Government Performance and Results Act of 1993 (GPRA). With these three laws, Congress imposed on agencies a new and more exacting framework for management and accountability. The Government Performance and Results Act of 1993 requires that federal agencies develop strategic plans by September 30, 1997, prepare annual plans setting performance goals beginning with fiscal year 1999, and report annually on actual performance compared to goals by March 2000.

This survey report on USAID's implementation of GPRA focuses on four areas. The first pertains to how USAID is organizing the implementation process. The next three focus on USAID's efforts to meet the Act's requirements for a strategic plan, annual performance plans, and annual performance reports.

Since our last report<sup>5</sup>, the Agency has made good progress in organizing the implementation process. Key senior managers have become conversant with the GPRA and their attitudes reflect a good management control environment for implementing the Act's requirements. In addition, under the general guidance of the Bureau for Policy and Program Coordination (PPC), several working groups have been organized and are working actively to address the key aspects of the Act.

Concerning USAID's efforts to complete the required strategic plan, covering at least five years, by September 30, 1997, USAID submitted an outline for its strategic plan to OMB in the summer of 1996. OMB identified two principal areas needing attention—*attribution and aggregation*. Also, in November 1996, USAID submitted another draft, however, OMB has not yet commented on it. In the meantime, the Agency continues to work on the plan and expects to complete it by June 1997.

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<sup>5</sup> Interim Report on USAID's Implementation of the Government Performance and Results Act of 1993, dated September 27, 1996 (9-000-96-001-S).

While the Agency has plans to consult with Congress and other interested parties, and continues to address the issues identified by OMB, we would like to reemphasize particular items which will be critical for the Agency to further develop a good strategic plan. These items are: (1) obtaining agreement from Congress on the strategic objective approach, (2) determining who should develop the strategies for programs in the New Independent States (NIS) and Central and Eastern Europe (CEE), and (3) resolving the attribution and aggregation of results issues.

We believe that Congressional consultations are particularly important to USAID because, according to Agency and GAO officials, not all members of oversight committees and/or their staff members have agreed to the Agency's new strategic objective approach. For instance, some still want information by project, rather than by strategic objective. Unless this issue is resolved, USAID might find it necessary to maintain parallel systems to report progress by both project and strategic objective.

In addition, our audits of USAID activities in the NIS and CEE have surfaced an issue that we believe should be discussed in any meetings with Congress. Specifically, we have noted that the State Department's Coordinators for Assistance to NIS and CEE have direct authority in determining assistance strategies which includes establishing policy and funding levels. The Coordinators may alter either the direction of an activity or level of funding for specific USAID-funded activities. This role is not consistent with the concept of a single agency having control over its activities. However, we are not making a recommendation at this time pending further review of this issue.

One of OMB's main concerns for USAID is attribution—that is, USAID needs to better show the link between USAID activities to country-level results. Because USAID is often not the only donor, or even the largest donor, it is difficult for USAID to link, or attribute, results achieved to its specific efforts. We believe that, in most cases, the Agency's goals and objectives go beyond its span of influence. Therefore, it is extremely difficult for USAID to take credit for improving country-level results, although it may be able to influence indicators such as per capita income in certain targeted areas (e.g., regions, cities, districts).

USAID must submit its first annual performance plan, for fiscal year 1999, in the fall of 1997. This is the first year that such a plan is required by GPRA. OMB issued draft guidance for preparing the Annual Performance Plan on January 13, 1997. PPC assigned a leader for the working group in January 1997. The team leader plans to include key people from USAID's central and geographic bureaus. The leader also plans to coordinate the work of this team with that of the strategic planning team because the performance goals and objectives in the annual plan need to tie to the strategic plan's general goals and objectives.

The Agency reported its fiscal year 1996 performance in two ways. First, it issued an Agency Performance Report. Second, it included information on performance results in the Financial Report Overview section of its fiscal year 1996 financial statements. Based on our review, neither reporting mechanism would have complied with the requirements of GPRA although they are not required to do so until fiscal year 2000. For example, the reports do not compare actual performance with the planned goals for fiscal year 1996. Also, the reports include results achieved in previous fiscal years.

While the Act does not have to be fully implemented until March 31, 2000, the next six months represent a crucial period. During this period, the Agency will have to (1) consult with stakeholders and reach agreement with Congress on goals, objectives and performance measures, (2) finalize at least a five-year strategic plan, and (3) resolve the issues concerning the New Management System<sup>6</sup> which will impact on the Agency's ability to manage and report on results.

We made several recommendations. Because this is a survey report, rather than an audit report, these recommendations will not be included in the Consolidated Audit Tracking System. (*Report No. 9-000-97-002-S*)

### **Adequacy of Planning for the Closure of USAID Operations in the Czech Republic**

A review of selected USAID mission closures in Central and Eastern Europe (CEE) was one of the direct audit activities planned by RIG/Budapest for FY 1997. The original audit proposal sought to determine whether selected CEE missions could: (a) safeguard and dispose of their assets properly; (b) manage their programs as the phase down occurred or oversee residual activities after USAID personnel were withdrawn; (c) coordinate the closeout with other government agencies involved in USAID programs; and (d) plan for the sustainability of USAID efforts after our assistance ends.

As its first effort, RIG/Budapest visited the Office of the USAID Representative for the Czech Republic (OAR/Czech Republic), scheduled for closure by September 30, 1997, and decided to focus its review on determining whether the Office adequately planned its closure. It was determined that OAR/Czech Republic had complied with USAID's planning requirements for mission closure. In addition, the Mission had prepared useful initiatives to dispose of program-funded nonexpendable property, develop a program database, and retain local staff during the closure process. We concluded that these initiatives provided excellent examples of "lessons learned" which should be considered by other missions scheduled for closure. (*Report No. B-180-97-001-S*)

### **Financial Management Support**

During this reporting period we became aware that USAID had signed an order on September 30, 1996 in the amount of \$232,595 to Coopers and Lybrand. The award was made under a General Services Administration (GSA) Multiple Award Schedule. Our reviews of the schedule determined that orders from the GSA schedule were to be made for the purpose of obtaining quality management support and services. However, from our review of the USAID order and Statement of Work (SOW), we determined that the purpose of the USAID order was to prepare the USAID FY 1996 Financial Statements and related financial reports.

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<sup>6</sup> Audit Report of the Worldwide Deployment of the New Management System (NMS) (Report No. A-000-97-004-P, dated March 31, 1997)



Because USAID's SOW was so different from what the GSA Multiple Award Schedule was intended to do, we referred our findings on the order to the GSA for their review. The GSA concluded that the USAID statement of work did not fall within the scope of allowable services under the GSA Multiple Award Schedule and said they would be conducting further reviews of the policies and procedures used that allowed Coopers and Lybrand to accept USAID's order.

GSA referred the matter of the procurement that did not fall within their Multiple Award Schedule back to the USAID procurement office for appropriate corrective action. No action was taken by the USAID Office of Procurement.

## ***AUDIT FOLLOW-UP AND RESOLUTION***

OMB Circular A-50, "Audit Follow-Up," requires that all audit recommendations be resolved within six months of report issuance. The circular defines *resolution* as the point at which agency officials and auditors agree on the course of action to be taken on an audit recommendation. The Inspector General Act of 1978 uses the term "management decision" to describe this agreement. Under OIG standards, reaching a management decision on recommendations is not synonymous with recommendation closure. Audit recommendations are generally not closed until final corrective actions have been completed or, in the case of a cost recovery, the funds have been collected.

OMB Circular A-50 also mandates that each agency establish a system to ensure prompt and proper management decisions on and implementation of audit recommendations. On April 1, 1996, USAID put into operation a single Agency recommendation tracking and follow-up system. This Consolidated Audit Tracking System (CATS) is managed by a working team formed from three offices: the OIG, USAID's Office of Procurement (M/OP) and USAID's Office of Management Planning and Innovation (M/MPI/MIC). The OIG enters information into CATS for all audit report recommendations up until the point that a management decision has been reached on corrective action to be taken. M/MPI/MIC is responsible for entering information on final action and closure of the recommendations.

Ordinarily, follow-up work is conducted during subsequent visits to the overseas missions or Washington offices where auditors ensure the proper implementation of recommendations from prior audit reports. If subsequent verification discloses that corrective action has not been fully implemented, the OIG can make a determination that the recommendation(s) be reopened.

## ***OTHER REPORTING REQUIREMENTS***

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires that each Inspector General's Semiannual Report to the U.S. Congress include a description and explanation of significant revisions of management decisions or significant OIG disagreements with management

decisions. The Inspector General Act also requires the identification of any reports made to the head of the Agency describing instances where information or assistance was unreasonably refused or not provided.

During this reporting period, the OIG did not make any reports to the head of the Agency, under section 6(b)(2) of the Inspector General Act, describing instances where information or assistance was unreasonably refused or not provided. However, we did have a significant revision of an audit management decision, as described below.

During the past six months, there was a significant revision of a USAID management decision with regard to a financial-related audit of a grantee (Audit Report No. 9-000-94-011, dated July 29, 1994). The OIG reopened two closed recommendations on November 14, 1996, because of the reversal of a previous management decision. The Agency had earlier taken action on Recommendations 1.1 and 2.1 by issuance of a bill of collection for questioned costs of about \$1.1 million. However, based on additional data provided by the grantee, the Agency reversed its previous management decision and issued a revised bill of collection for about \$540,000. Accordingly, the OIG reopened the recommendations in order to assess the Agency's action and determine whether the additional data justifies a reduction of the questioned costs due the U.S. Government.

The 1988 amendments to the Inspector General Act also require the reporting of statistical information which is presented in the following tables at the end of this report.

**Table A:** *Reports Issued (October 1, 1996 through March 31, 1997)*

**Table B:** *Audit Reports Over Six Months Old With No Management Decision as of March 31, 1997*

**Table C:** *Significant Audit Reports Described in Previous Semiannual Reports Without Final Action as of March 31, 1997*

**Table D:** *Reports Issued With Questioned and Unsupported Costs (October 1, 1996 through March 31, 1997)*

**Table E:** *Reports Issued With Recommendations That Funds Be Put to Better Use (October 1, 1996 through March 31, 1997)*

## INVESTIGATION ACTIVITIES

Investigations contribute to the OIG's mission of preserving integrity in USAID by investigating allegations of fraud in USAID's programs and operations. Allegations of violations of U.S. criminal law are our highest priority, but we also focus on matters which have the potential for civil and/or administrative action. Our investigative priorities include fraudulent procurement, contract, or grant activities; and serious misconduct by employees or personal service contractors. During the reporting period, investigative efforts resulted in one administrative counseling, one conviction, three sentencings, and monetary recoveries of about \$5.3 million.

Most referrals for investigation are made by USAID employees and involve allegations of fraud or abuse by USAID contractors, grantees or employees. During this reporting period, OIG received 145 referrals for investigation. Investigations were initiated on 31 of these referrals and the remaining 114 were deemed not to warrant investigation. Referrals which do not warrant investigation by the OIG are disposed of in several ways: 1) referred to Audit for information, 2) referred to USAID management for information or action as they deem appropriate, 3) referred to other government agencies with jurisdiction or authority to resolve the referral, 4) the item is found to be unsubstantiated or no further action is required, or 5) the item remains pending at the conclusion of the reporting period.

