



U. S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

January 15, 1999

**MEMORANDUM FOR: D-AA/M, Richard C. Nygard,
Acting Chief Information Officer**

**M/FM, Tony Cully,
Acting Chief Financial Officer**

FROM: IG/A/ITSA, Theodore P. Alves, Director *Ted Alves*

SUBJECT: Audit of the Process Used by USAID to Develop Financial Statement
Information for Its Credit Programs (Audit Report No. A-000-99-001-F)

This is our final report on the subject audit. We reviewed your comments to our draft report and have included them in their entirety as Appendix II. The report contains one recommendation requesting that an investment analysis be performed to determine near-term alternatives for reducing credit program-related barriers to preparing USAID's annual financial statements..

Although your comments agreed in **principle** with the report's recommendation, they did not fully address the need for an investment analysis. Accordingly, we believe that a management decision has not yet been made to address the recommendation. Please provide this office with your final management decision on Recommendation No. 1 within 30 days of the date of our report.

Thank you for the cooperation and assistance extended to our auditors during this assignment.

Background

Since fiscal year 1996, USAID has been required by the Government Management Reform Act (GMRA) to compile **USAID-wide** financial statements and supplemental information and have the information audited by the USAID Office of the Inspector General (OIG). These financial statements report USAID's financial position and results of operations, and also provide further information allowing Congress and the public to assess management's performance and stewardship of USAID resources. Accordingly, USAID management's ability to develop and maintain adequate internal controls, accounting and financial management systems, and procedures to generate reliable financial statements is critical to the success of USAID's annual reporting.

USAID is a decentralized organization with missions and accounting centers spread around the world. To better manage its decentralized operations, USAID deployed the New Management System (NMS) on October 1, 1996. NMS was designed to replace aging and ineffective computer systems--called legacy systems--used to perform accounting, budgeting, procurement, and performance measurement functions. It was also designed to be the primary system for conducting USAID business, recording accounting events and transactions, and preparing financial and management information. Once deployed, however, NMS did not operate effectively and USAID had to continue to rely on some of its non-integrated legacy and informal, locally-developed financial management systems to record and process financial transactions. Thus, USAID relies on a combination of NMS, legacy systems, and informal systems--called cuff records--to maintain its accounting records and generate financial management information.

A large portion of USAID's development assistance funding has been used to provide loans and credit guarantees under five programs. The five credit programs are: (1) Direct Loan Program, (2) Urban and Environment Program, (3) Micro & Small Enterprise Development Program, (4) Ukraine Export Credit Insurance Program, and (5) Israeli Loan Guarantee Program. USAID's June 30, 1998 interim financial statement reports that the credit program receivables line item account balance totaled \$7.3 billion and the credit program fund balance with Treasury line item **totalled** \$1.8 billion. These balances represent 42 percent of the total assets reported on USAID's financial statement. Accordingly, the generation of reliable and consistent financial information for the credit programs is a critical part of the development of USAID's annual financial statement.

The Office of Financial Management's Loan Management Division (M/FM/LM) is responsible for maintaining the accounting records for USAID's five credit programs. The Office of Financial Management's Office of Central Accounting and Reporting (M/FM/CAR) is responsible for combining credit program balances with other USAID financial information and for preparing USAID's annual financial statement. The Chief Financial Officers Act of 1990 assigns overall responsibility for developing and maintaining integrated accounting and financial management systems to the Chief Financial Officer (CFO).

Audit Objective

Our audit was conducted to support the OIG's audit of USAID's fiscal year 1998 financial statements--as required by the GMRA. Our audit sought to define the flow of data and to identify barriers to the production of audited USAID financial statements because the flow of data through the credit programs to USAID's financial statements had been an undefined and undocumented process. The objective of our audit was to answer the following question:

- **How does information flow through the financial management systems used by USAID's credit programs to USAID's financial statements?**

A full description of the scope and methodology is contained in Appendix I.

Summary of Results

Credit program data follows a complex, largely manual process before being incorporated into USAID's financial statements. Source data is primarily generated from eight different types of documents and five formal agency information systems. The data is then manually extracted and recompiled several times, using over 30 different informal spreadsheet systems developed by credit program managers, before being incorporated into USAID's financial statements.

This complex flow of information creates several barriers to the production of audited financial statements and the development of useful financial management information. The multiple entries of similar financial data is inefficient, increases the risk of incorrect data appearing in USAID's financial statements, increases the time and staff resources needed to generate financial statement information, and increases the amount of audit testing needed to determine whether the statements are fairly presented. Although USAID managers have recognized the financial system deficiencies and are implementing corrective action plans, the problems are not expected to be overcome until 2001.

In the meantime, near-term alternatives that might reduce the existing barriers have not been analyzed. For example, USAID could consider (1) linking its numerous informal spreadsheet systems to automatically generate trial balances and consolidated working trial balances or (2) purchasing inexpensive, commercially available off-the-shelf software packages, which might be adaptable to integrate the numerous credit program general ledgers and automatically generate financial reports. Given the potential for increased efficiencies in the credit programs, we recommend that USAID perform an investment analysis of near-term alternatives to determine whether they offer a cost-effective way to reduce the barriers to the production of credit program financial information.

Until an effective USAID-wide integrated financial management system is adopted by USAID, poor policy decisions are more likely to be made due to inaccurate or untimely information; managers are less likely to be able to report accurately to Congress; and scarce resources are more likely to be directed toward the collection of information rather than to the delivery of the intended programs.

Flow of Information Through USAID's Credit Programs to the Financial Statements

The source of financial information for USAID's five credit programs comes primarily from eight¹ different types of documents and five² separate legacy financial management systems. A limited amount of information also comes from NMS. Staff from M/FM/LM manually record data from these documents and systems into journal vouchers, which detail the impact that accounting events and transactions have on credit program accounting records, including debits and credits to specific accounts. The information contained in the Journal Vouchers is then manually entered into 32 informal, locally-developed credit program general ledgers (maintained on Lotus 1-2-3 spreadsheets). The general ledgers maintain current account balances for the individual appropriations that make up each program.

Quarterly, the account balances from the individual general ledgers are manually recorded in trial balances, which are also maintained on Lotus 1-2-3 spreadsheets. Trial balances act as a partial check of the accuracy of general ledger account balances by ensuring that debit and credit balances match. The individual trial balances are then combined into Consolidated Working Trial Balances. These Consolidated Working Trial Balances combine individual account balances for different appropriations under the same credit program into one balance for each of USAID's five credit programs. The account balances listed in the five consolidated working trial balances are then incorporated into a USAID-wide working trial balance and into USAID's financial statements by M/FM/CAR

