OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

AUDIT REPORT NO. 0-000-13-001-C
NOVEMBER 16, 2012

WASHINGTON, D.C.

Office of Inspector General

November 16, 2012

MEMORANDUM

TO: David D. Ostermeyer, Chief Financial Officer

FROM: Tim Cox, AIG/A

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011

The Office of Inspector General (OIG) is transmitting its report on the Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011. Pursuant to the Government Management Reform Act of 1994, Public Law 103–356, USAID is required to prepare consolidated financial statements for the fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by November 16, 2012. In accordance with the requirements of OMB Circular A–136, USAID has elected to prepare an alternative Agency Financial Report that includes an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG has issued a qualified opinion on USAID's principal financial statements for fiscal year 2012 and an unqualified opinion on the 2011 financial statements. With respect to internal control, we identified two deficiencies that we consider material weaknesses. The material weaknesses pertain to USAID's processes for (1) reconciling its fund balance with the U.S. Treasury and (2) recording adjustments to the general ledger. Additionally, we identified six deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) reconciling loans receivable, (2) deobligating unliquidated obligations, (3) accounting for advances, (4) estimating and recording accounts payable and accrued expenses, (5) accounting for payroll activities, and (6) reconciling intragovernmental transactions.

We found no instances of substantial noncompliance with requirements for federal financial management systems, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of our tests required under Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act report, No. A-000-13-003-P dated November 14, 2012, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 07-04, "Audit Requirements for Federal Financial Statements."

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This report contains six recommendations to improve USAID's internal control over financial reporting.

We have considered your response to the draft report and the recommendations included therein. We acknowledge your management decisions on the recommendations. Please forward all information to your Office of Audit, Planning and Coordination for final action. *(See Appendix II for USAID's Management comments.)*

We appreciate the cooperation and courtesies extended to us during the audit. OIG is looking forward to working with you on our audit of USAID's fiscal year 2013 financial statements.

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SUMMARY OF RESULTS

Except for the effects of unsupported adjustments on the fiscal year (FY) 2012 financial statements, USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources present fairly, in all material respects, the financial position of USAID as of September 30, 2012 and 2011, and its net cost, net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

This audit identified two deficiencies in internal control that the audit team considered material weaknesses. They relate to USAID's processes for (1) reconciling its fund balance with the U.S. Treasury and (2) recording adjustments to the general ledger. The audit also identified six significant deficiencies in internal control related to the following aspects of USAID's financial management processes:

- Reconciling loans receivable
- Accounting for unliquidated obligations
- Accounting for advances
- Estimating and recording accounts payable and accrued expenses
- Recording payroll deductions and entitlement payments
- Reconciling intragovernmental transactions

This audit identified no instances of substantial noncompliance with requirements for federal financial management systems, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of the tests required by Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208. However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act (FISMA) report which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 07-04.

BACKGROUND

USAID was created in 1961 to advance U.S. foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has missions in more than 100 countries, 46 of which have full accounting operations with USAID controllers. For the fiscal year ended September 30, 2012, USAID reported total budgetary resources of approximately $23 billion.

Pursuant to the Government Management Reform Act of 1994, Public Law 103-356, USAID is required to submit audited financial statements to the Office of Management and Budget (OMB) annually. Accordingly, for FY 2012, USAID has prepared the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Notes to the Principal Financial Statements
- Required Supplementary Information
- Other Accompanying Information

AUDIT OBJECTIVE

The Office of Inspector General (OIG) performed this audit to determine whether USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for FYs 2012 and 2011.

USAID recorded a series of unsupported adjustments to bring its general ledger into agreement with its accounting journal (budget module) and its Fund Balance With Treasury general ledger account into agreement with the U.S. Treasury balance. Subsequently, USAID recorded another series of unsupported adjustments to match its budgetary accounts to its proprietary accounts. We were not able to obtain evidence to support the adjustments, nor were we able to perform alternative procedures to determine the veracity of the adjustments. These unsupported adjustments resulted in changes to the accounts and statements as indicated in Table 1.

Table 1. Unsupported Adjustments

Account Name	Increase or (Decrease) ($ million)	Statement (FY 2012)
Outstanding Advances	478	Balance Sheet
Expended Appropriations	418	Statement of Changes in Net Position
Undelivered Orders, Prepaid	420	Statement of Budgetary Resources
Delivered Orders, Unpaid	264	Statement of Budgetary Resources
Fund Balance With Treasury	(58)	Balance Sheet
Unexpended Appropriations Used	(418)	Statement of Changes in Net Position
Operating Expenses/Program Costs	(420)	Statement of Net Costs
Delivered Orders, Paid	(278)	Statement of Budgetary Resources
Undelivered Orders, Unpaid	(406)	Statement of Budgetary Resources

In our opinion, except for the effects of the unsupported adjustments on the 2012 financial statements as shown in the table above, the financial statements referred to above present fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2012, and 2011, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,*[1] OIG has also issued reports, dated November 16, 2012, on its consideration of USAID's internal control over financial reporting and on its tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report.