The following are examples of case results during this reporting period:

- A former USAID contractor agreed to settle a civil suit brought against it in the U.S. District Court, District of Columbia. The company paid \$245,000 to reimburse the government for lost interest on unallowable advance payments. The company had a \$57 million contract to build water treatment plants and refurbish waste water pumps stations in three rural cities in Egypt. The company received advance payments by inflating their invoices for equipment shipped early in the life of the contract. This action (called "front loading") is sometimes used by companies as a means to finance projects. Instead of obtaining a loan from a bank, companies will simply inflate their early invoices.
- An investigation was initiated based upon the results of an OIG Audit-requested cash count of USAID Washington imprest funds. The investigation discovered that a \$7,000 advance had been paid twice to an Agency employee. The employee received a \$7,000 cash advance from the USAID cashier. When the information was entered into the Agency's financial management accounting system, a second \$7,000 advance was generated and directly deposited into the employee's bank account. The USAID accounting system showed only one \$7,000 advance paid to the employee. Although the employee had notified the Agency of the duplicate payment, recovery had not been attempted since the accounting system did not show two advances. When questioned by the OIG, the employee immediately repaid the \$7,000 duplicate advance.

- The OIG Hotline received a complaint alleging that a contractor had hired the nephew of a USAID project officer responsible for overseeing contracts awarded to the contractor. An OIG investigation into the matter disclosed that the project officer had informed the contractor of her nephew's planned arrival in the Washington, D.C. area and had asked the contractor for assistance in locating a job for her nephew. At the time, the project officer had initiated several Project Implementation Orders/Technical Services (PIO/T) requesting approval for increases in contract funding for the contractor. The contractor arranged to have the project officer's nephew hired and trained by a local firm with whom the contractor was seeking business opportunities. When the firm received a sizeable parking lot contract at Washington National Airport, it subcontracted the work to the contractor who employed the nephew as its general manager.

The United States Attorney's Office for the Eastern District of Virginia declined prosecution of this matter. The Agency reviewed the matter and counselled the project officer to be sensitive to potential conflict of interest situations.

- In our prior Semiannual Report to Congress we reported that, in one of the largest fraud prosecutions involving the Food for Peace Program, a vegetable oil supplier, a plant manager, and a USDA Inspector were found guilty in the U.S. District Court for the Eastern District of North Carolina of multiple felony counts of conspiracy, mail fraud, and money laundering. They had participated in a scheme to defraud the United States of over \$2 million paid for vegetable oil purchased for the PL-480 Food for Peace Program.

During the current reporting period, the vegetable oil supplier pled guilty to four additional counts of money laundering and agreed to waive his right to appeal the previous conviction.

The three defendants have been sentenced as follows:

- The vegetable oil supplier was ordered to serve 81 months in prison, make restitution to the U.S. Government in the amount of \$4 million (via forfeited property), pay a \$850 special assessment, serve a three-year supervised release after his prison term ends, and perform 300 hours of community service.
- The plant manager was ordered to serve 65 months in prison, make restitution to the U.S. Government in the amount of \$15,000, pay a \$550 special assessment, serve a three-year supervised release after his prison term ends, and perform 225 hours of community service.
- The USDA Inspector was ordered to serve 34 months in prison, make restitution to the U.S. government in the amount of \$5,000, pay a \$350 special assessment, and perform 150 hours of community service.

## ***OIG HOTLINE***

The OIG Hotline is staffed from 9:00 a.m. to 5:00 p.m., Eastern time Monday through Friday. At all other times, telephone calls are recorded. People contacting the OIG Hotline can do so anonymously or they can request confidentiality. Anyone wishing to report suspected acts of fraud, waste or abuse can call the OIG Hotline at 1-800-230-6539 or 703-875-4999, send an e-mail to "IG HOTLINE@IG.I@AIDW" from inside the AIDNet and "ig=hotline%ig.i%aidw@usaid.gov" from outside the AIDNet (the quotes should be omitted in both addresses), or send a letter to USAID OIG/I, P.O. Box 12894, Rosslyn Station, Arlington, VA 22219.

USAID employees, contractors, and the public can contact the Hotline to report any information involving suspected fraud, waste, abuse, bribery, conflict of interest, and violations of USAID rules and regulations. Matters that are not within the purview of the OIG, are referred to management and handled in accordance with USAID administrative procedures. During the reporting period, the OIG received 9 Hotline referrals.

**REPORTS ISSUED**  
 October 1, 1996 through March 31, 1997  
**FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		<b>— USAID Financial Statement Audits —</b>		
0-000-97-001-C	02/24/97	Reports on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Year 1996		
		<b>— Financial-Related Audits of USAID Programs and Operations—</b>		
0-000-97-001-F	10/31/96	Audit of USAID's Payroll System for the Three-Month Period Ending December 31, 1995		
A-000-97-001-P	02/07/97	Audit of USAID/Washington's Review and Certification of Funds Obligated for Operating Expenses	508	BU
A-000-97-002-P	03/26/97	Audit of OIG's Administration of Administratively Uncontrolled Overtime, Special Differential, and Law Enforcement Officer Availability Pay in Fiscal Year 1996		
A-000-97-003-P	03/26/97	Audit of the Request for Review of the U.S. Russian Investment Fund's Investment in U.S. Global Health Limited		
4-615-97-002-P	11/25/96	Audit of USAID/Kenya's Management of Funds Available for Operating Expenses	439	BU
4-674-97-003-P	02/07/97	Audit of USAID/South Africa's Role in Obtaining Audits of Its Contracts, Grants, and Cooperative Agreements		
4-613-97-004-P	02/28/97	Audit of USAID/Zimbabwe's Role in Obtaining Audits of Its Contracts, Grants, and Cooperative Agreements		
6-263-97-001-P	01/31/97	Audit of the USAID/Egypt's Role in Obtaining Audit Coverage of Its Contracts, Grants, and Cooperative Agreements		
6-278-97-003-P	02/27/97	Audit of USAID/Jordan and the Government of Jordan's Programming of the Special Local Currency Account	3,945	BU
6-278-97-004-P	03/10/97	Audit of USAID/Jordan's Role in Obtaining Audits of Its Contracts, Grants, and Cooperative Agreements		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		<b>— Agency-Contracted Audits —</b>		
4-656-97-001-N	10/07/96	Audit of USAID/Mozambique Contract No. 656-0226-C-003012-00 with TRI-MED Inc. Project No. 656-0226	242 224	QC UN
4-615-97-002-N	11/14/96	Preaward Audit of the Kenya Association of Manufacturers		
4-674-97-003-N	02/28/97	Audit of Desmond Tutu Educational Trust's Grant Number 674-0309-G-SS-0032 for the Period August 17, 1990 to October 15, 1993	275 274	QC UN
4-698-97-004-N	03/18/97	Preaward Audit of the African Dialogue Center for Prevention Management and Resolution of Conflict in Africa		
6-263-97-001-N	10/16/96	Financial Audit of the Trade Development Center-Egypt, the Implementation Arm of the US-Egypt Joint Business Council (USAID/Egypt Cooperative Agreement No. 263-0226-A-00-2027-00)		
6-263-97-002-N	10/21/96	Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Professional Development Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)	66 1	QC UN
6-294-97-003-N	10/31/96	Report on the Application of Agreed-Upon Procedures to Evaluate Claims Submitted to USAID/West Bank & Gaza by the Shams Company (Under Contract No. 294-0006-C-00-4152)	210	BU
6-294-97-004-N	10/31/96	Report on the Application of Agreed-Upon Procedures to Evaluate Claims Submitted to USAID/West Bank & Gaza by the El Khoudary Company (Under Contract No. 294-0006-C-00-4149)	8	BU
6-294-97-005-N	10/31/96	Report on the Application of Agreed-Upon Procedures to Evaluate Claims Submitted to USAID/West Bank & Gaza by the Ramli Company (Under Contract No. 294-0006-C-00-4151)	637	BU
6-294-97-006-N	10/31/96	Report on the Application of Agreed-Upon Procedures to Evaluate Claims Submitted to USAID/West Bank & Gaza by the ABB Susa Company (Under Contract No. 294-0006-C-00-4150)	463	BU
6-263-97-007-N	11/12/96	Financial Audit of the Egyptian Fertility Care Society (USAID/Egypt Cooperative Agreement No. 263-0144)	79 73	QC UN
6-263-97-008-N	12/10/96	Financial Audit of the Principal Bank for Development and Agricultural Credit, Expenditures Incurred Under the Agricultural Production and Credit Project (USAID/Egypt Project No. 263-0202)	4 4	QC UN
6-263-97-009-N	12/19/96	Financial Audit of the Ministry of Social Affairs' Clinical Services Improvement Project, Expenditures Incurred Under the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144)	143 68 20	QC UN BU
6-263-97-010-N	12/22/96	Financial Audit of the United Engineering and Marketing Company, Expenditures Incurred Under Contract Nos. 263-0000-C-00-0008-00 and 263-0000-C-00-5019-00		
6-263-97-011-N	12/23/96	Financial Audit of Environmental Quality International, Expenditures Incurred Under Contract Nos. 263-0000-C-00-2203-00 and 263-0132-C-00-4076-00	1	QC

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
6-263-97-012-N	01/16/97	Financial Audit of the Trade Development Center-Egypt, the Implementation Arm of the US-Egypt Joint Business Council (USAID/Egypt Cooperative Agreement No. 263-0226-A-00-2027-00)		
6-263-97-013-N	02/24/97	Financial Audit of the Ministry of Information's State Information Service, Expenditures Incurred Under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)	11 1	QC UN
6-263-97-014-N	02/25/97	Financial Audit of the International Rice Research Institute, Resources Provided Through Letter of Commitment No. 263-0152-02 (USAID/Egypt Project No. 263-0152)	498 196	QC UN
6-263-97-015-N	02/27/97	Financial Audit of the Regional Center for Training, Expenditures Incurred Under the Population and Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)	5 1	QC UN
6-263-97-016-N	03/12/97	Financial Audit of the Institute for Training and Research in Family Planning, Expenditures Incurred Under the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144)		
6-263-97-017-N	03/13/97	Financial Audit of the Ministry of Health's Systems Development Project, Expenditures Incurred Under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)	5 1	QC UN
		<b>— Recipient-Contracted Audits of U.S.-Based Grantees</b> —		
0-000-97-001-A	10/16/96	Wellstart International		
0-000-97-002-A	10/10/96	World Council of Credit Unions, Inc.		
0-000-97-003-A	10/29/96	People-to-People Health Foundation, Inc.		
0-000-97-004-A	10/10/96	Agricultural Cooperative Development International		
0-000-97-005-A	10/16/96	Family Health International		
0-000-97-006-A	10/10/96	Citizens Network for Foreign Affairs		
0-000-97-007-A	12/12/96	Adventist Development & Relief Agency International	64 28	QC UN
0-000-97-008-A	10/22/96	American Council for Voluntary International Action		
0-000-97-009-A	10/17/96	National Cooperative Business Association		
0-000-97-010-A	10/30/96	International Planned Parenthood Federation Western Hemisphere Region, Inc.		
0-000-97-011-A	10/24/96	Volunteers in Technical Assistance, Inc.		
0-000-97-012-A	10/30/96	Fund for Democracy and Development		
0-000-97-013-A	11/18/96	The Center for Democracy		
0-000-97-015-A	11/18/96	Partners in Economic Reform, Inc.		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC