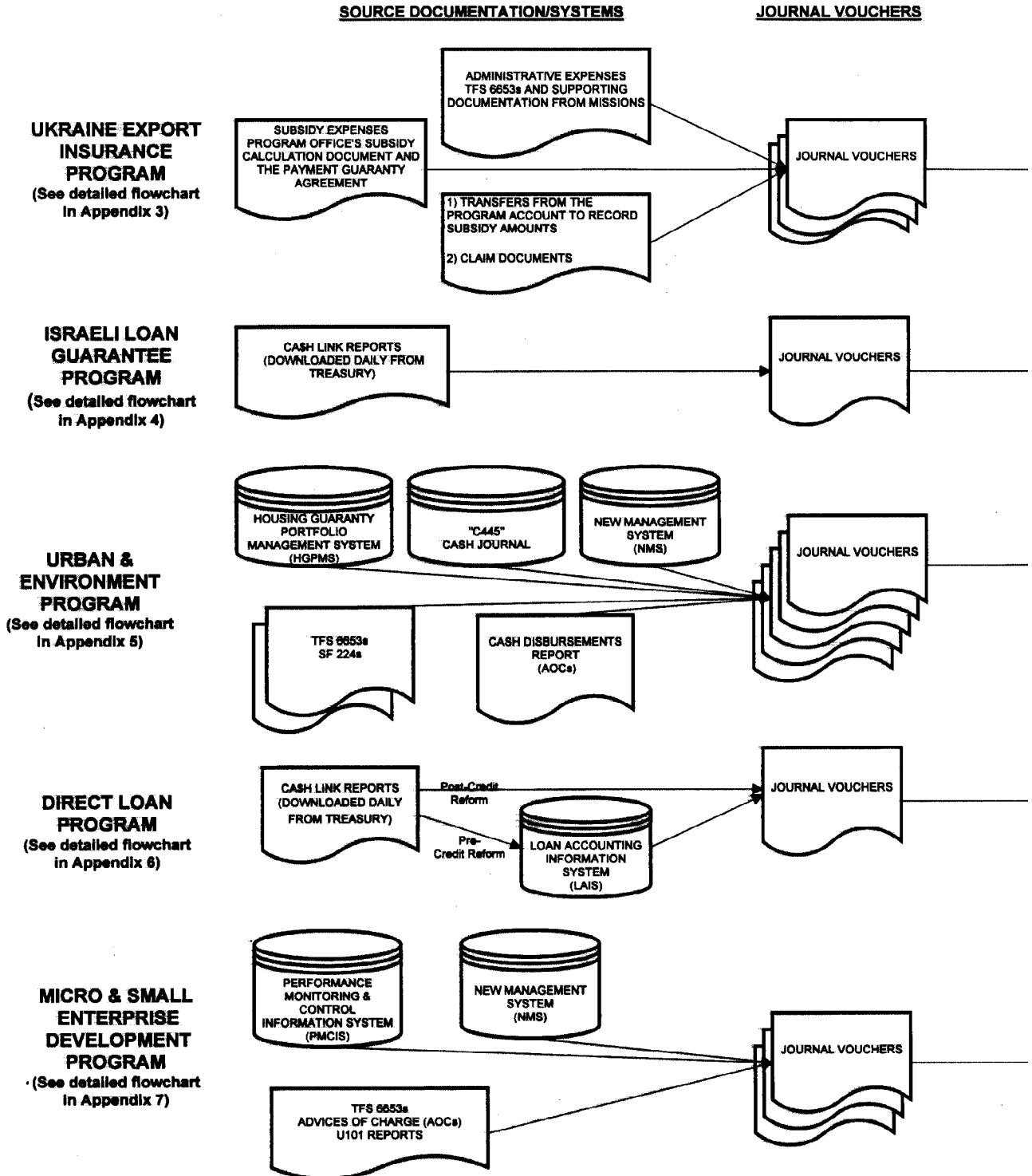
A summary of the entire flow of information through the five credit programs is outlined on pages 5 and 6. A more detailed description of the flow of data through each of USAID's five credit programs, as well as individual credit program flowcharts is presented in Appendices 3 through 7.

As illustrated in the diagram on pages 5 and 6, the flow of data is relatively straight-forward for some credit programs and rather complex for others. For example, data for the Israeli Loan Guaranty Program is straight-forward, coming from one primary source (i.e., Treasury Ca\$h Link Reports). Data from these Treasury reports is recorded in journal vouchers and then posted to a general ledger.

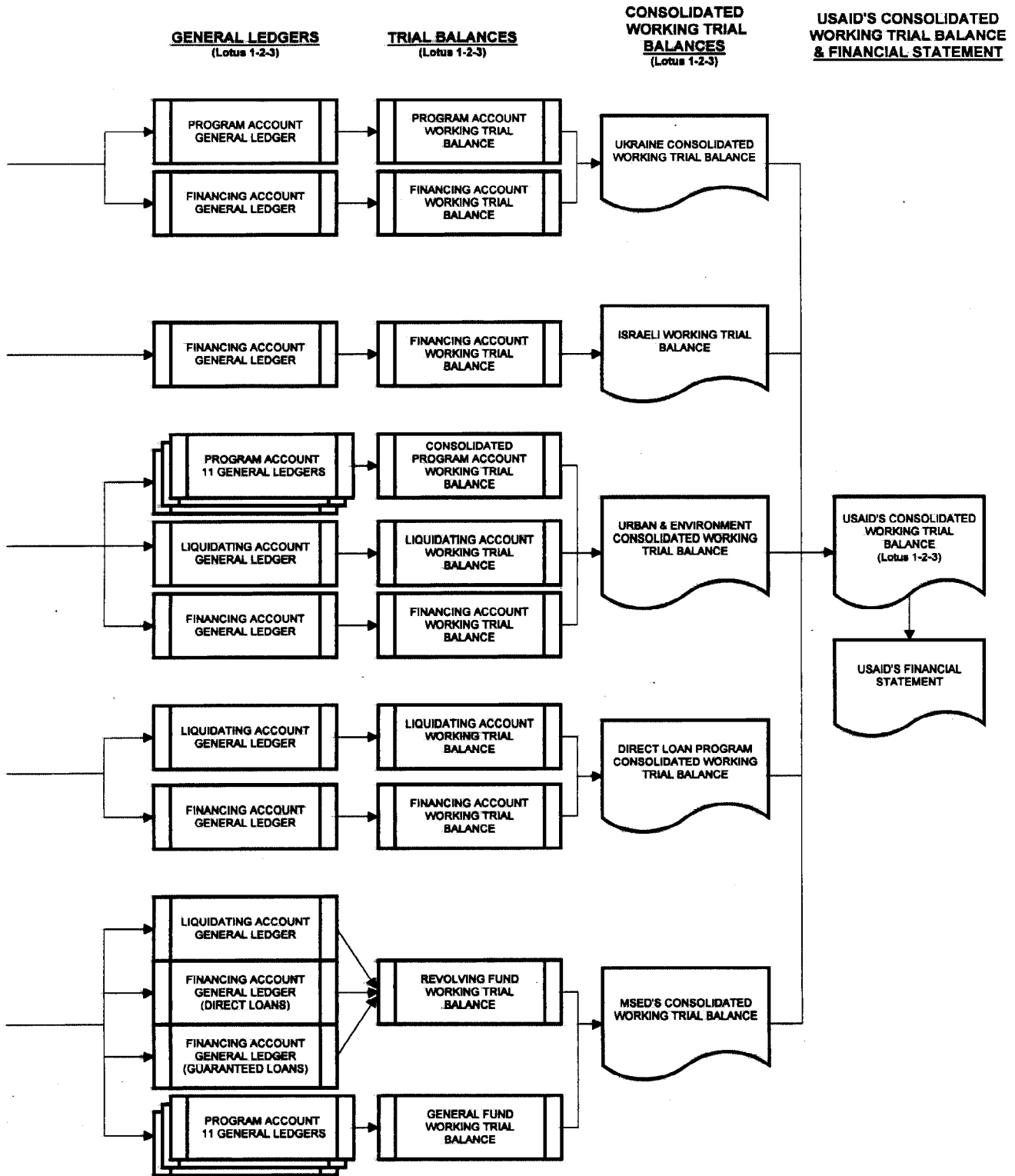
¹ The eight primary documents include subsidy calculations reports, claim reports, Ca\$h Link reports, TFS 6653s, SF 224s, Cash Disbursement Reports, **Advices** of Charge, and MACS U101 reports.

² The five systems include the Housing Guaranty Portfolio Management System, the Cash Journal, the New Management System, the Loan Accounting Information System, and the Performance Monitoring and Control Information System.

DATA FLOW THROUGH



USAID'S CREDIT PROGRAMS



The flow of data for the Urban and Environment Program, however, is much more complex. Data for this program comes from a variety of sources including several different financial management systems (e.g., the Housing Guaranty Portfolio Management System, the Cash Journal, and the New Management System), **USAID-generated** documents (i.e., SF 224s--Statement of Transaction Reports and **Advices** of Charge), and Treasury reports (i.e., TFS 6653s--**Undisbursed** Appropriation Account Ledger Reports).

Once collected, data from the different systems and source documents is manually entered into journal vouchers, manually re-entered into one of several general ledgers, and then transferred to trial balances, which in turn are consolidated into a working trial balance for each credit program. At this point, the working trial balances for each program are incorporated into the **USAID** working trial balance which is then used to prepare the financial statement.

A brief description of the data sources and accounting process illustrated on the previous page is discussed below.

Source Documentation

The data flow through the credit programs begins with source documents obtained from several different sources. Some source documentation is received from the Department of Treasury (e.g., TFS 6653 and **Ca\$h** Link reports); some is generated by a variety of **USAID** financial systems (e.g., the Housing Guaranty Portfolio Management System, the Loan Accounting Information System, and the New Management System); and some is received from outside of **USAID** (e.g. claim documents).