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[1] GAO-07-731G (July 2007 Revision)

INDEPENDENT AUDITOR'S REPORT ON USAID'S FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2012 and 2011, and the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources of USAID for the years ended September 30, 2012 and 2011. These financial statements are the responsibility of USAID's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with auditing standards generally accepted in the United States; generally accepted G*overnment Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin 07–04, "Audit Requirements for Federal Financial Statements," as amended. Those standards and OMB Bulletin 07–04 require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that these audits provide a reasonable basis for our opinion.

USAID recorded a series of unsupported adjustments to bring its general ledger into agreement with its accounting journal (budget module) and its Fund Balance With Treasury general ledger account into agreement with the U.S. Treasury balance. Subsequently, USAID recorded another series of unsupported adjustments to match its budgetary accounts to its proprietary accounts. We were not able to obtain evidence to support the adjustments, nor were we able to perform alternative procedures to determine the veracity of the adjustments. These unsupported adjustments resulted in changes to the accounts and statements as indicated in Table 2.

Table 2. Unsupported Adjustments

Account Name	Increase or (Decrease) ($ million)	Statement (FY 2012)
Outstanding Advances	478	Balance Sheet
Expended Appropriations	418	Statement of Changes in Net Position
Undelivered Orders, Prepaid	420	Statement of Budgetary Resources
Delivered Orders, Unpaid	264	Statement of Budgetary Resources
Fund Balance With Treasury	(58)	Balance Sheet
Unexpended Appropriations Used	(418)	Statement of Changes in Net Position
Operating Expenses/Program Costs	(420)	Statement of Net Costs
Delivered Orders, Paid	(278)	Statement of Budgetary Resources
Undelivered Orders, Unpaid	(406)	Statement of Budgetary Resources

In our opinion, except for the effects of the unsupported adjustments on the 2012 financial statements as shown in the table on the preceding page, the financial statements referred to above present fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2012 and 2011, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A–136, "Financial Reporting Requirements." We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

In accordance with generally accepted *Government Auditing Standards*, we have also issued reports, dated November 16, 2012, on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
November 16, 2012

REPORT ON INTERNAL CONTROL

We have audited the consolidated balance sheets of USAID as of September 30, 2012 and 2011. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2012 and 2011, and have issued our report thereon dated November 16, 2012. We conducted the audits in accordance with auditing standards generally accepted in the United States; generally accepted G*overnment Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin 07–04, "Audit Requirements for Federal Financial Statements*,"* as amended*.*

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2012 and 2011, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07–04, as amended. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified two material weaknesses and six significant deficiencies in USAID's internal control.

A material weakness is a deficiency or a combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely manner. We identified two deficiencies in internal control that we consider material weaknesses, as defined above, relating to USAID's reconciliation of its Fund Balance With Treasury account with Treasury and recording of adjustments to its general ledger.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. We identified six significant deficiencies in internal control related to USAID's financial management processes. Specifically, USAID's process to:

- Reconcile loans receivable is not effective and does not resolve differences in a timely manner.

- Review and deobligate unliquidated obligations is not effective.

- Account for advances is not effective.
- Estimate and record accounts payable and accrued expenses is not effective.
- Record payroll deductions and calculate entitlement payments is not effective.
- Reconcile intragovernmental transactions remains a challenge.

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A–136, "Financial Reporting Requirements*.*" We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated November 16, 2012.

Material Weaknesses

USAID Recorded Unsupported Adjustments to Bring Its Fund Balance With Treasury Account Into Agreement With the U.S. Treasury's Balance

USAID continues to have a large difference between the Fund Balance With Treasury (FBWT or cash) account recorded in its general ledger (GL) in the financial accounting system (Phoenix) and the balance reported by the Department of the Treasury (Treasury). At the beginning of FY 2012, the balance in USAID's FBWT account was $96 million less than the balance reported by Treasury. Instead of investigating and resolving the difference, USAID made a management decision to rely on the cash balance in the budget module,[2] and adjust its FBWT account in the GL to make it agree with the budget module. As a result, USAID recorded a series of entries in its GL and moved funds from all affected appropriations to one appropriation at Treasury. The net effect of these entries reduced its GL cash balance by approximately $58 million which made the GL FBWT balance $114 million less than the balance at Treasury. As of the date of this report, management does not know if the $114 million belongs to Treasury or to USAID and anticipates that it will know by the end of the second quarter of FY 2013.

USAID justified these entries by claiming that thousands of standard voucher and journal voucher entries that it had recorded in its GL since 2001 included many erroneous entries that distorted its GL FBWT balance. Management claimed that the erroneous entries affected the GL only and not the budget module and concluded that the balance in the budget module was more accurate than the GL. However, USAID's management was unable to provide satisfactory evidence to support this contention despite several requests dating back to October 2011. In addition, USAID was unable to produce any analysis that was conducted before the adjustments were recorded, either to justify them or to demonstrate the verity of the balances in

[2] The budget module is a component in the Agency's accounting system that automates the budget execution process and validates all financial activity.

the budget module. Despite all the adjustments that USAID recorded during the year, it was compelled to record further adjustments of $35 million at the end of FY 2012 to ensure that its FBWT account agreed with the balance reported on Treasury's Form 2108, Year End Closing Statement. In fact, the difference between the GL FBWT balance and Treasury's balance at the end of the year was approximately $119 million, but because USAID did not record $84 million of disbursements that were recorded by Treasury, the difference appeared to be only $35 million.