**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-97-017-A	11/15/96	International Food Policy Research Institute		
0-000-97-018-A	11/26/96	American-Mideast Educational & Training Services, Inc.		
0-000-97-019-A	12/13/96	IRI Research Institute, Inc.		
0-000-97-020-A	11/26/96	ILSI Research Foundation and Affiliates		
0-000-97-021-A	11/18/96	National Rural Electric Cooperative Association		
0-000-97-022-A	11/18/96	Medical Benevolence Foundation		
0-000-97-023-A	11/26/96	Program for Appropriate Technology in Health		
0-000-97-024-A	11/26/96	Food for the Hungry International		
0-000-97-025-A	12/03/96	World Resources Institute		
0-000-97-026-A	11/26/96	National Association of State Development Agencies		
0-000-97-027-A	12/05/96	US-ASEAN Council for Business and Technology, Inc.		
0-000-97-028-A	12/04/96	American Near East Refugee Aid		
0-000-97-029-A	12/13/96	International Center for Research on Women		
0-000-97-030-A	11/29/96	Population Reference Bureau		
0-000-97-031-A	12/03/96	International Institute of Rural Reconstruction		
0-000-97-032-A	12/02/96	Lutheran World Relief, Inc.		
0-000-97-033-A	12/03/96	Partners of the Americas, Inc.		
0-000-97-034-A	12/06/96	Hadassah, the Women's Zionist Organization of America, Inc. and Hadassah Medical Relief Association, Inc.		
0-000-97-035-A	12/05/96	Save the Children Federation, Inc.		
0-000-97-036-A	12/18/96	Midwest Universities Consortium for International Activities, Inc.	834 834	QC UN
0-000-97-037-A	12/18/96	Citizens Democracy Corps, Inc.		
0-000-97-038-A	12/09/96	US-ASEAN Council for Business and Technology, Inc.		
0-000-97-039-A	12/05/96	Auburn University		
0-000-97-042-A	12/05/96	The Consortium for International Development		
0-000-97-043-A	01/17/97	Pathfinder International	24	QC
0-000-97-044-A	12/03/96	International Institute of Rural Reconstruction (Philippine Office)		
0-000-97-045-A	12/03/96	Population Services International	2 2	QC UN

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-97-046-A	01/13/97	Population Council, Inc.		
0-000-97-047-A	12/02/96	International Executive Service Corps		
0-000-97-048-A	12/13/96	International Republican Institute		
0-000-97-049-A	12/18/96	Consortium for International Development		
0-000-97-050-A	12/05/96	Aid to Artisans, Inc.		
0-000-97-051-A	12/26/96	Catholic Relief Services - United States Catholic Conference, Inc.	902 764	QC UN
0-000-97-052-A	12/18/96	Volunteers in Overseas Cooperative Assistance		
0-000-97-053-A	12/11/96	TechnoServe, Inc.		
0-000-97-054-A	03/24/97	World Learning, Inc.		
0-000-97-056-A	12/13/96	The Centre for Development and Population Activities		
0-000-97-057-A	12/19/96	Larry Jones International Ministries, Inc.		
0-000-97-058-A	12/04/96	World Environment Center, Inc.		
0-000-97-059-A	12/11/96	California Polytechnic State University Foundation		
0-000-97-060-A	01/14/97	Mercy Corps International		
0-000-97-061-A	03/31/97	Beirut University College		
0-000-97-062-A	12/13/96	International Republican Institute		
0-000-97-063-A	12/13/96	FUDAN Foundation		
0-000-97-064-A	12/13/96	Winrock International Institute for Agricultural Development		
0-000-97-065-A	01/17/97	AFRICARE	5 5	QC UN
0-000-97-066-A	01/30/97	NYZS - The Wildlife Conservation Society		
0-000-97-067-A	12/13/96	National Association of State Development Agencies		
0-000-97-068-A	12/13/96	Counterpart Foundation, Inc.		
0-000-97-069-A	12/13/96	Holt International Children's Services, Inc.		
0-000-97-070-A	12/19/96	Institute for Contemporary Studies	146	QC
0-000-97-071-A	12/23/96	Cooperative Housing Foundation		
0-000-97-072-A	12/20/96	Conservation International Foundation		
0-000-97-073-A	12/20/96	Center for Human Services		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-97-075-A	01/14/97	African-American Labor Center		
0-000-97-076-A	01/24/97	World Vision Relief & Development, Inc.		
0-000-97-077-A	12/26/96	World Wildlife Fund		
0-000-97-078-A	12/26/96	International City/Council Management Association	20	QC
0-000-97-081-A	03/07/97	Vietnam Veterans of America Foundation		
0-000-97-082-A	03/31/97	The American ORT Foundation, Inc.		
0-000-97-083-A	12/19/96	United States Energy Association, Inc.		
0-000-97-084-A	01/14/97	Relief International		
0-000-97-085-A	12/20/96	Private Agencies Collaborating Together, Inc.		
0-000-97-086-A	12/26/96	Academy for Educational Development		
0-000-97-087-A	12/26/96	AICF/USA International Action Against Hunger		
0-000-97-088-A	12/23/96	Air Serv International		
0-000-97-089-A	03/26/97	American University of Beirut		
0-000-97-090-A	01/03/97	Asian-American Free Labor Institute		
0-000-97-091-A	01/14/97	The Carter Center, Inc.		
0-000-97-092-A	01/03/97	Citizens Democracy Corps, Inc.		
0-000-97-093-A	12/30/96	Cooperative League of the U.S.A. dba National Cooperative Business Association	15 15	QC UN
0-000-97-095-A	03/24/97	Ecologically Sustainable Development		
0-000-97-096-A	01/14/97	Environmental Enterprises Assistance Fund and Subsidiary		
0-000-97-097-A	01/03/97	Food for the Hungry		
0-000-97-098-A	01/03/97	Plan International, Inc.		
0-000-97-099-A	12/26/96	International Executive Service Corps		
0-000-97-100-A	01/29/97	Internews Network	345	QC
0-000-97-101-A	12/26/96	Larry Jones International Ministries, Inc. (Feed the Children)		
0-000-97-103-A	03/24/97	Management Sciences for Health, Inc.	12	QC

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-97-104-A	01/03/97	Medical Benevolence Foundation		
0-000-97-105-A	01/03/97	Midwest Universities Consortium		
0-000-97-107-A	03/31/97	The Nature Conservancy		
0-000-97-108-A	01/03/97	Planning Assistance		
0-000-97-109-A	01/03/97	Population Services International		
0-000-97-110-A	01/03/97	Project Concern International		
0-000-97-111-A	01/03/97	Save the Children Federation, Inc.		
0-000-97-112-A	01/03/97	TechnoServe, Inc.		
0-000-97-113-A	01/03/97	Vietnam Veterans of America Foundation		
0-000-97-114-A	01/03/97	Wellstart International		
0-000-97-115-A	12/13/96	Appropriate Technology International, Inc.		
0-000-97-116-A	12/18/96	National Council of Young Men's Christian Associations of the United States of America		
0-000-97-117-A	01/03/97	CSLA, Inc.		
0-000-97-119-A	01/30/97	AMMA Foundation, Inc.		
0-000-97-120-A	03/31/97	Mercy Corp. International		
0-000-97-121-A	03/20/97	Internews Network		
0-000-97-122-A	03/31/97	The National Council of Negro Women, Inc.		
0-000-97-123-A	03/25/97	Beirut University College		
		<b>— Recipient-Contracted Audits of Non-U.S.-Based Recipients —</b>		
0-615-97-001-R	11/18/96	Audit of the Family Planning Association of Kenya for the Period January 1, 1995 to August 23, 1995, Cooperative Agreement No. 615-0230-G-00-3065	6	QC
0-623-97-002-R	10/31/96	Audit of Promotion of Rural Initiatives and Development Enterprises Limited (PRIDE) for the Period October 1, 1994 to December 31, 1994, Cooperative Agreement No. 623-0238-A-00-4141-00	4 4	QC UN
0-615-97-003-R	11/29/96	Audit of the Christian Health Association of Kenya for the Period July 1, 1994 to August 23, 1995, Grant No. 615-0232-G		
0-623-97-004-R	10/30/96	Audit of Promotion of Rural Initiatives and Development Enterprises Limited (PRIDE) for the Period January 1, 1995 to September 30, 1995, Cooperative Agreement No. 623-0238-A-00-4141-00	8 8	QC UN