Journal Vouchers

After source documents have been received and reviewed (and sometimes reconciled with other information), **M/FM/LM** staff determine what effect each transaction and event has on **USAID's** accounting records and how that information should be entered into **USAID's** financial records. A journal voucher is then manually prepared to document how the transaction or event will be recorded, including the accounts to be debited and the accounts to be credited. Each Journal voucher is a paper document that lists the accounting changes that need to be recorded in **USAID's** accounting records.

General Ledgers

After journal vouchers have been prepared, the listed accounting changes are manually entered into a general ledger. There are 32 credit program general ledgers. The Ukraine Export Insurance Program has two general ledgers; the Israeli Loan Guarantee Program has one; the Urban and Environment Program has 13, the Direct Loan Program has two, and the Micro & Small Enterprise Development Program has 14. The general ledgers are maintained using informal, locally-developed Lotus 1-2-3 spreadsheet applications. Each general ledger keeps track of annual appropriation balances for one of three types of credit program accounts: (1)

program, (2) financing, and (3) liquidating. Program accounts contain appropriations to cover the cost of direct loans or loan guarantees while the financing and liquidating accounts include the cash flows to and from the U.S. Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991 and prior to October 1, 1991, respectively.

Trial Balances

On a quarterly basis³ account balances from each credit program general ledger are manually recorded in a trial balance. The trial balances, which are also maintained on locally-developed Lotus 1-2-3 spreadsheets, act as a partial check of arithmetic accuracy by ensuring that general ledger accounts with debit balances equal general ledger accounts with credit balances.

Consolidated Working Trial Balances For Each Program

After trial balances for each credit program general ledger have been prepared, account balances recorded in the trial balances are manually posted to and summarized in a consolidated working trial balance. Consolidated working trial balances in the form of Lotus 1-2-3 spreadsheets are prepared for each of the five credit programs and serve as a way to summarize financial information for each credit program.

USAID's Consolidated Working Trial Balance

After consolidated working trial balances have been prepared for each credit program, the summarized account balances from these trial balances are compiled and recorded in USAID's Consolidated Working Trial Balance. This working trial balance summarizes financial information from all of USAID's activities.

USAID's Financial Statement

After USAID's Consolidated Working Trial Balance has been prepared, the summarized account balances from it are manually transferred to and presented in USAID's Financial Statement.

³ The Loan Management Division reconciles and posts data to the general ledgers on a monthly basis. Formal trial balance reports are compiled quarterly.

Barriers to the Production of Financial Statements

Several barriers related to the flow of information through USAID's credit programs adversely affect the production of USAID's annual financial statements, including:

- Similar accounting data must be manually re-entered multiple times into different financial management systems because the systems are not linked to or integrated with USAID's primary accounting and financial management system;
- Credit program financial reports can not be queried at the transaction level or against prior year information; and
- Credit program general ledgers are manually kept using Lotus 1-2-3 spreadsheets, which creates significant data integrity risks.

These barriers, each of which can be linked to USAID's lack of an effective and integrated financial management system, are discussed in more detail below:

Credit Program Systems Are Fragmented

Office of Management and Budget (OMB) Circular No. A-127, Financial Management System Requirements, calls for financial management systems to eliminate unnecessary duplication of transaction entry, and wherever appropriate, enter data only once and update other parts of the system automatically. Joint Financial Management Improvement Program requirements add that a core financial management system must be able to process transactions originating in other systems, recording and keeping track of such transactions and related information, in order to provide the basis for central financial control.

However, credit program systems do not meet these requirements. Instead, credit program financial data must be repeatedly re-entered into multiple locally developed systems because the systems are not linked to each other and do not interface with NMS, USAID's official accounting and financial management system. Although the AID Worldwide Accounting and Control System (AWACS), an NMS subsystem, was designed to maintain credit program accounting data and automatically generate general ledger, trial balance, and financial statement information, it does not do so.

To illustrate the impact of this deficiency, Urban & Environment Program financial data is initially taken from source documents and manually entered into either the Housing Guaranty Portfolio Management System (HGPMs), the Cash Journal, or the New Management System (first entry). These three agency developed financial systems then print reports from which an M/FM/LM accountant extracts accounting data and prepares a journal voucher (second entry). The data is then manually entered into 1 of 13 locally-developed Lotus 1-2-3 spreadsheets which represent the Urban and Environment Program's general ledgers (third entry).

Financial information from the 13 general ledgers must be then be manually recorded into trial balances--one for each general ledger (fourth entry). The balances from the trial balances are then manually compiled into a consolidated working trial balance for the Urban and Environment Program (fifth entry). The summarized balances from the consolidated working trial balance are then manually recorded in USAID's consolidated working trial balance (sixth entry). Finally, these balances are incorporated into USAID's financial statement (seventh entry).

Overall, the manual compilation of account balances from the 32 credit program general ledgers into USAID's financial statements is labor-intensive and inefficient. It also increases the time and resources needed to generate financial statement information. Further, the repeated entry of financial data increases the risk of errors and the amount of audit testing needed to determine whether USAID's financial statements are fairly presented. These risks could be reduced and the manual compilation of account balances eliminated if USAID had an effective and integrated financial management system that met federal financial management system requirements.

Financial Statement Information Can Not Be Queried at the Transaction Level

The Joint Financial Management Improvement Program requires a core financial management system, which can be queried to present specific detailed data as requested, and which allows users to design reports and extract files that meet their specific requirements. The Program also requires a financial system that provides easy access to historical files for comparative, analytical, and trend information. OMB Circular A-1 27 requires data to be entered into the Standard General Ledger at the transaction level. Accordingly, an effective financial management system which allowed financial data to be queried from different angles would be beneficial to USAID managers and would facilitate the development of more useful financial information.

However, credit program-related data which appears in USAID's financial statement can not be electronically queried at the transaction level or against prior year information. These two deficiencies make it difficult for USAID managers to interpret and use credit program-related information that is presented in USAID's financial statements.

To illustrate, since summary credit program data—not transaction data—is used to prepare USAID's financial statements, credit program-related data reported in the financial statements cannot be electronically queried to present either individual general ledger account balances or specific transaction totals. Further, since prior year financial information is not integrated with current year financial information, queries to compare prior and current year financial information also cannot be electronically generated. Without the ability to query financial information, the usefulness of the information is reduced.

Use of Locally Developed Lotus 1-2-3 Spreadsheet Creates Data Integrity Risks

Credit program general ledgers and financial reports are prepared manually using Lotus 1-2-3 spreadsheets. The heavy reliance on these spreadsheets at both the general ledger and financial reporting levels increases the risk of unauthorized data changes and inadvertent or malicious damage to data. Accordingly, the use of these spreadsheets creates significant data integrity risks and increases the risk that credit program financial information may not be reliably reported on USAID's financial statement.

These risks exist because personal spreadsheet systems are not designed to provide a full range of data protection capabilities. For instance, these systems are vulnerable to inadvertent alteration or destruction of data because the user could mistakenly alter or erase data or change the program. Intentional acts by a disgruntled employee are also a danger.

Near Term Improvements Are Possible

USAID has identified financial management system deficiencies, including some credit program deficiencies, as material control weaknesses in its annual reports under the Federal Managers' Financial Integrity Act (Integrity Act). For example, USAID has reported the lack of an effective integrated financial management system as a material weakness since 1988 and has reported since 1993 credit program-related material weaknesses concerning data entry controls that have not been implemented and a general ledger system that has not been maintained.

In order to correct the above deficiencies, USAID is planning to implement in the year 2001 a core financial management system, which will provide an integrated general ledger system. USAID is also planning to eliminate several credit program-related financial systems as it moves to outsource loan transaction processing to a private contractor. However, this outsourcing will not eliminate USAID's requirement to maintain accounting information and incorporate credit program financial results into USAID's financial statements.