Fund Balance With Treasury Reconciliation Procedures, a Supplement to the Treasury Financial Manual, Volume I, Part 2-5100, Section V, stipulates that federal agencies must resolve all differences between the balances reported in their GL FBWT accounts and balances reported by Treasury in the Government-wide Accounting System. In addition, Fund Balance With Treasury Reconciliation Procedures specifically states that an agency may not arbitrarily adjust its FBWT account and only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust the balance of its FBWT account.

Treasury requires each agency to reconcile its FBWT account on a regular and recurring basis to assure the accuracy and integrity of its financial data. Failure to implement effective reconciliation processes and perform timely reconciliations could increase the risks of fraud, waste, and mismanagement of funds; affect the agency's ability to effectively monitor the execution of its budget; and hinder the agency's ability to measure the full cost of its programs. USAID has implemented an eCART[3] system that expedites the reconciliation process and facilitates the research and resolution of reconciling items. The Agency expects to have all differences resolved by the end of FY 2013. Still we make the following recommendation.

> ***Recommendation 1.*** *We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.*

USAID Made Adjustments to Various Accounts in Its General Ledger That It Could Not Justify

Our audit revealed that USAID recorded several unsupported adjustments to various GL accounts to address differences between its FBWT account and the balance recorded by the Treasury, and between the advances account and the undelivered orders, prepaid account. As a result of these adjustments, USAID was forced to adjust the balances of other budgetary and proprietary accounts, including the undelivered orders, unpaid account and the delivered orders, paid account. USAID recorded these adjustments without first researching and resolving the differences in the account balances and maintaining an analysis of the adjustments to allow correct interpretation of errors and corresponding adjustments.

These unsupported adjustments occurred because USAID did not ensure that its employees followed established procedures for reconciling GL accounts: reviewing each transaction, determining the validity of transaction errors, and maintaining documentation to show the cause

[3] eCART is a tool that performs a comprehensive reconciliation of the Agency's cash disbursement with Treasury's Fund balance, tracking open reconciling items and providing an audit trail of corrective action taken.

of each error and the resulting adjustment. Additionally, the differences between the GL account and subsidiary ledgers and other records occurred because USAID did not have adequate internal controls to ensure that the GL updates were consistent with transactions recorded in the subsidiary ledgers and that financial reports reflected accurate account information. Specifically, we found that USAID recorded the following unsupported adjustments:

- Decreased FBWT by approximately $58 million (Table 3)
- Increased outstanding advances by approximately $478 million (Table 4)
- Increased undelivered orders, unpaid by approximately $348 million (Table 5).

Treasury Financial Manual Volume I, Part 2, Chapter 5100, states that an agency may not arbitrarily adjust its FBWT account. It further states that only after clearly establishing the cause of errors and properly documenting those errors should an agency adjust its FBWT account balance. If an agency must make material adjustments, the agency must maintain supporting documentation. This will allow correct interpretation of the error and its corresponding adjustments. The Government Accountability Office's, *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1), states control activities occur at all levels and functions of the entity. They include activities such as approvals, authorizations, verifications, reconciliations, and maintenance of records that provide evidence of execution of these activities as well as appropriate documentation. OMB Circular A-123, "Management's Responsibility for Internal Control", December 21, 2004, states that documentation should be appropriately detailed and organized, contain sufficient information to support management's assertion, and be readily available for examination.

Unsupported Fund Balance With Treasury Adjustments

We determined that USAID recorded a series of unsupported adjustments that reduced the balance of its FBWT account by $58 million. USAID made a management decision that the cash balance in the budget module was more accurate than the cash balance in the GL and recorded a series of unsupported adjustments to eliminate the differences. The entries are illustrated in Table 3. In an attempt to resolve the differences between its FBWT account and the balance at Treasury, USAID moved funds from all the affected appropriations to one appropriation at Treasury, causing the balance at Treasury to exceed the balance on USAID's GL by $114 million.

Table 3. Unsupported Fund Balance With Treasury Account Adjustments

GL Account	Account Name	Increase / (Decrease) ($Million)	Financial Statements
1010	Fund Balance With Treasury	(58)	Balance Sheet
3107	Unexpended Appropriations – Used	58	Statement of Changes in Net Position
4801	Undelivered Orders, Unpaid	58	Statement of Budgetary Resources
4902	Delivered Orders, Paid	(58)	Statement of Budgetary Resources
5700	Expended Appropriations	(58)	Statement of Changes in Net Position
6100	Operating Expense/Program Costs	58	Statement of Net Costs

These adjustments do not include the $35 million adjustment that management made at the end of FY 2012 to bring its FBWT account into agreement with the balance at Treasury.

For many years USAID has attempted to reconcile the differences between its GL FBWT account and the balance reported by Treasury. During FY 2012, USAID took the position that its budget module was more reliable than its GL; consequently, the Agency recorded several unsupported adjustments to GL cash balances to make them agree with cash balances in the budget module and to reflect the cash balances in the related accounts at Treasury. Subsequently, USAID informed us that many of the adjustments were made to correct errors created by previous adjustments to the GL but could not provide any support for this assertion.