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-615-97-005-R	11/25/96	Audit of the Presbyterian Church of East Africa Chogoria Hospital for the Period October 1, 1994 to August 22, 1995, Cooperative Agreement No. 615-0232-G-00-2002	7 7	QC UN
0-674-97-006-R	11/06/96	Audit of Africa Institute for Policy Analysis & Economic Integration for the Period August 23, 1993 to February 29, 1996, Grant No. 674-0318-G-SS-3123-00	22	QC
0-674-97-007-R	11/25/96	Audit of the Independent Training and Educational Centre for the Period April 1, 1995 to March 31, 1996, Grant No. 674-0314-G-SS-3036-00		
0-674-97-008-R	11/26/96	Audit of Lawyers for Human Rights for the Period January 1, 1994 to December 31, 1994	76 75	QC UN
0-674-97-009-R	12/05/96	Audit of the Human Rights Project Managed by the Interfaith Community Development Association for the Period April 1, 1995 to March 31, 1996, Grant No. 674-0305-G-SS-3094-00	2	QC
0-674-97-010-R	11/12/96	Audit of Africa Institute for Policy Analysis & Economic Integration for the Period September 23, 1994 to February 29, 1996, Grant No. 674-0318-G-SS-4183-00		
0-674-97-011-R	11/20/96	Audit of the Environmental and Development Agency for the Period January 1, 1993 to December 31, 1993, Grant No. 674-0301-G-SS-2027-00		
0-674-97-012-R	11/21/96	Audit of the Rural Development Services Network for the Period January 1, 1994 to February 28, 1995, Cooperative Agreement No. 674-0301-G-SS-9025-05	18 18	QC UN
0-674-97-013-R	11/25/96	Audit of Progressive Primary Health Care Network for the Period January 1, 1994 to December 31, 1994, Cooperative Agreement No. 674-0301-G-SS-1025-00	34 19	QC UN
0-674-97-014-R	11/21/96	Audit of the African Centre for the Constructive Resolution of Disputes Education Trust for the Period April 21, 1993 to April 30, 1996, Grant No. 674-0301-G-SS-3013-03		
0-674-97-015-R	11/18/96	Audit of the Education Information Centre for the Period April 1, 1994 to March 31, 1995, Grant Nos. 674-0309-G-SS-1006-01 and 674-0309-G-SS-3118-00	54	QC
0-000-97-016-R	12/06/96	Audit of Association Equilibre for the Years Ended December 31, 1994 and 1993, Grant No. AOT-3003-G-00-3134-00		
0-674-97-017-R	12/17/96	Audit of Careers Research and Information Centre for the Period Ended December 31, 1994, Grant No. 674-0309-G-SS-3101-00		
0-674-97-018-R	12/19/96	Audit of Careers Research and Information Centre for the Period Ended December 31, 1995, Grant No. 674-0309-G-SS-3101-00		
0-674-97-019-R	11/26/96	Audit of National Institute of Public Interest Law and Research for the Period March 1, 1994 to July 31, 1995, Grant No. 674-0305		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-674-97-020-R	11/25/96	Audit of Small Beginnings: Early Years for the Period April 1, 1995 to March 31, 1996, Grant No. 674-0314-G-SS-4108-00	19 1	QC UN
0-674-97-021-R	12/02/96	Audit of Small Enterprise Foundation for the Period July 1, 1995 to April 29, 1996, Cooperative Agreement No. 674-0303-G-SS-2033-00		
0-674-97-022-R	12/02/96	Audit of the Independent Mediation Service of South Africa for the Period December 1, 1994 to November 30, 1995, Cooperative Agreement No. 674-0301-G-SS-4113-00	579 579	QC UN
0-674-97-023-R	11/29/96	Audit of Handspring Trust for Puppetry in Education for the Period March 1, 1994 to February 28, 1995, Grant No. 674-0314-G-SS-3090-00	1	QC
0-656-97-024-R	12/26/96	Audit of MARINERS - The Maritime Aid Agency for the Period December 22, 1994 to February 29, 1996, Cooperative Agreement No. 656-0237-C-5003-00		
0-520-97-025-R	12/05/96	Audit of the Institute of Nutrition of Central America and Panama for the Period January 1, 1994 to September 30, 1995, Grant No. LSGA 596-0150-91-028		
0-633-97-026-R	02/19/97	Audit of the Botswana Private Enterprise Development Project for the Period January 1, 1996 to September 30, 1996, Project No. 633-0253		
0-663-97-028-R	03/18/97	Audit of the Development of Competitive Markets Project for the Period July 1, 1994 to June 30, 1996, Project No. 663-0004	645	BU
0-386-97-029-R	03/13/97	Audit of Voluntary Health Services for the Period April 1, 1995 to March 31, 1996, Project No. 386-0525	22 1	QC UN
0-388-97-030-R	03/07/97	Audit of the Family Planning Association of Bangladesh for the Period January 1, 1995 to December 31, 1995, Cooperative Agreement No. 388-0071-A-00-9109-00		
0-623-97-032-R	03/21/97	Audit of the Centre for African Family Studies for the Period January 1, 1995 to December 31, 1995, Cooperative Agreement No. 623-0005-A-00-4143-00	3 2	QC UN
1-522-97-001-R	03/19/97	Audit of Municipal Development Project, USAID/Honduras Project No. 522-0340, Managed by Asociacion de Municipios de Honduras for the Year Ended December 31, 1994		
1-598-97-002-R	03/24/97	Audit of Federacion Mexicana de Asociaciones Privadas de Salud Desarrollo Comunitario, A.C. for the Year Ended December 31, 1993		
1-511-97-003-R	03/25/97	Ministry of Social Security and Public Health Direccion Nacional de Atencion a las Personas Proyecto de Servicios de Salud Reproductiva, Financial Statement as of July 26, 1991 to December 31, 1992	11 8	QC UN
4-663-97-001-R	10/02/96	Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission for the Period October 1, 1993 to September 30, 1994	204	QC
4-674-97-002-R	10/08/96	Audit of the Advice Office Trustees for the Year Ended December 31, 1994		
4-674-97-003-R	10/09/96	Audit of the Housing Consumer Protection Trust for the Period September 1, 1993 through March 31, 1995		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-004-R	10/09/96	Audit of the Sunnyside Group for the Period May 1, 1993 through August 31, 1995		
4-674-97-005-R	10/09/96	Audit of the South African Foundation for Public Management and Development for the Period June 1, 1992 through March 31, 1994		
4-674-97-006-R	10/09/96	Audit of the English Language Teaching Information Centre for the Year Ended February 28, 1995		
4-674-97-007-R	10/10/96	Audit of Teacher Opportunity Programs for the Period August 1, 1992 through March 31, 1995	22 6	QC UN
4-674-97-008-R	10/10/96	Audit of Central Transvaal Civics Association for the Period August 1, 1993 through February 28, 1995	38	QC
4-674-97-009-R	10/10/96	Audit of Development Action Group for the Period January 1, 1994 through March 31, 1995	15	QC
4-674-97-010-R	10/11/96	Audit of SACHED Trust for the Year Ended December 31, 1993	93 93	QC UN
4-674-97-011-R	10/11/96	Audit of SACHED Trust for the Year Ended December 31, 1994	120 102	QC UN
4-674-97-012-R	10/16/96	Audit of Independent Training and Educational Centre for the Year Ended March 31, 1995		
4-674-97-013-R	10/15/96	Audit of People's Communication Group for the Year Ended July 31, 1994	8 6	QC UN
4-632-97-014-R	10/16/96	Audit of the Lesotho Education Sector Development Plan for the Period February 1, 1992 through March 31, 1993		
4-674-97-015-R	10/16/96	Audit of the Planned Route into Science and Maths Trust (PRISM) for the Year Ended December 31, 1994		
4-674-97-016-R	10/15/96	Audit of Small Beginnings: Early Years for the Year Ended March 31, 1995	2 2	QC UN
4-674-97-017-R	10/15/96	Audit of South African National Civic Organisation for the Period August 31, 1992 to June 30, 1994	12	QC
4-674-97-018-R	10/16/96	Audit of Promat USAID for the Year Ended February 28, 1993		
4-674-97-019-R	10/17/96	Audit of the Institute for Democracy in South Africa for the Period October 1, 1993 through August 31, 1994	5 5	QC UN
4-674-97-020-R	10/17/96	Audit of the English Language Educational Trust for the Period April 1, 1993 through March 31, 1994	92 92	QC UN
4-674-97-021-R	10/17/96	Audit of the Group Credit Company for the Year Ended June 30, 1994		
4-674-97-022-R	10/17/96	Audit of the Community Law Center for the Year Ended August 31, 1994	51 11	QC UN
4-674-97-023-R	10/17/96	Audit of the Read Education Trust for the Period April 1, 1994 through March 31, 1995		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-024-R	10/17/96	Audit of the Human Rights Trust for the Year Ended March 31, 1995		
4-663-97-025-R	10/18/96	Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission - P.L. 480 Title II Program for the Year Ended September 30, 1993	30	QC
4-663-97-026-R	10/18/96	Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission - P.L. 480 Title II Program for the Year Ended September 30, 1994	41	QC
4-611-97-027-R	10/18/96	Audit of the Nyamaluma Training Centre Project for the Period March 15, 1994 through December 31, 1994		
4-674-97-028-R	10/18/96	Audit of Sakhisizwe INSET Unit for the Year Ended March 31, 1996		
4-615-97-029-R	10/18/96	Audit of the Nyamaluma Training Centre Project for the Period April 10, 1995 through December 31, 1995		
4-674-97-030-R	10/21/96	Audit of South African Committee for Higher Education (SACHED) for the Year Ended June 30, 1995		
4-674-97-031-R	10/21/96	Audit of the South African Black Economic Empowerment Program for the Period September 15, 1994 through March 31, 1995	29 29	QC UN
4-674-97-032-R	10/21/96	Audit of the South African Foundation for Public Management and Development for the Period October 1, 1994 through September 30, 1995		
4-674-97-033-R	10/21/96	Audit of Social Change Assistance Trust for the Year Ended December 31, 1994		
4-674-97-034-R	10/21/96	Audit of Tembaletu Trust for the Year Ended December 31, 1995		
4-663-97-035-R	10/23/96	Audit of the Medecins Du Monde - Support of Strengthening of Orthopaedic Activities in Ethiopia for the Rehabilitation of War Victims for the Period January 1, 1993 through March 31, 1995		
4-674-97-036-R	10/22/96	Audit of the United States South Africa Leadership Exchange Program for the Year Ended May 31, 1994	28 28	QC UN
4-674-97-037-R	10/24/96	Audit of Ubulungisa Program for the Period March 1, 1994 to November 30, 1994		
4-674-97-038-R	10/25/96	Audit of Western Cape Community-based Housing Trust for the Year Ended December 31, 1995		
4-674-97-039-R	10/28/96	Audit of Get Ahead Foundation for the Six Month Period from April 1, 1994 through September 30, 1994	26 8	QC UN
4-674-97-040-R	10/31/96	Audit of Vuleka Trust for the Year Ended December 31, 1994		
4-674-97-041-R	11/01/96	Audit of Vuleka Trust for the Year Ended December 31, 1995		
4-674-97-042-R	11/01/96	Audit of the National Literacy Cooperation for the Period from August 11, 1993 through March 31, 1994	4	QC
4-611-97-043-R	11/01/96	Audit of the Zambia Association of Chambers of Commerce and Industry for the Period April 1, 1993 through July 31, 1994	3 2	QC UN