Although USAID has a long-term plan to address the weaknesses in its credit programs, near-term actions also might improve controls, reduce the resources required to generate financial information, and increase the reliability of the information. At least two near-term alternatives could be considered. First, USAID could consider linking its numerous informal spreadsheets so that one or a few systems could automatically maintain multiple general ledgers and automatically generate trial balances and consolidated trial balances. Second, inexpensive, commercially available off-the-shelf software packages called personal accounting applications are readily available and might be adaptable to perform general ledger and trial balance functions. These packages can be purchased at any software store and are used by small businesses to perform accounting functions. Such a software package might be able to integrate the credit program's numerous general ledgers and to automatically generate

financial reports, including trial balances and **consolidated** working trial balances for each credit program.

Although we identified two alternatives, others may also exist. In addition, we have not conducted an investment analysis, which should be performed before deciding whether a near-term alternative should be implemented, and if so, which alternative. If implementation of a near-term alternative is cost effective, it would increase M/FM/LM efficiencies by reducing the number of manual data entries and minimizing current barriers to the production of financial statement information for the credit programs. Reducing the labor-intensive process could also help achieve important **USAID** staffing goals. **USAID** recently determined that it needs to reallocate resources away from financial management functions to improve its ability to implement its core development assistance activities. Reducing its reliance on inefficient labor-intensive manual accounting functions could contribute to this goal.

Recommendation No. 1: We recommend that the Chief Financial Officer perform an investment analysis of near-term alternatives to determine whether they offer a cost-effective way to strengthen controls over credit program general ledgers, facilitate the generation of credit program financial reports, and reduce inefficient, labor-intensive manual data entry requirements.

Management Comments and Our Evaluation

The Acting Chief Information Officer and the Acting Chief Financial Officer stated that they found the report to be informative and agreed, for the most part, with the audit report's findings and recommendation. However, with regards to the recommendation to perform an investment analysis, they stated that they thought a better approach to addressing the deficiencies would be to migrate the credit program general ledgers to the AWACS general ledger, creating one general ledger system for the Agency. Regarding the fragmented credit program systems and unnecessary duplicate transaction entries, they stated that until the agency has a new core financial system to replace AWACS, some inefficiencies in entering data can not be resolved.

We agree that one general ledger for the Agency would be beneficial but until an investment analysis has been performed and other alternatives explored, there is no assurance that **USAID's** decision represents the best alternative to reduce the barriers listed in the audit report (e.g., strengthen controls over credit program general ledgers, facilitate the generation of credit program financial reports, and reduce inefficient, labor-intensive manual data entry requirements). Accordingly, we continue to recommend that **USAID** perform an investment analysis to determine whether its decision is the most appropriate. Such an investment analysis does not have to be a lengthy exercise, but it should be performed (1) in accordance with **USAID's** guidelines and (2) in relation to the size of the credit program's financial management systems.

USAID management also stated that the control environment will be enhanced since credit servicing will be outsourced, reducing audit risk. We agree with this statement and support USAID's efforts to minimize risk and increase efficiencies in the credit programs.

SCOPE AND METHODOLOGY

Scope

Our audit of the process used by USAID to develop financial statement information for its credit programs covered USAID's June 30, 1998 interim financial statements and included the financial management systems used to track the following five credit programs:

- Direct Loan Program
- Urban and Environment Program
- Micro and Small Enterprise Development Program
- Ukraine Export Credit Insurance Program
- Israeli Loan Guarantee Program

The audit also included the data flow from credit program source documents to the general ledger account balances that were recorded in USAID's interim financial statements.

Our audit did not examine whether credit program information had been presented fairly in the interim financial statements nor did it determine the accuracy of any account balances. Further, our audit was limited to describing the data flow through credit program-related financial management systems. Accordingly, the audit did not include a review of Loan Management Division's internal controls over the preparation of credit program-related financial statement information.

Our audit was conducted from October 5, 1998 to December 3, 1998 in accordance with generally accepted government auditing standards. Audit fieldwork was primarily conducted in the Office of Financial Management's Loan Management Division at USAID/Washington.

Methodology

To determine how USAID developed financial statement information for its credit programs, we held discussions with Loan Management and Global Bureau officials. We then traced two credit program line items from USAID's interim (June 30, 1998) financial statements to supporting general ledger balances. The purpose of our tracing was not to audit the line item balances, but rather to use the information to identify the financial management systems that

generate the balances. The two line items, “Fund Balance with Treasury” totaling \$1.8 billion and “Credit Program Receivables” totaling \$7.3 billion, were selected by the Office of Financial Audits based on their materiality to USAID’s interim financial statements.

We performed our audit by tracing credit program line items from USAID’s interim financial statements to a Consolidated Statement of Financial Position. Balances listed in the Consolidated Statement of Financial Position were then traced to one of the five supporting credit program working trial balances. Account balances listed in the working trial balances were then traced to trial balances and then to the balances listed in credit program general ledgers. To test the interim balances that were recorded in each credit program general ledger, we judgmentally selected and traced general ledger transactions to supporting journal voucher and source documents.

We also identified two alternatives that could improve credit program financial systems in the near-term. However, we did not perform an investment analysis to determine if the alternatives represent a cost-effective investment.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

January 8, 1998

TO: IG/A/ITSA, Ted Alves

FROM: DAA/M, Richard Nygard
M/FM, Tony Cull

SUBJECT: Audit of the Process Used by USAID to Develop Financial Statement Information for Its Credit Programs (Draft Audit Report No. A-000-99-00X-F)

We have reviewed the subject draft report and agree in principal with its findings and recommendation. As with your recent report on the process used to prepare the FY 1997 financial statements (Report No. A-000-98-001-F), we found this report to be most informative. It gives the reader a better understanding of the complexity which the FM Loan Management staff must deal with when preparing financial reports of the Agency's credit programs.

As regards the recommendation, rather than performing an investment analysis as suggested, it is our intention to migrate the credit program general ledgers to the AWACS general ledger during FY 1999. We believe this approach to addressing the deficiencies is the most practical in that once completed the Agency will be using only one general ledger system for its appropriated funds.

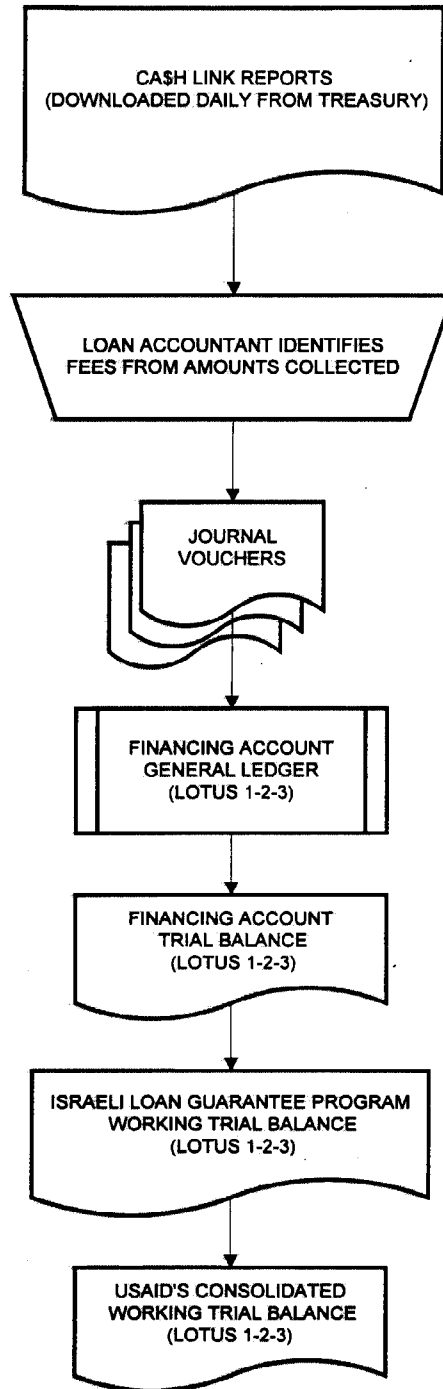
In this connection, it must be clearly understood that until the Agency implements a new core financial system to replace AWACS, inefficiencies such as entering data into more than one system cannot be resolved. However, we believe the outsourcing of credit servicing with the contractor providing summary general ledger posting for the servicing transactions supported by transaction detail will greatly enhance the control environment, provide an adequate audit trail and reduce the audit risk. Therefore, we believe the need for excessive audit testing in the future will be greatly reduced.