Unsupported Adjustments To Advances

We determined that during FY 2012, USAID compared the outstanding balance of the advances account recorded in its GL with the balances in the budget module and identified a difference of $478 million. However, USAID did not conduct the required reconciliation of the balance in the GL advances account with the balance in the advances account recorded in the budget module. Instead, USAID recorded an unsupported adjustment of approximately $478 million to bring the GL advances account into agreement with the advances account balances recorded in the budget module. (Table 4).

Table 4. Unsupported Adjustments to Advances Between the GL and the Budget Module

GL Account	Account Name	Increase / (Decrease) ($ million)	Financial Statements
1410	Advances	478	Balance Sheet
3107	Unexpended Appropriations	(476)	Statement of Changes in Net Position
4802	Undelivered Orders – Obligations - Advances, Paid	(420)	Statement of Budgetary Resources
4902	Delivered Orders – Obligations, Paid	420	Statement of Budgetary Resources
5700	Expended Appropriations	476	Statement of Changes in Net Position
6100	Operating Expenses/Program Costs	(478)	Statement of Net Cost

Unsupported Obligation Adjustments

Finally, our audit revealed that for the remaining differences, USAID did not reconcile the account balances but recorded additional unsupported adjustments to the obligation balances. Further, USAID only compared the balances in the obligation accounts but did not identify specific transactions that caused the errors in the balances. Using this comparison of account balances, USAID determined that there was a difference of $348 million in cash between the budget module and the GL that was available to cover unpaid obligations. This difference occurred because the unsupported adjustments made to the FBWT and advances accounts affected various budgetary accounts and necessitated adjustments to the undelivered orders, unpaid account and the delivered orders, paid account. Therefore, USAID recorded the following additional unsupported adjustment to its FY 2012 obligation balances in the GL (Table 5).

Table 5. Unsupported Adjustments to Obligations Between the GL and the Budget Module

GL Account	Account Name	Increase / (Decrease) ($ million)	Financial Statements
4801	Undelivered Orders, Unpaid	348	Statement of Budgetary Resources
4901	Delivered Orders, Unpaid	(264)	Statement of Budgetary Resources
4902	Delivered Orders, Paid	(84)	Statement of Budgetary Resources

After all the adjustments were recorded in the GL, the balance of the FBWT account decreased by $37 million, advances increased by $305 million, net position increased by $268 million, and undelivered orders, unpaid increased by $46 million. Therefore we make the following recommendation.

> ***Recommendation 2.*** *We recommend that the Chief Financial Officer augment its general ledger reconciliation processes to ensure that (a) the postings in the general ledger are reconciled periodically with the postings in the subsidiary ledgers, (b) general ledger differences are researched and resolved in a timely manner, (c) errors are corrected in a timely manner to maintain accurate account balances in the general ledger, and (d) detailed documentation of analysis and reconciliations supporting adjustments are maintained and easily retrievable for examination.*

Significant Deficiencies

USAID's Process for Reconciling Loans Receivable Is Not Effective and Does Not Resolve Differences in a Timely Manner *(Repeat Finding)*

A large unreconciled difference exists between USAID's accounting system and the system used by the company that services USAID's loan portfolio. USAID contracted with PNC Financial Services Group Inc. (PNC) to service its loan portfolio and to maintain accurate loan balances. PNC processes USAID's loan transactions in its Enterprise Loan System (ELS) and generates a monthly report of loan transactions that is uploaded into USAID's accounting system (Phoenix) through an interface. This interface is necessary to transmit accounting information to Phoenix for the loans that are recorded and maintained in ELS. As of September 30, 2012, USAID's unreconciled differences between amounts recorded in Phoenix and amounts recorded in ELS totaled approximately $35 million net ($772 million absolute value).

Even though USAID has made improvements in investigating and resolving these differences, a large unreconciled difference between the two systems remains. This difference results from unrecorded debt restructuring transactions that were not captured by the Phoenix accounting system during the interface and from some loan transactions recorded in ELS that were not designed to be included in the interface transmission process. According to USAID's management, these transactions are recorded with a supplemental journal entry following the interface. As a result, USAID recorded an adjustment of approximately $35 million to bring the loans receivable balance in Phoenix as of September 30, 2012, into agreement with ELS.

Generally Accepted Accounting Principles require that the sum of the account balances in the subsidiary ledger equal the total of each line item in the GL at the end of the accounting period. Additionally, Statements of Federal Financial Accounting Standards, Technical Release No. 6, “Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*”,* requires that agencies maintain an audit trail from individual transactions in the subsidiary ledger to the GL.

In last year's audit,[4] we recommended that USAID's Office of the Chief Financial Officer (CFO) (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with balances maintained in PNC's Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix. USAID implemented this plan in FY 2012, and we will continue to monitor its progress in completing the reconciliation. Therefore, we are not making a recommendation to USAID management on this matter.