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC



**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-044-R	11/04/96	Audit of the South African Institute of Race Relations for the Period August 1, 1991 to March 31, 1995	495 495	QC UN
4-663-97-045-R	11/04/96	Audit of the Botswana Private Enterprise Development Project for the Year Ending December 31, 1995		
4-662-97-046-R	11/04/96	Audit of the Seychelles Non-Project Assistance Cash Transfer Program for the Period January 21, 1994 through September 4, 1995		
4-674-97-047-R	11/04/96	Audit of the Bursary Council of South Africa for the Year Ending December 31, 1995		
4-674-97-048-R	11/05/96	Audit of the Bursary Council of South Africa for the Year Ending December 31, 1994	4	QC
4-674-97-049-R	11/05/96	Audit of the South African Legal Defense Fund for the Period July 28, 1992 through December 31, 1993		
4-674-97-050-R	11/05/96	Audit of the Centre for Health Policy for the Period September 17, 1993 through December 31, 1994		
4-674-97-051-R	11/05/96	Audit of African Research and Educational Puppetry Programme for the Year Ended December 31, 1994		
4-674-97-052-R	11/06/96	Audit of the Centre for Applied Legal Studies for the Year Ending December 31, 1994	6	QC
4-674-97-053-R	11/06/96	Audit of Catholic Educational Aid Programme for the Year Ended December 31, 1994		
4-674-97-054-R	11/06/96	Audit of the South African Legal Defense Fund for the Period July 31, 1992 to March 31, 1995	1	QC
4-674-97-055-R	11/07/96	Audit of South African Legal Defence Fund for the Period July 31, 1992 to March 31, 1995		
4-674-97-056-R	11/07/96	Audit of the Institute for Multi-Party Democracy for the Period April 1, 1994 through March 31, 1995	5	QC
4-674-97-057-R	11/08/96	Audit of the Desmond Tutu Education Trust for the Year Ended December 31, 1994		
4-674-97-058-R	11/07/96	Audit of the Independent Examinations Board for the Period August 1, 1992 through December 31, 1995		
4-674-97-059-R	11/07/96	Audit of Get Ahead Foundation for the Six Months Period October 1, 1994 to March 31, 1995	15 8	QC UN
4-674-97-060-R	11/08/96	Audit of the Institute for Multi-Party Democracy (Grant No. 674-0301-G-SS-3144-02) for the Period April 1, 1994 through March 31, 1995	29 29	QC UN
4-674-97-061-R	11/08/96	Audit of the National Training Programme in Conflict Handling for the Year Ending February 28, 1995		
4-674-97-062-R	11/08/96	Audit of Learn and Teach Publications for the Period July 1, 1993 through December 31, 1994		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-063-R	11/12/96	Audit of the Small Enterprise Foundation for the Year Ended June 30, 1995		
4-615-97-064-R	11/12/96	Audit of Christian Health Association of Kenya for the Period July 31, 1992 to April 30, 1995	10 10	QC UN
4-674-97-065-R	11/13/96	Audit of Nairobi Sheep Disease Project for the Period May 1, 1995 through September 30, 1995		
4-656-97-066-R	11/26/96	Audit of LOMACO - Agricultural Rehabilitation Project for the Period May 1, 1995 through February 29, 1996		
4-673-97-067-R	11/22/96	Audit of the Rossing Foundation for the Year Ended December 31, 1994		
4-656-97-068-R	11/25/96	Audit of Projecto Caju under Cooperative Agreement No. 656-0218-A-00-5027-00		
4-617-97-069-R	11/27/96	Audit of USAID Rural Feeder Roads Maintenance Assistance Programme for the Period July 1, 1992 through December 31, 1993	24 24	QC UN
4-674-97-070-R	11/27/96	Audit of the Group Credit Company for the Year Ended June 30, 1995		
4-674-97-071-R	12/02/96	Audit of Africa Institute for Policy Analysis & Economic Integration (Grant No. 674-0318-G-SS-3123-00) for the Period August 23, 1993 through February 29, 1996	22	QC
4-674-97-072-R	12/02/96	Audit of Africa Institute for Policy Analysis & Economic Integration (Grant No. 674-0318-G-SS-4183-00) for the Period September 23, 1994 through February 29, 1996		
4-674-97-073-R	12/02/96	Audit of the Science Foundation Programme (Grant No. 674-0309-G-SS-3102-00) for the Year Ended December 31, 1994		
4-674-97-074-R	12/02/96	Audit of the Griseldis-Crowhurst Bond Trust - Science Foundation Trust (Grant No. 674-0309-G-SS-3102-00) for the Period January 1, 1995 through December 31, 1995		
4-674-97-075-R	12/03/96	Audit of the Environmental and Development Agency (Grant No. 674-0301-G-SS-4127-00) for the Period August 25, 1994 through December 31, 1994		
4-674-97-076-R	12/03/96	Audit of the Environmental and Development Agency Trust (Grant No. 674-0301-G-SS-2027-00) for the Year Ended December 31, 1993		
4-674-97-077-R	12/03/96	Audit of the Disseminating Expertise for Adult Literacy Trust (Grant No. 674-0302-G-SS-2082-01) for the Period October 1, 1993 through September 30, 1994		
4-674-97-078-R	12/04/96	Audit of the Community Dispute Resolution Trust for the Period January 1, 1994 through December 31, 1994 for Grant Nos. 674-0301-G-SS-2009-00 and 674-0301-G-SS-4095-00	48	QC
4-674-97-079-R	12/04/96	Audit of the Independent Projects Trust for the Period January 1, 1994 through December 31, 1994 (Grant No. 674-0301-G-SS-3154-00)	15 11	QC UN
4-674-97-080-R	12/04/96	Audit of the South African Legal Defense Fund's Institutional Support Project for the Period August 31, 1993 through March 31, 1995, Grant No. 674-0305-G-SS-3088-00	10 9	QC UN

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-081-R	12/05/96	Audit of End Racism and Sexism Through Education for the Year Ended December 31, 1995 (Grant No. 674-0301-G-SS-4012-00)		
4-674-97-082-R	12/10/96	Audit of the Community Services Training Programme for the Period March 1, 1995 through February 29, 1996, Grant No. 674-0301-G-SS-3015-00	41	QC
4-674-97-083-R	12/09/96	Audit of the Black Lawyers Association for the Year Ended March 31, 1995	7 1	QC UN
4-674-97-084-R	12/12/96	Audit of the Independent Mediation Service of South Africa for the Period January 1, 1993 through November 30, 1994, Grant No. 674-0301-G-SS-9010-00	896 817	QC UN
4-674-97-085-R	12/11/96	Audit of Junior Achievement Southern Africa for the Period January 1, 1995 through December 31, 1995 (Grant No. 674-0303-G-SS-1024-04)		
4-674-97-086-R	12/12/96	Audit of End Racism and Sexism Through Education for the Year Ending December 31, 1994 (Grant No. 674-0301-G-SS-4012-00)	12 11	QC UN
4-674-97-087-R	12/17/96	Audit of the New Housing Company for the Year Ended June 30, 1995, Grant No. 674-0312-G-SS-3078	73	QC
4-674-97-088-R	12/18/96	Audit of the Institute for Democracy in South Africa's Grant No. 674-0301-G-SS-3103 for the Period July 29, 1993 to July 31, 1994		
4-674-97-089-R	12/19/96	Audit of the Institute for Democracy in South Africa's Grant No. 674-0318-G-SS-3147 for the Period September 27, 1993 to September 30, 1994		
4-674-97-090-R	12/19/96	Audit of the Institute for Democracy in South Africa's Grant No. 674-0301-G-SS-3146 for the Period August 31, 1993 to August 31, 1994		
4-674-97-091-R	12/20/96	Audit of the Institute for Human Rights Education's Grant No. 674-0301-G-SS-4077 for the Period April 19, 1994 to April 19, 1995		
4-674-97-092-R	12/20/96	Audit of Interfaith Human Development Association's Grant No. 674-0301-G-SS-3094 for the Year Ended March 31, 1995		
4-674-97-093-R	12/30/96	Audit of Operation Upgrade of Southern Africa's Grant No. 674-0302-G-SS-3110 for the Year Ended March 31, 1996	12 4	QC UN
4-674-97-094-R	02/11/97	Audit of Institute for Contextual Theology's Grant No. 674-0301-G-SS-3158 for the Period October 1, 1993 to November 30, 1994		
4-674-97-095-R	02/11/97	Audit of Phambili Womens Organisation's Grant No. 674-0301-6-55-3016 for the Period April 1, 1993 to March 31, 1995		
4-674-97-096-R	02/11/97	Audit of Khululeka Community Education Development Centre's Grant No. 674-0302-G-SS-3043 for the Period Ended March 31, 1995		
4-674-97-097-R	02/12/97	Audit of Science Education Project Grant No. 674-0302-G-SS-3114 for the Period Ended March 31, 1995	1 1	QC UN
4-674-97-098-R	02/13/97	Audit of Ikemeleng Remedial Education Centre Grant No. 674-0302-G-SS-3049 for the Period April 1, 1994 to May 31, 1996	33 30	QC UN
4-674-97-099-R	02/13/97	Audit of the Israeli Center for International Cooperation and Socio-Political Options' Grant No. 674-0309-G-SS-2097 for the Period March 1, 1995 to February 28, 1996		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-100-R	02/13/97	Audit of Legal Resources Trust's Grant No. 674-0312-G-SS-3064 for the Period from April 1, 1994 to March 31, 1995		
4-674-97-101-R	02/14/97	Audit of the Philisisizwe Association for Development's Grant No. 674-0301-G-SS-4152 for the Period September 26, 1994 to December 31, 1995		
4-674-97-102-R	02/14/97	Audit of the Valley Trust's Grant No. 674-0301-G-SS-3040 for the Period April 1, 1995 to March 31, 1996		
4-674-97-103-R	02/18/97	Audit of the Community and Child Development Centre's Grant No. 674-0314-G-SS-3037 for the Period April 1, 1996 to May 31, 1996		
4-674-97-104-R	02/18/97	Audit of Educational Support Services Trust Grant No. 674-0314-G-SS-2078 for the Period Ended December 31, 1994	19 10	QC UN
4-674-97-105-R	02/18/97	Audit of Pula Foundation's Grant No. 674-0301-G-SS-3087 for the Period September 21, 1993 to March 31, 1996	102 33	QC UN
4-674-97-106-R	02/19/97	Audit of the South African Black Economic Empowerment Program's Grant No. 674-0303-G-SS-4128 for the Period April 1, 1995 to March 31, 1996		
4-674-97-107-R	02/19/97	Audit of the Western Cape Community-Based Housing Trust's Grant No. 674-0213-G-SS-4164 for the Year Ended December 31, 1995		
4-674-97-108-R	02/19/97	Audit of the Land and Agriculture Policy Centre's Grant No. 674-0301-G-SS-4099 for the Period June 7, 1994 to December 31, 1995	13	QC
4-674-97-109-R	02/19/97	Audit of National Literacy Co-operative's Grant No. 674-0302-G-SS-3096 for the Year Ended March 31, 1995		
4-674-97-110-R	02/20/97	Audit of the National Childrens Rights Committee's Grant No. 674-0317-G-SS-2104 for the Period Ended January 31, 1996	39 39	QC UN
4-674-97-111-R	02/20/97	Audit of the Funda Centre's Grant No. 674-0309-G-SS-3092 for the Period September 1, 1993 to October 31, 1996		
4-674-97-112-R	03/03/97	Audit of EDUPRO's Grant No. 674-0302-G-SS-4100 for the Period April 1, 1995 to March 31, 1996		
4-674-97-113-R	03/03/97	Audit of the Education Foundation Trust's Grant No. 674-0302-G-SS-1057 for the Period April 1, 1995 to March 31, 1996		
4-674-97-114-R	03/04/97	Audit of Khululekani Institute for Democracy's Grant No. 674-0301-G-SS-5019 for the Period June 15, 1995 to February 29, 1996		
4-674-97-115-R	03/04/97	Audit of the National Institute for Community Education Trust's Grant No. 674-0309-G-SS-3072 for the Period April 1, 1995 to March 31, 1996		
4-674-97-116-R	03/05/97	Audit of Centre for the Advancement of Science and Mathematics' Grant No. 674-0302-G-SS-4106 for the Period August 1, 1994 to December 31, 1994	3 1	QC UN
4-674-97-117-R	03/05/97	Audit of the Environmental and Development Agency Trust's Grant No. 674-0301-G-SS-2027 for the Period May 29, 1992 to March 31, 1995		
4-674-97-118-R	03/06/97	Audit of the Environmental and Development Agency Trust's Grant No. 674-0301-G-SS-4127 for the Period Ending December 31, 1995		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
4-674-97-119-R	03/06/97	Audit of Catholic Education Aid Programme's Grant No. 674-0309-G-SS-1016 for the Year Ended December 31, 1995		
4-674-97-120-R	03/07/97	Audit of the Development Law Services Trust's Grant No. 674-0312-G-SS-3030 for the Period June 5, 1993 to February 28, 1995		
4-674-97-121-R	03/10/97	Audit of Institute of Urban Primary Healthcare's Grant No. 674-0301-6-SS-4008 for the Period December 13, 1993 to March 31, 1994		
4-674-97-122-R	03/10/97	Audit of Institute of Urban Primary Healthcare's Grant No. 674-0301-6-SS-4008 for the Period April 1, 1994 to March 31, 1995		
4-674-97-123-R	03/10/97	Audit of Institute of Urban Primary Healthcare's Grant No. 674-0301-6-SS-4008 for the Period April 1, 1995 to March 31, 1996		
4-674-97-124-R	03/10/97	Audit of Institute of Urban Primary Healthcare's Grant No. 674-0301-6-SS-4008 for the Period April 1, 1996 to December 17, 1996		
4-674-97-125-R	03/12/97	Audit of the President's Award - Youth Empowerment Trust's Grant No. 674-0301-G-SS-4136 for the Period November 2, 1994 to December 31, 1995	107	QC UN
4-674-97-126-R	03/13/97	Audit of Institute for Multi-Party Democracy Grant Nos. 674-0305-G-SS-1021, 674-0301-G-SS-5054, and JCPES Subgrant Nos. 95-951-00, 95-951-02, and 95-951-03 for the Period April 1, 1995 to March 31, 1996	135	QC
4-674-97-127-R	03/13/97	Audit of English Literacy Project Trust's Grant No. 674-0302-G-SS-3086 for the Period August 1, 1993 to August 31, 1994		
4-674-97-128-R	03/14/97	Audit of Grassroots Educare Trust's Grant No. 674-0314-G-SS-2081 for the Thirteen Months Ended April 30, 1996		
4-674-97-129-R	03/14/97	Audit of the Project Preparation Trust of Kwazulu-Natal's Grant No. 674-0312-G-SS-3077 for the Period September 17, 1993 to September 30, 1995	22	QC
5-492-97-001-R	10/18/96	Audit of USAID/Philippines' Grant Nos. 492-0419-G-SS-0102-00 and 492-0388-G-SS-2019-00 to the Kauswagan sa Timogang Mindanaw Foundation, Inc.		
5-388-97-002-R	11/08/96	Audit of USAID/Bangladesh's Cooperative Agreement No. 388-0071-A-00-3016-00 to the International Centre for Diarrhoeal Disease Research, Bangladesh	6	QC
7-688-97-001-R	01/03/97	Audit of USAID's Grant to the National Center for Literacy and Applied Linguistics Under the Upper Valley Development Project (No. 688-0233) from January 1, 1991 to December 31, 1993	26	QC
7-688-97-002-R	01/03/97	Audit of USAID's Grant to the Center for Applied Research on Population and Development Under the Promoting Population Policy Project (No. 625-0978) from April 30, 1992 to September 30, 1995	7	QC
7-688-97-003-R	01/13/97	Audit of USAID's Grant to the Private Enterprise Foundation (Grant No. 641-0126) for the Period September 1, 1994 to December 31, 1995		
7-688-97-004-R	01/30/97	Audit Report of External Auditors to the Board of Trustees of the West Africa Rice Development Association for the Period Ending December 31, 1995		