Finally, the last paragraph of the "Summary of Results" section contains the same statement regarding the consequences of the Agency not having in place an integrated financial management

system as Report No. A-000-98-001-F. We continue to believe that the potential for the consequences occurring is overstated, However, we agree that the implementation of a new core financial accounting system would further reduce the likelihood of them occurring.

CC: M/FM, Sandy Owens
M/FM/LM, Marvin Washington
M/MPI, Sandra Malone-Gilmer

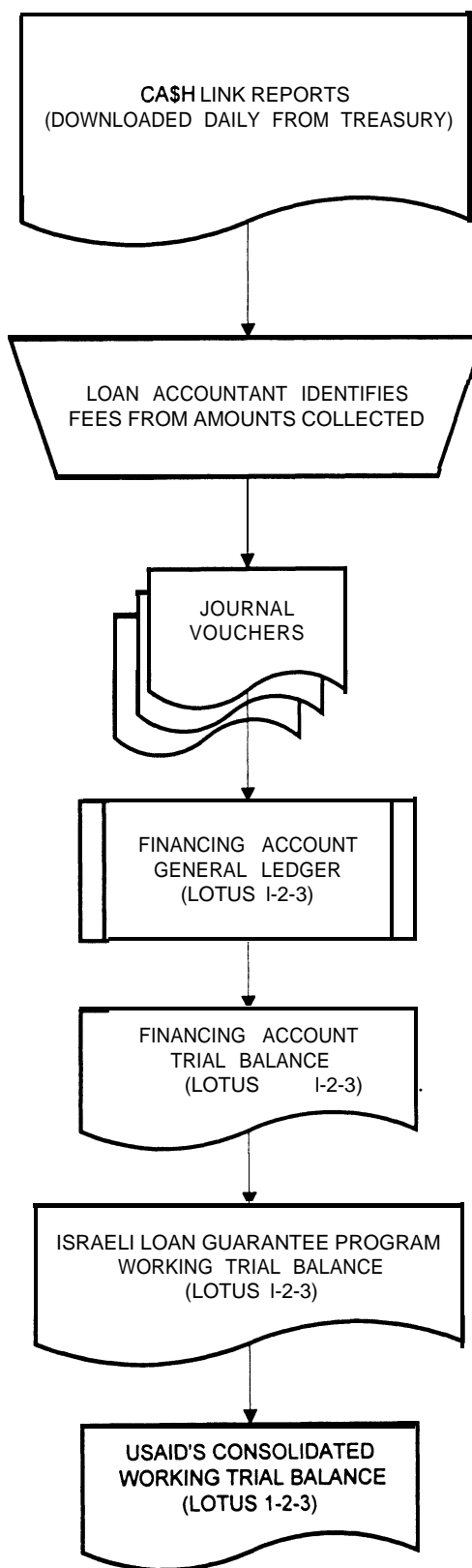
FLOW OF DATA THROUGH THE ISRAELI LOAN GUARANTEE PROGRAM



Data Flow Through the Ukraine Export Credit Insurance Program

Data flows through the Ukraine Program in a fairly straight forward manner. There are source documents for administrative expenses, subsidy expenses, claims, and transfers between the Program and Financing accounts. From these source documents, journal vouchers are prepared and entered into either a Program or Financing Account general ledger. Trial balances are prepared for both general ledgers and then the balances from the two accounts are summarized in a Consolidated Working Trial Balance. The summarized totals from the Consolidated Working Trial Balance are rolled forward and presented in USAID's Consolidated Working Trial Balance, which summarizes account balances for all of USAID's activities. The summarized account balances listed in USAID's Consolidated Working Trial Balance are the balances that are reported in USAID's interim financial statement.

FLOW OF DATA THROUGH THE ISRAELI LOAN GUARANTEE PROGRAM

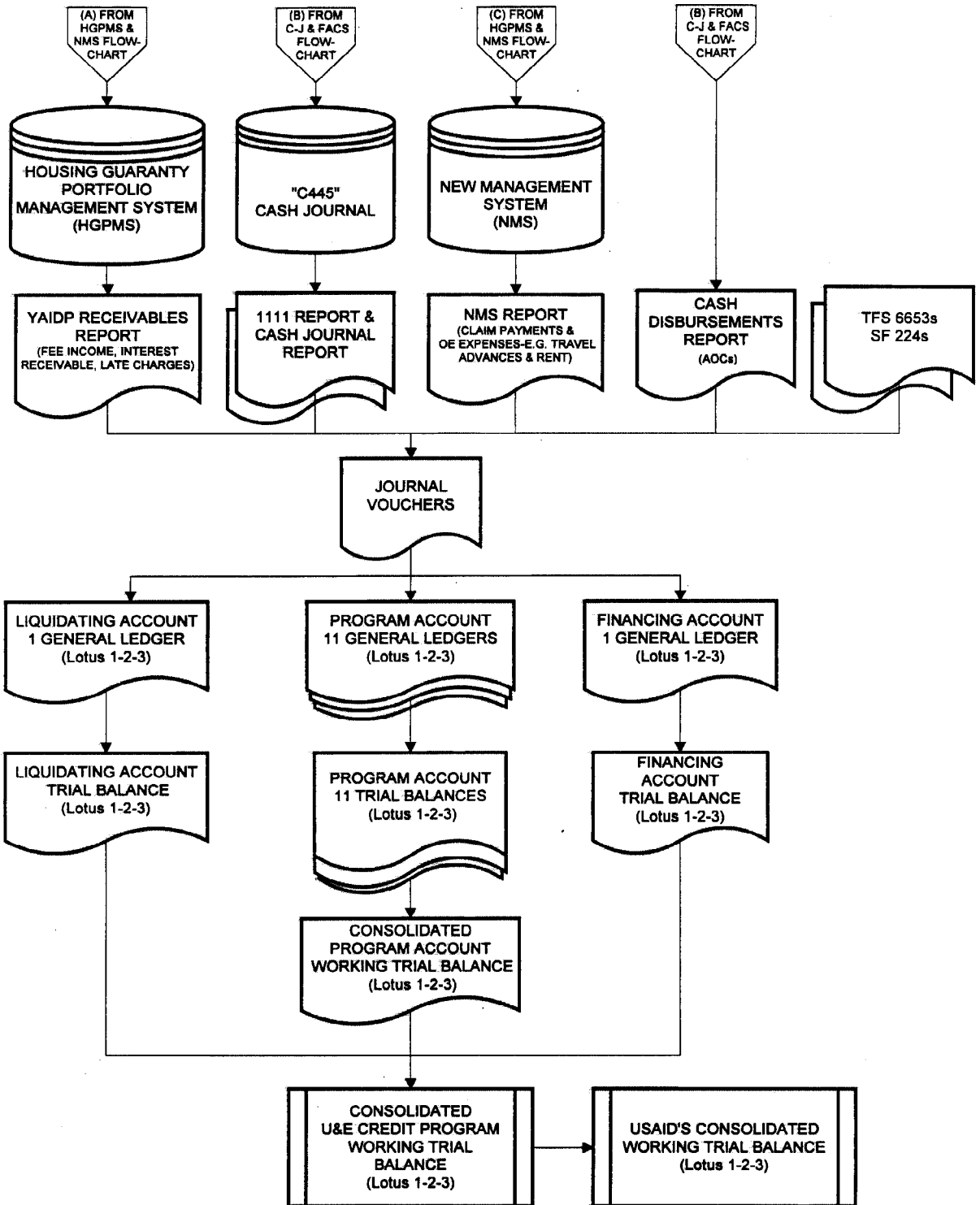


Data Flow Through the Israeli Loan Guarantee Program

Data flows through the Israeli Program in a fairly straightforward manner. As there have yet to be any claims or expenses to pay, the program's transactions have only involved the collection of principal, interest, and loan guarantee fees. Information on amounts collected for the Program are downloaded from Treasury's Ca\$h Link System. An analyst then manually calculates how much of the amount collected represents principal, interest, and fee income. Based on the analyst's calculations, journal vouchers are prepared to record the amount of principal, interest, and fee income into the Program's general ledger.