USAID's Process for Reviewing and Deobligating Unliquidated Obligations Is Not Effective

USAID does not consistently review its unliquidated obligations (ULOs) to determine whether those without activity for 3 years or more are still required or should be deobligated. Although USAID and its missions review ULOs annually, neither the Agency nor its missions consistently deobligate ULOs identified as excess or unneeded funds. When funds are deobligated, they are made available in the Phoenix accounting system for reprogramming. During our audit, we analyzed USAID's ULOs and determined that, as of September 30, 2012, USAID had approximately $53 million,[5] in ULOs, including $45 million related to procurement activities, with no disbursements for more than 3-years that might be available for deobligation. Of the $53 million, approximately $16 million in obligations were more than 10 years old. We also determined that *appro*ximately $21 million, comprising of both procurement and non-procurement activities, related to obligations that had no disbursements since they were established (Table 6).

Table 6. Analysis of ULOs by Fiscal Years

FY Established	Amount of Obligations With No Activity Since Establishment ($)	Amount of Unliquidated Obligations With No Activity for 3-Years ($)	Total Unliquidated Obligations ($)
2001 and Prior	2,279,650	13,305,859	15,585,509
2002	146,620	2,014,962	2,161,582
2003	183,233	1,321,036	1,504,269
2004	1,051,695	3,930,481	4,982,177
2005	1,542,819	2,574,030	4,116,849
2006	1,380,031	2,955,371	4,335,401
2007	3,027,433	2,487,009	5,514,443
2008	4,166,758	2,600,054	6,766,812
2009	7,650,593	767,647	8,418,241
Total	**21,428,832**	**31,956,449**	**53,385,281**

[4] “Audit of USAID's Financial Statements for Fiscal Years 2011 and 2010,” November 15, 2011, page. 8, http://oig.usaid.gov/sites/default/files/audit-reports/0-000-12-001-c.pdf
[5] During the past five years, obligations incurred averaged approximately $12 billion annually.

In addition, our audit determined that 10,210 obligations valued at approximately $604 million in USAID's Phoenix accounting system and its Global Acquisition and Assistance System (GLAAS) lacked certain critical procurement information. When recording awards, contracting officers and obligation managers were not including all relevant information in the acquisition system that would facilitate timely deobligations. USAID addressed these deficiencies during the audit. Additionally obligation managers did not consistently monitor the contracts and grants assigned to them to determine whether the unliquidated amounts were still needed.

USAID's Automated Directives System (ADS) Chapter 621, "Obligations," states that obligation managers must continuously monitor unexpended obligated balances and request the obligating official to deobligate excess or unneeded funds.

As a result of not monitoring the obligations, USAID has increased the risk of losing program and operating expense funds that may expire before they are deobligated. Because USAID is in the process of awarding contracts to independent public accounting firms to conduct contract closeout audits on procurement awards, we are not making a recommendation on this matter. However, because USAID has approximately $21 million in ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

> ***Recommendation 3.*** *We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and relevant Bureau Assistant Administrators to (a) initiate targeted reviews of awards that are more than 3 years old with unliquidated obligation balances and (b) verify that obligation managers conduct the periodic reviews required to initiate deobligation action on unliquidated obligations.*

USAID's Process for Accounting for Advances Is Not Effective (Repeat Finding)

USAID's process for accounting for advances continues to be problematic. Specifically, USAID:

- Continues to have advances outstanding longer than the 90 days allowed before liquidation.
- Has not investigated approximately $7.8 million in negative unliquidated advances.
- Does not have procedures for secondary reviews of advance reclassification.
- Recorded adjustments to its advances account that were not supported.

As of September 30, 2012, USAID had approximately $67 million in advances that were outstanding for more than 90 days (Table 7).

Table 7. Advances Outstanding for More Than 90 Days

Office	Category	Number Outstanding	Amount ($ thousands)
USAID/W	Intra-governmental	67	24,669
	Grantees	115	4,518
	Public International Organizations	7	3,575
USAID/Missions	Intra-governmental	39	82
	Grantees	1,220	33,995
	Total	**1,448**	**66,839**

These advances were outstanding because USAID and its missions allowed grantees to utilize the "three month rolling advance" process which allowed them to take an additional 30 days to report expenses incurred in the prior quarter. USAID then took another 30 days to review and liquidate the advances. As a result, USAID did not review outstanding advances until they were 150 days old. USAID's CFO is working to reduce the $34 million in outstanding advances at its missions and has taken a number of corrective actions, such as upgrading the Phoenix advance aging reports, issuing new guidance to its missions, and updating and clarifying existing guidance on advances. USAID/Washington is responsible for the remaining $33 million in outstanding advances, of which $8 million (24 percent) is attributable to advances made to public international organizations and grantees that consistently delay the liquidation of advances made to them. USAID/Washington has implemented new procedures and has made some progress in reducing the number of outstanding advances.

ADS 636.3, "Program Funded Advances," states that missions and Washington offices are required to ensure that outstanding advances are periodically reviewed so that funds advanced do not exceed immediate disbursement needs. However, it does not stipulate when an advance should be reported to the contracting or agreement officer to make a debt determination.

Additionally, our audit revealed that USAID has not investigated approximately $7.8 million worth of negative (overdrawn) unliquidated advances to determine whether they should be recovered. This amount was reported in the synchronization report of the Department of Health and Human Services (DHHS) Payment Management System (PMS), which contains all funds advanced to grantees on behalf of USAID. As of September 30, 2012, 50 advance obligations recorded in the DHHS PMS synchronization report, valued at approximately $7.8 million, remained unreconciled. USAID did not investigate and obtain information about these amounts to initiate recovery proceedings. USAID implemented new procedures to prevent this problem from recurring, but the transactions causing the overstatement from the prior year remain unresolved. As a result, outstanding advances on the balance sheet were overstated by $7.8 million.