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

## FINANCIAL AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
7-688-97-005-R	01/30/97	Audit of Local Currency Expenses Incurred by the Institute Du Sahel Under the Program for Applied Development Research in the Sahel Project No. 698-0980, from April 1, 1994 to December 31, 1995	17	QC
7-688-97-006-R	02/13/97	Audit of Local Expenditures of the Road Reinforcement Service Under the Upper Valley Development Project (688-0233) for the Period from January 1, 1991 through December 31, 1993	293	QC
8-000-97-001-R	12/16/96	Audit of CONCERN Worldwide for the Year Ending December 31, 1995		
		<b>— Recipient-Contracted Audits of Enterprise Funds —</b>		
0-000-97-001-E	03/14/97	Review of Audit Report on the Baltic-American Enterprise Fund for the Year-Ended September 30, 1995 Performed by Coopers & Lybrand L.L.P.		
0-000-97-002-E	03/12/97	Review of Audit Report on the Central Asian-American Enterprise Fund for the Year Ended September 30, 1995 Performed by Deloitte & Touche L.L.P.		
0-000-97-003-E	03/14/97	Review of Audit Report on the Czech & Slovak American Enterprise Fund and Subsidiaries for the Year Ended September 30, 1995 Performed by Coopers & Lybrand L.L.P.		
0-000-97-004-E	03/14/97	Review of Audit Report on the Hungarian-American Enterprise Fund and Subsidiary for the Year Ended September 30, 1995 Performed by Ernst & Young L.L.P.		
0-000-97-005-E	03/17/97	Review of Audit Report on the Polish-American Enterprise Fund for the Year Ended September 30, 1995 Performed by Arthur Andersen L.L.P.		
0-000-97-006-E	03/14/97	Review of Audit Report on the Romanian-American Enterprise Fund from July 14, 1994 to September 30, 1995 Performed by Deloitte & Touche L.L.P.		
0-000-97-007-E	03/14/97	Review of Audit Report on the U.S. Russia Investment Fund for the Year Ended September 30, 1995 Performed by Arthur Andersen L.L.P.		
0-000-97-008-E	03/21/97	Review of Audit Report on the Western NIS Enterprise Fund for the Year Ended September 30, 1995 Performed by Coopers & Lybrand L.L.P.		
		<b>— Audits of U.S.-Based Contractors by DCAA —</b>		
B-TR-97-001-D	11/14/96	Report on Preaward Accounting System Survey, Erasmus Guild		
B-TR-97-002-D	11/14/96	Report on Preaward Accounting System Survey, Croatian Journalist Association		
0-000-97-001-D	10/22/96	Audit of Direct and Indirect Costs and Rates Claimed by International Resources Group, Ltd. for Fiscal Years Ended December 31, 1993 and 1994		
0-000-97-002-D	10/25/96	Audit of Incurred Costs for the Fiscal Year Ended October 31, 1992 for Fluor Daniel, Inc. - Irvine Business Unit		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

**TABLE A****FINANCIAL AUDIT REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
0-000-97-003-D	11/12/96	Audit of Fiscal Year 1993 Incurred Costs for Maria Elena Torano & Associates, Inc.		
0-000-97-004-D	11/15/96	Audit of the Incurred Costs for Fiscal Years 1989 through 1994 at Morrison-Maierle, Inc.	1,137	QC
0-000-97-005-D	12/06/96	Supplemental Audit of Incurred Costs for the Fiscal Year Ended December 31, 1987 for the Bechtel Group, Inc., San Francisco, California		
0-000-97-006-D	11/12/96	Audit of Incurred Costs for the Fiscal Year Ended December 31, 1988 for Bechtel Group Inc., San Francisco California		
0-000-97-007-D	11/12/96	Audit of Incurred Costs for the Fiscal Year 1989, the First Six Months, for Bechtel Group Inc., San Francisco California		
0-000-97-008-D	11/12/96	Audit of Fiscal Year 1994 Incurred Cost for Maria Elena Torano and Associates, Inc.		
0-000-97-009-D	02/14/97	Audit of Incurred Costs for Fiscal Year 1993, Abt Associates, Inc.	59	QC
0-000-97-010-D	03/26/97	Audit of Fiscal Year 1993 Indirect Rates for Black & Veatch International		
0-000-97-011-D	03/31/97	Audit of Fiscal Year 1992 Indirect Rates for Black & Veatch International	331	QC
0-000-97-012-D	02/19/97	Audit of Compliance with Cost with Accounting Standard 406-Cost Accounting Period, ABT Associates, Inc.		
0-000-97-013-D	02/19/97	Audit of Compliance with Cost with Accounting Standard 405-Accounting for Unallowable Costs, ABT Associates, Inc.		
0-000-97-014-D	02/21/97	Audit of Compliance with Cost with Accounting Standard 410-Allocations of G&A Business Unit Expenses to Final Cost Objectives		
8-TR-97-001	10/01/96	Audit of Costs Incurred Under USAID Grants, Save the Children, London, England		
8-TR-97-002	10/01/96	Report of Preaward Accounting System Review at Mines Advisory Group, United Kingdom		
8-TR-97-003	10/10/96	Audit Report on 1996 Provisional Billing Rate - Mediciens Sans Frontieres, France		
8-TR-97-004	10/28/96	Report on Costs Incurred Under USAID Grants - Mediciens Sans Frontieres, Belgium	8	QC
8-000-97-005-D	12/06/96	Audit Report on Accounting System Deficiencies Disclosed During Incurred Cost Audit at Medecins Sans Frontieres, Belgium		
8-000-97-006-D	02/19/97	Audit Report on Fiscal Year 1994 and 1995 Incurred Costs--Norwegian People's Aid	721	QC

BU - Better use of funds

QC - Questioned Costs

UN - Unsupported Costs

Note: UN is part of QC

### PERFORMANCE AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		<b>— Economy and Efficiency Audits —</b>		
A-000-97-004-P	03/31/97	Audit of the Worldwide Deployment of the New Management System (NMS)		
B-168-97-001-P	01/10/97	Audit of USAID's Disaster Assistance Activities in Bosnia-Herzegovina		
B-168-97-002-P	03/26/97	Audit of USAID/Sarajevo's Bosnia Reconstruction Finance Facility Program for the Period May 7, 1996 to December 31, 1996	14	QC
B-168-97-003-P	03/26/97	Audit of USAID/Sarajevo's Municipal Infrastructure and Services Program for the Period May 4, 1996 to December 31, 1996	393	QC
4-696-97-001-P	11/12/96	Audit of USAID's Disaster Assistance to Rwanda		
5-497-97-001-P	01/27/97	Audit of USAID/Indonesia's Monitoring of Technical Assistance Contracts and Grants		
6-263-97-002-P	02/19/97	Audit of the USAID/Egypt's Democracy Activities		
7-624-97-001-P	11/29/96	Audit of REDSO/WCA's P.L. 480 Title II Non-Emergency Food Aid Program in Burkina Faso	378	QC
7-641-97-002-P	11/29/96	Audit of USAID/Ghana Non-Emergency Title II Food Aid Programs Implemented through PVOs/CDOs		
7-685-97-003-P	02/21/97	Audit of USAID/Senegal's Implementation of the Government Performance and Results Act for Environment-Natural Resources Management and Biodiversity Activities		
8-110-97-001	11/08/96	Audit of the Bureau for Europe and New Independent States' Emergency Food Assistance Activities in the Caucasus Since Fiscal Year 1994		
8-118-97-002	11/08/96	Audit of the Russia Energy and Environmental Commodity Import Program Project No. 118-0013		
8-110-97-003	11/08/96	Audit of How the ENI Bureau Defines, Plans and Responds to Disasters and Emergencies in the New Independent States		
8-118-97-004-P	11/22/96	USAID/Moscow's Results Review and Resource Request (R4) for Civil Society Activities in Support of Democratic Transition		
8-115-97-005-P	02/26/97	Audit of USAID/CAR's Implementation of the Government Performance and Results Act for Democracy-Civil Society-Activities in Kazakhstan		
8-118-97-006-P	02/26/97	Audit of USAID/Moscow Media Activities Under the Strategic Objective for Civil Society in Support of USAID's Democratic Transition Efforts		
8-121-97-007-P	03/07/97	Audit of USAID/Kiev's Implementation of the Government Performance and Results Act for Democracy-Civil Society-Activities in Ukraine		
8-000-97-008-P	03/18/97	Audit of the ENI Bureau's Implementation of the Government Performance and Results Act for Democracy-Civil Society-Activities		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC