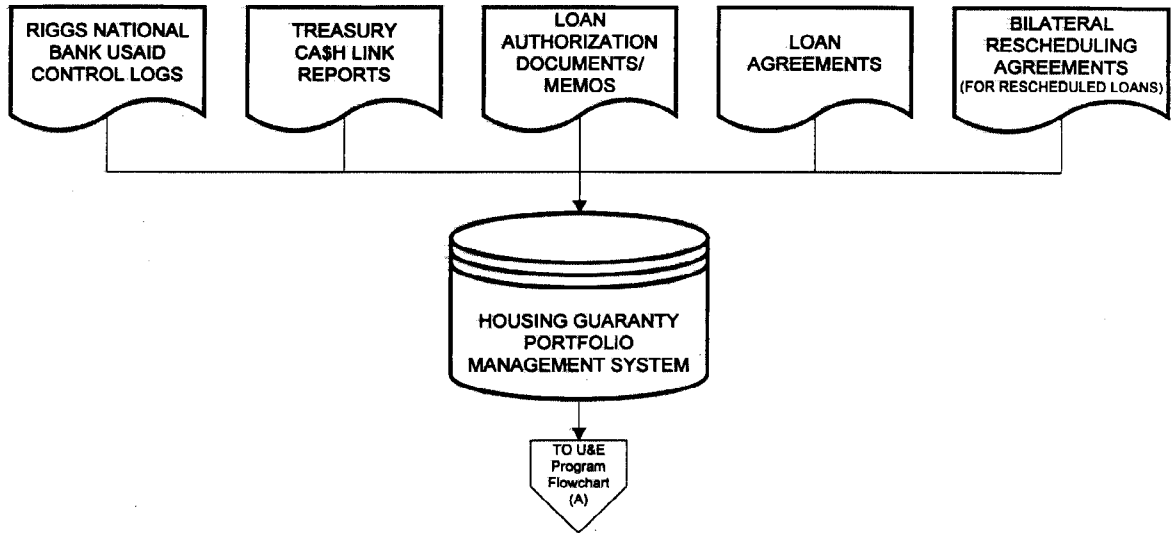
At the end of a reporting period, a trial balance is prepared based on the balances listed in the general ledger. Balances from the trial balance are then rolled forward and presented in USAID's Consolidated Working Trial Balance, which summarizes account balances for all of USAID's activities. The summarized account balances listed in USAID's Consolidated Working Trial Balance are the balances that are reported in USAID's interim financial statement.

FLOW OF DATA THROUGH THE URBAN AND ENVIRONMENT PROGRAM

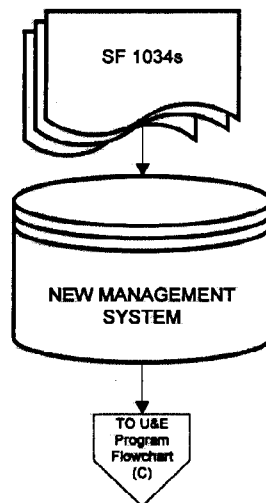


FLOW OF DATA THROUGH THE HOUSING GUARANTY PORTFOLIO MANAGEMENT SYSTEM (HGPMS) AND THE NEW MANAGEMENT SYSTEM (NMS)

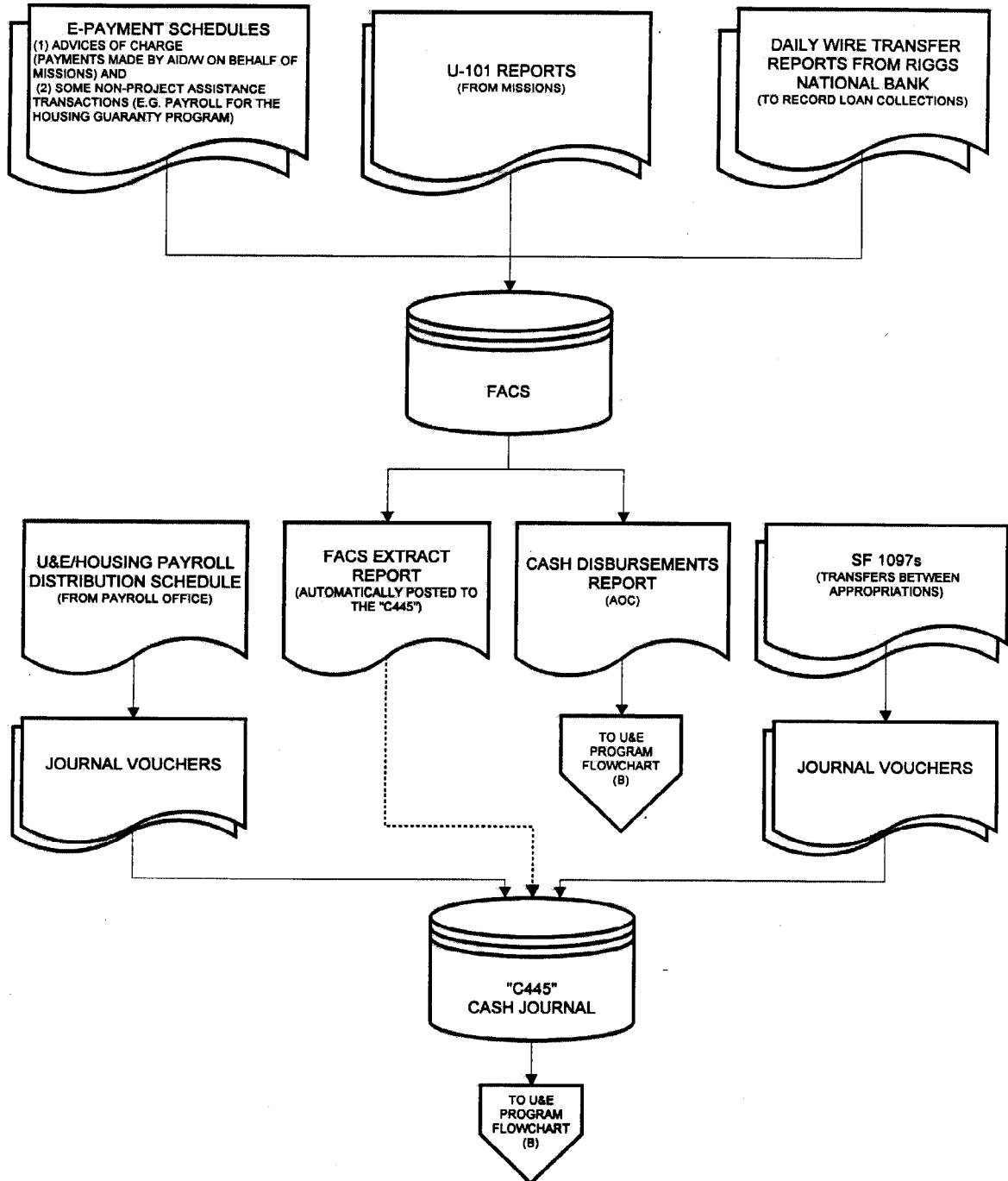
HGPMS



NMS



FLOW OF INFORMATION THROUGH THE CASH JOURNAL AND FACS



Data Flow Through the Urban & Environment Guaranty Program

The flow of data through the Urban and Environment (U&E) Program is the most complicated of USAID's five credit program. Financial data comes from several different source documents and financial systems, but in the end, all of U&E's financial information is recorded in one of 13 general ledgers. One general ledger is kept for the Liquidating Account, 11 general ledgers are kept for the Program Account, and one general ledger is kept for the Financing Account.

At the end of each reporting period, trial balances are prepared for each of the 13 general ledgers. Account balances from the 11 Program trial balances are rolled forward and summarized in a Consolidated Program Account Working Trial Balance and then the account balances are combined with account balances from the Liquidating and Financing Accounts' Trial Balances in a Consolidated Working Trial Balance for the U&E Program. The summarized balances from the Consolidated U&E Working Trial Balance are then rolled forward and presented in USAID's Consolidated Working Trial Balance, which summarizes account balances for all of USAID's activities. The summarized account balances listed in USAID's Consolidated Working Trial Balance are the balances that are reported in USAID's interim financial statement.