Furthermore, we found that USAID's Financial Management Division used an inadequate process to accrue and account for DHHS PMS advances. Our review of third quarter financial statements determined that the process lacks a secondary review to ensure accruals are accurate before they are recorded in the GL. We recalculated the accrual for advances and determined that it was overstated by approximately $2.2 million. USAID recorded an adjustment of approximately $2.2 million to recognize the accrual in its year-end financial statements.

The Government Accountability Office's Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1) states that control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, and maintenance of related records which provide evidence of the execution of these activities as well as appropriate documentation.

> ***Recommendation 4.*** *We recommend that the Chief Financial Officer (a) continue to upgrade controls at missions, (b) update Automated Directives System 636 to include the desktop procedures that were implemented by the Cash Management and Payment Division, (c) clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, (d) research and resolve all outstanding amounts that remain in the Department of Health and Human Services synchronization report from prior years, and (e) implement a review and approval process to reclassify expenses as advances for amounts that were reported by the Department of Health and Human Services Payment Management System.*

USAID's Process to Calculate and Record Accounts Payable and Accrued Expenses Needs Improvement

USAID's methodology for estimating and recording accounts payable and accrued expenses using contracting officer representative (COR) reviews of the information contained in the Accrual Reporting System,6 needs improvement. The system generates estimated accrual amounts, which CORs must modify and approve before those amounts are recorded in the general ledger. Our audit found CORs did not consistently modify the accrued amounts generated by the system to correspond with the CORs generated accrual worksheet, before recording the amounts in the general ledger. From a sample of 45 estimated accruals reviewed judgmentally selected, we found that 4 (8.9 percent) were incorrectly recorded in the general ledger, resulting in an overstatement of approximately $88.2 million that was not discovered by the responsible CORs. Therefore, we proposed an adjustment of approximately $204 million to reflect more accurately USAID's accounts payable and accrued expenses recorded in the general ledger.

ADS 631.3.4, "Accrued Expenditures," states that the obligation manager or COR must (1) review system-generated accrual amounts and/or allocations to determine whether the amount can be validated or needs to be modified, (2) compare the amount developed based on actual conditions and first-hand knowledge of the project or activity with system-generated accrual amounts, and (3) complete the accrual process in accordance with the established time schedule and deadlines. If the amounts are approximately the same value, the obligation manager or the COR must validate the accrual amount as indicated in the Accruals Query and if there is a significant difference, modify the accrual amount in the Accruals Query as appropriate. Because CORs do not consistently modify the accrued amounts before they were recorded in the general ledger and reported in the financial statements, we make the following recommendation.

> ***Recommendation 5.*** *We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance to augment procedures to verify that contracting officer representatives review, validate, and modify as necessary the quarterly accounts payable and accrued expenses generated by the Accrual Reporting System before that information is recorded in the general ledger.*

USAID's Process to Record Payroll Deductions and Entitlement Payments Is Not Effective

During our audit of the payroll cycle, we observed that USAID did not maintain accurate records to support deductions from employees' salaries and that some employees' salaries exceeded the cap allowed by federal guidance for bi-weekly and annual salary payments. Specifically, we found that USAID could not provide documentation to support the deductions noted on employees' Earnings and Leave Statements. Additionally, we found that deductions recorded on some employees' statements did not correspond to the deductions authorized by the employees and maintained in their electronic personnel folders (eOPF). During our review of records for 45 sampled employees, we found that official documents for 23 employees were

[6] The Accrual Reporting System gathers obligation and contract information from USAID's Financial Management and Procurement Systems, and uses the data to calculate estimated quarterly accrued expenses against individual USAID contracts, grants, or obligation items.

missing. These documents authorize salary deductions and are used to calculate benefits, contributions, and withholdings. As a result, $4,748 in employee withholdings lacked the required supporting documentation. We also found that benefits, contributions, and withholdings were incorrectly calculated for six employees resulting in a ($1,283) error (Table 8). This occurred because USAID Human Resources is behind in updating employees' eOPF

Table 8. Impact of Missing Documents and Incorrect Calculations on Employee Benefits, Contributions and Withholdings

Deduction Type	Missing Document	Amount (S)	Incorrect Calculation	Amount (S)
Thrift Savings Plan (TSP) TSP-1	4	1,231	1	(223)
Federal Employees Health Benefits (FEHB)	4	369	3	20
Federal Employees Group Life Insurance (FEGLI)	2	12	-	-
FEHB + FEGLI	4	608	-	-
FEHB + TSP	5	2,272	1	(1,381)
FEGLI + TSP	2	(605)	-	-
FEHB + FEGLI + TSP	2	861	1	301
Total	**23**	**4,748**	**6**	**(1,283)**

We found that amounts paid to 64 employees serving in Critical Priority Posts exceeded the $230,700 salary cap allowed by federal guidance for bi-weekly and annual salary payments by approximately $1.3 million. Ten of the 64 received waivers that allowed them to exceed the cap. These excess payments occurred because the National Finance Center which processes the payroll for USAID, does not have the required edits to suspend salary payments to employees who exceed the established cap.