**TABLE A****MISCELLANEOUS REPORTS**

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		<b>— Quality Control Reviews —</b>		
1-532-97-001-Q	02/13/97	Quality Control Review of the "Improved Markets, Export Growth and Opportunities, USAID Project No. 532-0135, Managed by the National Investment Bank of Jamaica Limited, Independent Auditor's Report, April 1, 1993 to March 31, 1995"		
1-532-97-002-Q	02/13/97	Quality Control Review of the Audit Entitled "Independent Auditors' Report on USAID Contract No. 532-0165 with Agricultural Export Services Project, for the Period January 1, 1990 to December 31, 1993"		
1-517-97-003-Q	03/21/97	Quality Control Review of the Audit Entitled "Audit of the Program of Infantile Survival Phase III, Grant No. 517-0247-G-00-4004-00," Managed by the Fundacion Para El Desarrollo Comunitario, Inc. for the Period from October 1, 1994 to September 30, 1995		
1-517-97-004-Q	03/21/97	Quality Control Review of the Audit Entitled "Accion Evangelica de Desarrollo, Inc., Infant Survival Program, Grant 517-0247-G-4004-00, Fund Accountability Statements and Auditor's Reports" for the Period from October 1, 1994 to September 30, 1995		
1-517-97-005-Q	03/26/97	Quality Control Review of the Audit Entitled "Asociacion Para El Desarrollo De La Provincia Espaillat, Inc. (Donation Covenant No. 517-0247-G-00-4145-00 with Agency for International Development)" for the Period from July 1, 1994 to July 31, 1995		
6-263-97-001-Q	11/07/96	Quality Control Review of Price Waterhouse's Financial Audit of the Egyptian Center for Economic Studies for the Period October 1, 1994 to December 31, 1995 (USAID/Egypt Project No. 263-0230)		
6-263-97-002-Q	12/04/96	Quality Control Review of Coopers & Lybrand's Financial Audit of the International Rice Research Institute for the Period July 1, 1989 to September 30, 1994 (USAID/Egypt Project No. 263-0152)		
6-263-97-003-Q	03/11/97	Quality Control Review of Hazem Hassan's Financial Audit of the Systems Development Project for the Period June 1, 1992 to March 31, 1996 (USAID/Egypt Project Nos. 263-0144 and 263-0227)		
8-000-97-001-Q	11/04/96	Quality Control Review of Financial Audit of Medecins Sans Frontieres, France, for Year Ended December 31, 1995		

BU - Better use of funds  
 QC - Questioned Costs  
 UN - Unsupported Costs  
 Note: UN is part of QC

## MISCELLANEOUS REPORTS

Report Number	Date of Report	Report Title	Amount of Findings (\$000s)	Type of Findings
		<b>— Other Reports —</b>		
4-656-97-001-X	11/26/96	Audit of Handicap International's Grant No. 656-0215-G-SS-009-00 for the Period January 1, 1993 through December 31, 1994		
B-192-97-001-S	03/26/97	Survey Report on the Adequacy of Planning for the Closure of USAID Operations in the Czech Republic		
7-636-97-001-S	02/28/97	Review of USAID/Washington, Bureau for Africa, Office of West African Affairs (AFR/WA), Monitoring of the Sierra Leone Opportunities Industrialization Centers Inc., Grant Agreement No. AOT-0173-G-00-5229-00, Dated September 29, 1995 through September 30, 1997, in the Amount of \$900,000		
7-675-97-002-S	03/25/97	Follow-up Review on Recommendation Nos. 1 and 2 from the Audit of USAID/Guinea's Education Sector Reform Program, Audit Report No. 7-675-95-007		
9-000-97-001-S	12/20/96	Information for Coordinated Review of Government Credit Card Programs by the President's Council on Integrity and Efficiency		
9-000-97-002-S	03/31/97	Second Survey Report on USAID's Implementation of the Government Performance and Results Act of 1993		

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, 1997**

<b>REPORT NUMBER</b>	<b>AUDITEE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
0-000-94-001-N	Development Alternatives, Inc.	10/29/93	Recommended USAID/Rwanda resolve \$14,422 in unsupported costs.	06/30/97
0-000-94-004	USAID's Direct Loan Program	06/30/94	Recommended USAID's Management Bureau develop and implement plan to correct deficiencies in internal control structure.	04/30/97
0-000-94-028-R	U. S. Export Council for Renewable Energy	05/12/94	Recommended USAID's Office of Procurement resolve \$959,421 in questioned costs. IG/A/FA is continuing to request action from USAID's Office of Procurement to obtain a management decision.	05/31/97
0-000-94-421-R	American University of the Caribbean	09/13/94	The report recommended American Schools and Hospitals Abroad (ASHA) determine allowability of \$1.4 million in questioned construction costs paid to Haitian contractor.	05/30/97
0-000-95-001-R	African-American Labor Center	10/12/94	Recommended USAID/South Africa require AALC to submit a plan to ensure cost share is provided and accounted for in accordance with provisions of cooperative agreement. Action office was changed from M/OP to USAID/South Africa in March 1997.	06/30/97
0-000-95-010-R	Oceanic Institute	11/30/94	Recommended USAID's Office of Procurement determine whether \$30,012 complied with the terms of recipient's agreement and to recover another \$5,149 for unauthorized international travel. IG/A/FA is continuing to request a management decision from the Office of Procurement.	07/31/97
0-000-95-032-R	Operation Independence, Inc.	07/31/95	Recommended USAID's Office of Procurement resolve \$259,463 in unsupported salary expenditures.	04/30/97
0-000-95-033-R	Operation Independence, Inc.	07/31/95	Recommended USAID's Office of Procurement direct recipient to have auditors review \$3,255 in travel costs by subrecipient and \$971,162 in cost sharing owed by recipient.	06/30/97
0-000-95-037	USAID's Housing Guaranty Program	06/30/95	Recommended USAID's Chief Financial Officer develop and implement adequate controls for claims and receivables as addressed in FY94 audit report by Deloitte & Touche.	04/30/97

**TABLE B**

<b>REPORT NUMBER</b>	<b>AUDITEE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
0-000-95-402-R	Ludhiana Christian Medical College Board	01/04/95	Recommended ASHA review and revise procedures, and resolve \$200,000 in questioned costs.	07/31/97
0-000-95-415-R	Project Orbis, Inc.	02/24/95	Recommended ASHA resolve \$601,049 in questioned costs.	04/30/97
0-000-96-013	USAID's Miscellaneous U.S. Dollar Trust Funds	04/01/96	Recommended USAID's CFO establish procedures to assure that receipts, expenditures, and balances are periodically verified with participating host government.	04/30/97
0-000-96-017	USAID's Direct Loan Program	07/01/96	Recommended USAID establish internal controls, reconcile subsidiary ledger balances to general ledger, and train personnel to properly execute day-to-day operations.	04/30/97
0-000-96-018	USAID's Micro & Small Enterprise Development	07/01/96	Recommended USAID's CFO ensure adequate staff training and sufficient supervisory oversight to process and record financial transactions to permit the preparation of financial statements.	04/30/97
0-000-96-019	USAID's Housing Guaranty Program	07/16/96	Recommended USAID's CFO ensure adequate supervision of daily operations, address labor charging practices, improve and define responsibilities and operations, correct inaccurate balances, and reinstitute appropriate monitoring procedures.	04/30/97
0-000-96-023-R	Bulgarian-American Enterprise Fund	09/27/96	Recommended USAID's Bureau for Europe and the New Independent States make a management decision on the auditee's non-implementation of prior year's finding by CPA firm on the independent audits/reviews of banks and other parties.	04/30/97
1-521-95-001-N	International Lifeline, Inc.	10/06/94	Recommended USAID/Haiti resolve \$722,893 in questioned costs. Responsibility has been transferred to USAID's Bureau for Humanitarian Response. The Agency has ongoing correspondence with recipient. No target date estimated as recipient continues to contest audit findings.	Unknown
1-521-96-005	USAID/Haiti	09/20/96	Recommended grant officer determine allowability of \$130,000 in questioned costs, and USAID/Haiti review FY94 and FY95 loss reports, assert claims when deemed appropriate, and ensure remittance of amounts due to USAID. BHR is reviewing action memo from USAID/Haiti regarding a waiver of reimbursement for certain commodity losses.	04/30/97
3-615-96-066-R	SALTICK	07/16/96	Recommended that USAID/Kenya determine status of \$61,568 in counterpart contributions to be provided by grantee.	07/30/97

**TABLE B**

<b>REPORT NUMBER</b>	<b>AUDITEE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
3-617-96-005-N	Agri. Nontraditional Export Promotion Program	07/24/96	Recommended that USAID/Uganda reconcile \$312,176 difference between USAID records and records of grantee. USAID/Uganda has contracted CPA firm to reconcile records.	05/30/97
4-000-96-001	USAID/Angola	09/20/96	Recommended that BHR/FFP collect \$325,760 in questioned costs from Save the Children Foundation and recover, as appropriate, payments to NGOs for customs taxes and duties. FFP is reviewing documentation.	05/15/97
5-388-96-008-N	International Centre for Diarrhoeal Disease Research in Bangladesh	09/23/96	Recommended that USAID/Bangladesh determine the eligibility of \$715,181 in questioned costs. The grant officer's determination is currently going through the Mission's clearance process.	Unknown
6-294-96-018-N	America-Mideast Educational and Training Services/Jerusalem	04/11/96	Recommended that USAID/West Bank & Gaza resolve \$635,426 in questioned costs and recover any amounts determined to be unallowable. Mission is in process of contracting with local CPA firm to review and determine adequacy of additional support provided by recipient.	05/31/97
8-000-96-001-R	International Committee for Economic Reform and Cooperation	09/13/96	Recommended M/OP ensure that the grantee include \$2 million in its final performance report as required under the grant.	Unknown
8-180-95-015	USAID's Central and Eastern Europe Enterprise Funds	08/25/95	Recommended each fund submit a statement of strategic objectives that includes annual performance measures and targets. The OIG will assess progress made after reviews of the funds by the ENI Bureau.	Unknown
8-TR-96-006	Action Internationale Contre La Faim	07/17/96	Recommended the grant officer determine the allowability of \$73,519 in questioned costs and recover any amounts determined to be owed from the grantee.	Unknown
8-TR-96-007	Medecins Sans Frontieres	07/25/96	Recommended the grant officer determine the allowability of \$22,663 in questioned costs and recover any amounts determined to be owed from the grantee.	Unknown
8-TR-96-008	Medecins du Monde	08/02/96	Recommended the grant officer determine the allowability of \$73,523 in questioned costs, recover any amounts determined to be owed from the grantee, and require the grantee to improve internal controls in its accounting system.	Unknown
8-TR-96-009	Feed the Children	08/14/96	Recommended the grant officer determine the allowability of \$447,385 in questioned costs, recover any amounts determined to be owed from the grantee, and require the grantee to improve internal controls in its accounting system.	Unknown