U&E financial information comes from several different source documents and financial systems. To illustrate, financial information for the Program is generated by four systems: (1) the Housing Guaranty Portfolio Management System (HGPMs), (2) the Cash Journal, (3) the New Management System, and (4) the FACS. There are 12 different source documents that are manually entered into these four systems:

HGPMs: (1) Riggs National Bank Control Log, (2) Treasury Ca\$h Link Reports, (3) Loan Authorization Documents, (4) Loan Agreements, and (5) Bilateral Agreements;

c445: (1) U&E Payroll Distribution Schedule, (2) SF 1097s (Voucher and Schedule to Effect Correction of Errors), and (3) extracted FACS data;

NMS: (1) SF 1034s (Public Voucher for Purchases and Services Other Than Personal); and

FACS: (1) Electronic payment schedules, (2) Mission Accounting and Control System U-1 0 1 Reports, and (3) Daily Wire Transfer Reports from Riggs National Bank.

In addition to the **12** above source documents, two documents (i.e. TFS 6653s-Undisbursed Appropriation Account Ledger Reports and SF 224s-Statement of Transactions), which are not entered into one of the four automated systems, also provide financial information for the U&E Program. Accordingly, financial information comes from 4 different systems and 14 different source documents.

Regarding the TFS 6653s and SF224s, journal vouchers are prepared based on the transactions listed in these documents and then the transactions are posted to the appropriate U&E general ledger.

Regarding the U&E-related financial management systems, the following paragraphs describe how data flows through each of the four systems before the transactions are entered into one of the 13 U&E general ledgers.

HGPMS: As previously listed, HGPMS contains financial and loan information from five primary sources. Each of these source documents is entered into HGPMS by the Loan Management Division. On a monthly basis, Loan Management generates a "YAIDP" Receivables Report from HGPMS. The Receivables Report provides a variety of financial information related to the U&E Liquidating Account (e.g., fee income, interest receivable, late charges, etc.). Journal vouchers are prepared manually using financial information in the Receivables Report and then the journal voucher transactions are manually posted to the liquidating account's general ledger.

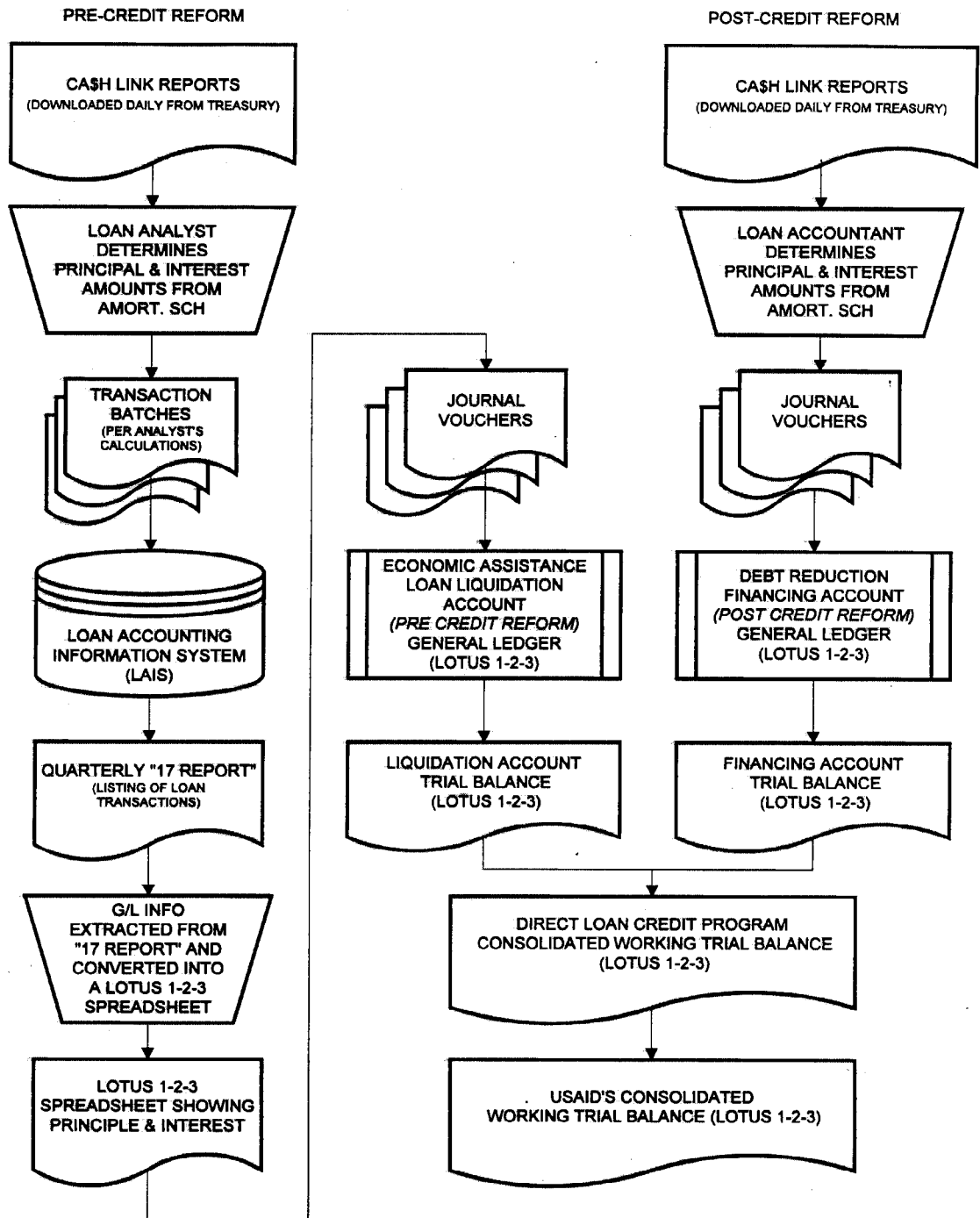
FACS: As previously listed, FACS contains financial information from three primary sources. Data from these three sources is entered into FACS and then FACS generates two reports (a FACS Extract Report and a Cash Disbursements Report, which shows U&E Program-related advices of charge). The FACS Extract Report is automatically posted to the Cash Journal system, but a journal voucher has to be manually prepared based on the data in Cash Disbursements Report and then manually recorded in the appropriate U&E general ledger.

C445 (Cash Journal):

The Cash Journal system contains data posted from the FACS Extract Report. It also contains U&E Program-related information from a Payroll Distribution Schedule prepared by the Payroll Office and SF 1097s, which record transfers between appropriations. On a monthly basis, a Cash Journal Report and an "1111 Report" are generated by the Cash Journal system. The two reports are similar, but the Cash Journal Report is more detailed and indicates whether transactions are expenses or advances. Journal vouchers are prepared based on the transactions listed in the Cash Journal and "1111" reports and then recorded in the appropriate U&E general ledger.

NMS: SF 1034s, which document credit-program-related expenses, are entered into NMS. On a monthly basis, an NMS report is generated which shows U&E-related claim payments and operating expenses (e.g. travel advances and rent). Journal vouchers are prepared based on the disbursements listed in the NMS report and then the transactions are manually posted to the appropriate U&E general ledger.