OMB Circular A-123, "Management's Responsibility for Internal Controls", states that the reliability of financial reporting requires management to provide the assertion that documentation exists for all transactions and other significant events and is readily available for examination.

Without monitoring, analysis, oversight, and reconciliations, discrepancies may exist but go undetected and uncorrected, thereby causing the financial information to be misstated. Effective management oversight greatly increases USAID's ability to proactively identify and resolve issues that could result in misstatements in financial accounting and reporting records. Therefore, we make the following recommendation.

> ***Recommendation 6***. *We recommend that the Chief Financial Officer in coordination with the Office of Human Resources ensure: (a) that personnel files are updated to reflect all personnel actions and (b) that a reconciliation with National Finance Center records is performed to ensure that bi-weekly and annual salary pay caps are not exceeded.*

Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

USAID still struggles to reconcile intragovernmental transactions. As of September 30, 2012, Treasury reported a net difference of $3.6 billion in intragovernmental transactions between USAID and other federal agencies. These differences, which Treasury reports each quarter in the Material Differences/Status of Disposition Certification Report,[7] represent differences identified by Treasury between USAID's records and those of its federal trading partners that exceed a $250 million assurance threshold established by Treasury. Of this amount, USAID was required to reconcile and confirm $736 million in accordance with OMB Circular A–136, "Financial Reporting Requirements," and *Treasury's Federal Intragovernmental Transactions Accounting Policies Guide,* Section 17.1. In the fourth quarter report on material differences, Treasury reported one differences totaling $278 million greater than the $250 million threshold. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist, including the $278 million that should have been reconciled with one federal agencies. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different accounting methodologies to classify and report the transactions.

USAID continually researches intragovernmental activity to improve USAID's reconciliation process and eliminate the differences. Although some timing differences may ultimately be resolved, differences caused by accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The *Federal Intragovernmental Transactions Accounting Policies Guide* suggests that agencies work together to estimate accruals and to record corresponding entries to ensure that they agree and that long-term accounting policy differences can be eliminated.

Although approximately $2.8 billion of the $3.6 billion in net differences reported between USAID and the Treasury general fund does not have to be reconciled, Treasury suggests that federal agencies confirm that these differences represent general fund activities. USAID is making an effort to confirm the general fund activity and plans to continue its efforts to collaborate with Treasury to research and reconcile these differences.

We reported a similar finding in previous audits,[8] and recognize that this process requires continuing coordination with other federal agencies. Therefore, we are not making a new recommendation, but we will continue to monitor USAID's progress in reducing intragovernmental differences in future audits.

USAID management's written response to the material weakness and significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and

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[7] The Material Differences/Status of Disposition Certification Report allows agencies to identify differences with trading partners by reciprocal categories that are greater than or equal to a respective reconciliation assurance level.

[8] "Audit of USAID's Financial Statements for Fiscal Years 2011 and 2010," November 15, 2011, page 9,http://www.usaid.gov/oig/public/fy12rpts/0-000-12-001-c.pdf.

Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
November 16, 2012

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the consolidated balance sheets of USAID as of September 30, 2012 and 2011. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2012 and 2011, and have issued our report thereon. We conducted the audits in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 07–04, "Audit Requirements for Federal Financial Statements," as amended.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 07–04, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance considered to be reportable under *Government Auditing Standards*. Our objective was not to provide an opinion on overall compliance with laws and regulations, and accordingly, we do not express such an opinion.

OMB Circular A–123

OMB Circular A–123, "Management's Responsibility for Internal Control," implements the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Appendix A of OMB Circular A–123 contains a process that management should implement to assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

In FY 2012, USAID monitored key business processes and followed up on recommendations made in prior years. In its Management Assurance Report to the President and Congress, USAID identified one instance of nonconformance related to a lack of an effective risk management program, and reported two material weaknesses related to:

- Fund Balance With Treasury
- Implementation of information security policies and procedures

Management also identified the following significant deficiencies related to:

- Monitoring activities in high threat environments
- Reconciliation of loans receivable
- Unliquidated obligations
- Salary and entitlement payments
- FMFIA certification process.

Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) and did not identify any instance of noncompliance with those requirements.

However, we reported one significant deficiency in USAID's annual FISMA report dated November 14, 2012, which we reported as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 07-04, "Audit Requirements for Federal Financial Statements." Specifically, we reported (1) that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended and (2) that USAID's decentralized management of information technology and information security does not allow the Agency to implement a process to effectively assess, respond to, and monitor information security risk across the organization. The Office of the Chief Information Officer is responsible for the financial management system that was found not to comply with the requirements of the subsection. USAID is in the process of developing a corrective action plan to remediate the areas of noncompliance and expects to complete the plan by December 31, 2012 and implement it by March 31, 2013.

In our report on internal control, we identified the following areas for improvement in several financial system processes, not affecting substantial compliance:

- Reconciliation of Fund Balance With the U.S. Treasury
- Reconciliation of Loans Receivable
- Accounting for Unliquidated Obligations
- Accounting for Advances
- Accounting for Accounts Payable
- Accounting for Payroll
- Reconciliation of Intragovernmental Transactions

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
November 16, 2012

EVALUATION OF MANAGEMENT COMMENTS

We have received USAID's management comments on the findings and recommendations included in our draft report. The following is a summary of USAID's management comments and our evaluation of them.