**TABLE B**

<b>REPORT NUMBER</b>	<b>AUDITEE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
9-000-94-011	Family Health International	07/29/94	Recommended M/OP determine allowability of \$1.6 million in questioned costs. M/OP determined that \$1.1 million of questioned costs were not allowable and issued a bill of collection for that amount. Subsequently, based on additional data provided by the grantee, M/OP reversed its earlier determination and issued a revised bill of collection for \$540,000. OIG reopened the recommendations to assess M/OP's actions.	Unknown
9-000-96-001	USAID's Research Council	12/05/95	Recommended that USAID's Research Council 1) review compliance status of seven recipients, 2) determine whether USAID funds were used to develop seven patented items, and 3) conditionally report internal control weaknesses to USAID's Management Review Control Committee. Agency is in process of implementing some of the recommendations.	Unknown
TR-93-171	Kramer Associates, Inc.	03/29/93	Recommended that USAID's Office of Procurement resolve \$36,481 in questioned costs. Actions to reach management decision are suspended pending Dept. of Justice resolution.	Unknown

**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS  
SEMIANNUAL REPORTS WITHOUT FINAL ACTION<sup>7</sup>  
As of March 31, 1997**

REPORT NUMBER	SUBJECT OF REPORT	ISSUE DATE	REC . NO.	MANAGEMENT DECISION DATE	FINAL ACTION TARGET DATE
B-181-96-004	USAID-Funded Department of Energy Skawina Project	08/30/96	1.1	08/30/96	09/97
			1.2	08/30/96	09/97
1-000-95-006	Measuring Program Results	06/30/95	1.4	06/30/95	04/97
			1.6	06/30/95	04/97
			1.7	06/30/95	04/97
1-000-95-007	Measuring Project Results	06/30/95	1	06/30/95	04/97
1-517-96-003	USAID/Dominican Republic's Population Activities	08/21/96	4	08/21/96	05/97
1-521-96-005	USAID's Disaster Assistance to Haiti	09/20/96	1	09/20/96	09/97
			2	No Decision	TBD
			3	09/20/96	09/97
			4.1	No Decision	TBD
			4.2	No Decision	TBD
1-522-96-002	USAID/Honduras' Management of Funds Available for Operating Expenses	08/16/96	3	01/24/97	04/97
			4	01/24/97	04/97
3-000-95-010	Management of Host Country-Owned Local Currency	03/30/95	1.1	03/30/95	06/97
			2.1	03/30/95	06/97
3-615-96-006	USAID/Kenya's Population Activities	05/31/96	1	11/21/96	TBD
			2	11/21/96	TBD
			3.1	11/21/96	TBD
			3.2	11/21/96	TBD
4-000-96-001	USAID's Disaster Assistance Program in Angola	09/20/96	1	03/24/97	05/97
			2.1	No Decision	06/97
			2.2	09/20/96	05/97

<sup>7</sup>As of 3/31/97, final action had already been taken on 27 other recommendations from the audit reports listed in this table.



**TABLE C**

<b>REPORT NUMBER</b>	<b>SUBJECT OF REPORT</b>	<b>ISSUE DATE</b>	<b>REC . NO.</b>	<b>MANAGEMENT DECISION DATE</b>	<b>FINAL ACTION TARGET DATE</b>
			3.1	03/24/97	05/97
			3.2	03/24/97	05/97
			4	09/20/96	TBD
			5	No Decision	06/97
6-294-96-006-N	Society for the Care of the Handicapped in Gaza	11/28/95	1	06/16/96	05/97
6-294-96-018-N	AMIDEAST/Jerusalem	04/11/96	1	No Decision	TBD
			2	03/27/97	TBD
			3	03/27/97	TBD
6-263-96-011	USAID/Egypt's Cost Recovery for Health Project	08/29/96	1.1	08/29/96	04/97
6-294-96-001	Gaza Housing Project	11/21/95	2	11/21/95	TBD
7-000-95-011	Management of Project-Funded Commodities	09/19/95	1.3	09/19/95	04/97
7-683-96-005	USAID/Niger Cash Transfers	05/31/96	1.1	05/31/96	TBD
8-180-95-015	Economy & Efficiency of Central & Eastern Europe Enterprise Funds	08/25/95	1	No Decision	06/97
			2	10/08/96	04/97
9-000-93-006	Audit of A.I.D.'s Accounts Receivable	08/31/93	1.1	03/03/94	TBD
			2	03/23/94	09/97
			4.2	03/23/94	09/97
			6	08/31/93	09/97
9-000-95-005	USAID/Washington's Management of Cash Advances to Recipient Organizations	12/15/94	2	12/15/94	TBD
			3	12/15/94	07/97
			5	12/15/94	09/97
			7	12/15/94	09/97
			8	12/15/94	09/97
			9.1	12/15/94	09/97
9-000-95-009	USAID's Management of Cash Advances to Recipient Organizations	03/16/95	1	03/16/95	07/97
			2	03/16/95	06/97
9-000-95-012	Cost Containment in USAID's Participant Training Program	04/19/95	7	04/19/95	TBD
9-000-96-001	Patent Reporting, Disclosure and Procurement	12/05/95	1.1	12/05/95	TBD
			1.2	12/05/95	TBD
			2.1	12/05/95	TBD

**TABLE C**

<b>REPORT NUMBER</b>	<b>SUBJECT OF REPORT</b>	<b>ISSUE DATE</b>	<b>REC . NO.</b>	<b>MANAGEMENT DECISION DATE</b>	<b>FINAL ACTION TARGET DATE</b>
			2.2	02/05/97	TBD
			3	02/05/97	TBD
			4	No Decision	TBD
			5.1	12/05/95	TBD
			5.2	12/05/95	TBD
			6	12/05/95	TBD
9-000-96-002	Accountability for USAID Funds with Non-U.S. Grantees	12/29/95	1.1	12/29/95	04/97
			1.2	12/29/95	06/97
			1.3	12/29/95	09/97
			1.4	12/29/95	07/97
9-000-96-005	Controls Over the Quality of Financial Management Data	07/11/96	1	07/11/96	TBD
9-000-96-006	Bureau for Global Programs, Field Support & Research's Population Activities	08/15/96	1.1	02/11/97	04/97
			1.2	02/11/97	04/97
9-527-96-007	USAID/Peru's Management of Non-Emergency Food Aid Programs	09/20/96	1.1-12.1	03/05/97	09/97

**TABLE D**

**REPORTS ISSUED WITH QUESTIONED AND  
UNSUPPORTED COSTS  
October 1, 1996 through March 31, 1997**

*(Dollars in Thousands)*

<b>REPORTS...</b>	<b>NUMBER OF AUDIT REPORTS</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS<sup>1</sup></b>
For which no management decision had been made as of October 1, 1996	54	\$10,839 <sup>2,3</sup>	\$4,314 <sup>2</sup>
Add: Reports issued October 1, 1996 through March 31, 1997	100	\$10,882 <sup>4</sup>	\$5,136
Subtotal	154	\$21,721	\$9,450
Less: Reports with a management decision made October 1, 1996 through March 31, 1997	67	\$6,283 <sup>5,6</sup>	\$2,425 <sup>5</sup>
For which no management decision had been made as of March 31, 1997	91	\$15,438 <sup>7</sup>	\$7,025 <sup>7</sup>
For which no management decision was made within six months of issuance	15	\$6,172	\$2,154

<sup>1</sup> Unsupported 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).

<sup>2</sup> Amounts include \$655,601 in Questioned Costs and \$75,693 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

<sup>3</sup> The ending balance at September 30, 1996 (\$10,789,997), was increased by \$48,669 in Questioned Costs to reflect increases in the amount of recommendations contained in two reports.

<sup>4</sup> Amounts include \$2,255,185 in Questioned Costs for audits performed for the IG by other federal audit agencies.

<sup>5</sup> Agency Officials disallowed \$2,744,583 in Questioned Costs (\$524,000 in Unsupported Costs) cited in 45 reports. Agency Officials did not sustain \$3,537,919 in Questioned Costs (\$1,900,981 in Unsupported Costs) cited in 53 reports.

<sup>6</sup> Amounts include \$2,030 in Questioned Costs for audits performed for the IG by other federal audit agencies.

<sup>7</sup> Amounts include \$2,908,756 in Questioned Costs and \$75,693 in Unsupported Costs for audits performed for the IG by other federal audit agencies.

Note: The numbers of audit reports listed in the above table include only reports with questioned costs. The figures may not add up due to multiple recommendations within the same report with differing status in terms of rendered management decisions.

**REPORTS ISSUED WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE  
October 1, 1996 through March 31, 1997**

(Dollars in Thousands)

REPORTS...	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
For which no management decision had been made as of October 1, 1996	4	\$13,337 <sup>1</sup>
Add: Reports issued October 1, 1996 through March 31, 1997	9	\$6,874
Subtotal	13	\$20,211
Less: Reports with a management decision made October 1, 1996 through March 31, 1997	10	\$17,611 <sup>2</sup>
For which no management decision had been made as of March 31, 1997	5	\$2,600
For which no management decision was made within six months of issuance	1	\$130

<sup>1</sup> The ending balance at September 30, 1996 (\$13,335,732), was increased by \$790 to reflect the increase in the amount of the recommendation contained in one report.

<sup>2</sup> Agency Officials agreed with \$12,779,236 in actions cited in 10 reports, and Agency Officials did not agree with \$4,831,901 in actions cited in three reports.

Note: The numbers of audit reports listed in the above table include only reports with recommendations for funds put to better use. The figures may not add up due to multiple recommendations within the same report with differing status in terms of rendered management decisions.

## **OIG STATISTICAL SUMMARY**

### **Investigative Actions**

#### **Workload**

Cases Pending (10/1/96)	132
Cases Opened	31
Cases Closed	57
Cases Pending (3/31/97)	106

#### **Administrative**

Administrative Sanctions	0
Admonishments	0
Counseling	1
Debarments	0
Personnel Suspensions	0
Program Fraud Civil Remedies Act	0
Reimbursements	1
Reprimands	0
Resignations	0
Savings	0
Suspensions	0
Terminations	0

**Total Administrative Actions**                    **2**

#### **Criminal**

Prosecutive Referrals	16
Prosecutive Declinations	6
Prosecutive Dismissals	0
Arrests	0
Indictments	0
Convictions	1
Acquittals	0
Sentences	3
Court-Ordered Fines	3
Court-Ordered Restitutions	3

#### **Civil**

Civil Recoveries	0
Complaints	0
Declinations	0
Judgements	0
Recoveries	0
Referrals	0
Settlements	1

**Total Judicial Actions**                    **33**

#### **Information and Action Referrals**

OIG/Audit	7	Other Agencies	9
USAID	37		

### **Investigative Recoveries**

Judicial Recoveries	\$5,266,750
Administrative Recoveries	<u>\$ 7,000</u>
<b>Total Investigative Recoveries</b>	<b><u>\$5,273,750</u></b>