FLOW OF DATA THROUGH THE DIRECT LOAN PROGRAM



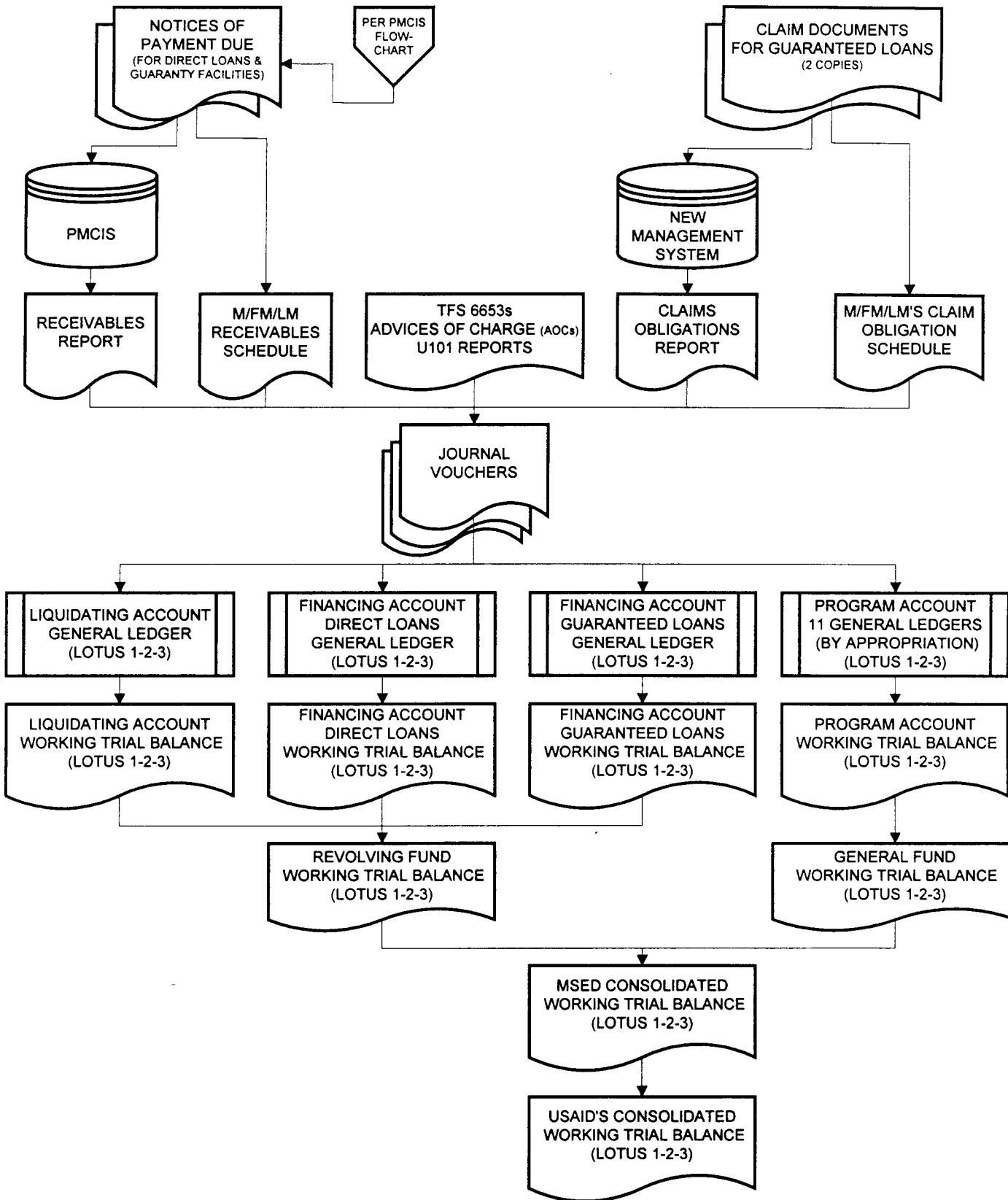
Data Flow Through the Direct Loan Program

Financial information for the Direct Loan Program primarily comes from reports that are received on a daily basis from Treasury's Ca\$h Link System. If loan data in a Ca\$h Link Report is related to a Post-Credit Reform Loan (i.e. 1992 and after), then an analyst calculates the amount collected into principal and interest payment amounts; journal vouchers are manually prepared; and the transactions are entered into the Debt Reduction Financing Account's (i.e. Financing Account) general ledger. A trial balance is prepared using the general ledger account balances at the end of a reporting period and then the balances are rolled forward to a Consolidated Direct Loan Program Working Trial Balance.

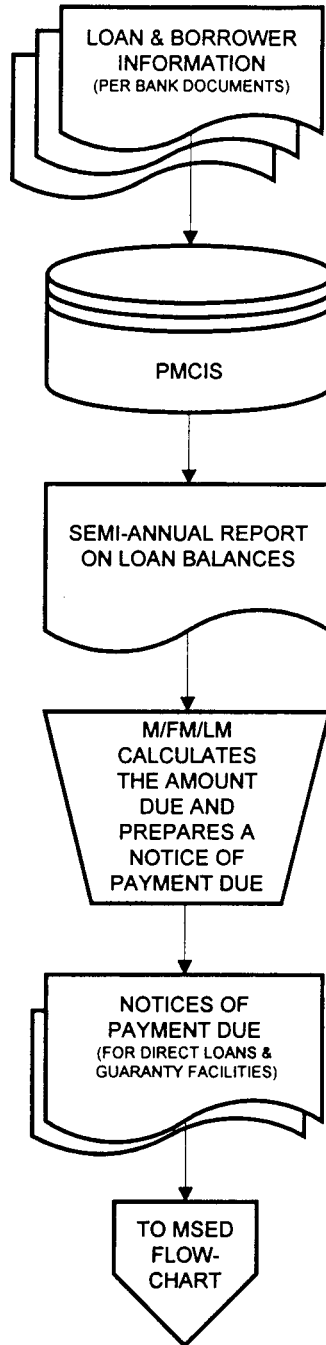
If information from the Ca\$h Link Reports is related to a Pre-Credit Reform Loan (pre-1992), then the Report is forwarded to an analyst who separates the amount collected into principal, interest, and fees. Based on the analyst's calculations, amounts representing principal, interest, and fees are manually entered into the Loan Accounting Information System (LAN). On a quarterly basis, LAIS electronically generates a "17 Report" which provides a listing of loan transactions. After converting the "17 Report" into a Lotus spreadsheet, loan transactions are recorded in journal vouchers and then entered into the Economic Assistance Loan Liquidation Account's (i.e. Liquidation Account) general ledger. At the end of a reporting period, a trial balance is prepared using the general ledger account balances and then the balances are rolled forward to a Direct Loan Program Consolidated Working Trial Balance.

The Consolidated Working Trial Balance summarizes the account balances from the Liquidation Account general ledger and the Financing Account general ledger. The summarized balances from the Consolidated Working Trial Balance are then rolled forward and presented in USAID's Consolidated Working Trial Balance, which summarizes account balances for all of USAID's activities. The summarized account balances listed in USAID's Consolidated Working Trial Balance are the balances that are reported in USAID's interim financial statement.

FLOW OF DATA THROUGH THE MICRO AND SMALL ENTERPRISE DEVELOPMENT (MSED) PROGRAM



FLOW OF INFORMATION THROUGH THE PERFORMANCE MONITORING AND CONTROL INFORMATION SYSTEM (PMCIS)



Data Flow Through the Micro & Small Enterprise Development Program

The flow of information through the Micro & Small Enterprise Development Program (MSED) is fairly straight forward. MSED-related data comes primarily from Treasury-generated TFS 6653s, USAID-generated Advices-of-Charge, U10 1 Reports, Notices of Payment Due, and NMS reports showing claim obligations. Information from these sources is entered into one of MSED's four general ledgers: (1) Liquidating Account general ledger, (2) Financing Account (Direct Loans) general ledger, (3) Financing Account (Guaranteed Loans) general ledger, and (4) Program Account general ledger.

Regarding claims, copies of filed claims are issued to both the Office of Financial Management and the Loan Management Division. The Office of Financial Management enters the claim obligations into the New Management System (NMS) and Loan Management enters the claims obligations into a manually-kept "off-the-cuff" schedule. On a monthly basis, a Claims Obligation Report is run on **NMS**. Loan Management then compares the claim obligations listed on the NMS report with the obligations listed in its manually-kept schedule. After reconciling the NMS report and Loan Management's schedule, claim obligations are recorded in journal vouchers and then entered into the appropriate MSED general ledger.

Summary balances from each of MSED's general ledgers are rolled forward to trial balances and then entered into either a (1) Working Trial Balance for the Revolving Fund (which includes the Liquidating Account, the Direct Loan Financing Account, and the Guaranteed Loan Financing general ledgers or (2) a Working Trial Balance for the General Fund (which includes 11 Program Account general ledgers that are prepared based on annual appropriation). Consolidated and summarized totals from the Revolving Fund and General Fund Working Trial Balances are then rolled forward and summarized in an MSED Consolidated Working Trial Balance.

The summarized balances from the Consolidated Working Trial Balance are rolled forward and presented in USAID's Consolidated Working Trial Balance, which summarizes account balances for all of USAID's activities. The summarized account balances listed in USAID's Consolidated Working Trial Balance are the balances that are reported in USAID's interim financial statement.