USAID management accepted Recommendation 1 and indicated that in FY 2013 the CFO would focus on researching and resolving the $114 million difference and all outstanding differences more than a year old in the Web-based Cash Reconciliation System (eCART). The target completion date is March 29, 2013. We acknowledge the Agency's management decision and will review USAID's implementation of this recommendation during our FY 2013 GMRA audit.

USAID management accepted Recommendation 2 and the finding that staff recorded adjustments without first researching and resolving the differences in the account balances at the level of detail provided by the cited guidance. Management noted that given the large number of accounts, the Agency chose to correct the general ledger based on summaries of the source transactions. Management stated that support for the changes at Treasury and in the general ledger is provided by the millions of underlying source transactions in the subsidiary accounting journals; officials said that in the coming months they could provide additional support for these adjustments. The target completion date is June 30, 2013. We acknowledge the Agency's management decision and will review USAID's progress on implementing this recommendation during our FY 2013 GMRA audit.

USAID management accepted Recommendation 3, indicating that the Agency would continue to identify and reduce contracts and obligations currently in closeout. Although it will employ the services of an independent accounting firm to assist in the review process, management did not agree that its review process is ineffective. The target completion date is September 30, 2013. We acknowledge the Agency's management decision and will review USAID's progress on implementing this recommendation during our FY 2013 GMRA audit.

USAID management accepted Recommendation 4 and indicated the CFO would continue to strengthen and improve business processes to reduce the Agency's outstanding advances. According to management, USAID will take the following actions:

(a) Continue to upgrade controls at missions.
(b) Revise ADS 636, "Program Advances," to include Internal Mandatory References related to procedures that enhance the liquidation process for both Washington and the missions.
(c) Revise ADS 636, "Program Advances," to clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, and cross-reference ADS 636 and 625.
(d) Resolve items totaling $2.9 million remaining (after USAID resolved a $4.9 million item) related to nonpooled advances.

(e) Strengthen the review and approval process for accruing advances issued by the Department of Health and Human Services Payment Management System before the amounts are recorded in the general ledger.

The target completion date is September 30, 2013, for actions (a)-(c) and March 31, 2013, for actions (d) and (e).

We acknowledge the Agency's management decision and will review USAID's implementation of this recommendation during our FY 2013 GMRA audit.

USAID management accepted Recommendation 5, noting that the CFO would coordinate with the Office of Acquisition and Assistance to issue procedural reminders to ensure the appropriate review of information generated by the Phoenix Accrual Query. The target completion date is June 30, 2013. We acknowledge the Agency's management decision and will review USAID's implementation of this recommendation during our FY 2012 GMRA audit.

USAID management accepted Recommendation 6 and indicated that the CFO would coordinate with the Office of Human Resources to (a) ensure that personnel files are updated by eliminating the backlog of personnel actions and (b) work with the National Finance Center to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap. The target completion date is September 30, 2015. We acknowledge the Agency's management decision and will review USAID's implementation of this recommendation during our FY 2013 GMRA audit.

Although we did not include a recommendation for the intragovernmental transaction reconciliation finding in our report, USAID indicated that management plans to continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner. The target completion date is September 30, 2015. We acknowledge the management decision and will review USAID's progress on its implementation during our FY 2013 GMRA audit.

SCOPE AND METHODOLOGY

USAID management is responsible for (1) preparing the financial statements in accordance with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; (3) ensuring that USAID's financial management systems substantially comply with the requirements of FFMIA; and (4) complying with other applicable laws and regulations.

The Office of Inspector General (OIG) is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. OIG is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USAID's financial management systems substantially comply with FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which Office of Management and Budget's (OMB) audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Agency Financial Report.

To fulfill these responsibilities, OIG:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

- Assessed the accounting principles used and significant estimates made by management.

- Evaluated the overall presentation of the financial statements.

- Obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations, (including execution of transactions in accordance with budget authority).

- Tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal controls.

- Considered the process for evaluating and reporting on internal control and financial management systems under FMFIA.

- Tested USAID's compliance with FFMIA requirements.

We also tested USAID's compliance with selected provisions of the following laws and regulations:

- Anti-Deficiency Act, July 12, 1870; codified at 31 U.S.C. 1341, 1342, 1349 to 1351, 1511 to 1519.

- Improper Payments Information Act of 2002, Public Law 107-300

- Prompt Payment Act, Public Law 97-177
- Debt Collection Improvement Act of 1996, Public Law 104-134
- Federal Credit Reform Act of 1990, Public Law 93-344
- OMB Circular A–136
- OMB Circular A–123

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may occur and may not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2012, and 2011. We caution that noncompliance may occur and not be detected by these tests, and that such testing may not be sufficient for other purposes.

In forming our opinion, we considered potential aggregate errors exceeding $337 million for any individual statement to be material to the presentation of the overall financial statements.

Federal Financial Management Improvement Act of 1996 (FFMIA)

We assessed whether USAID was substantially compliant with Section 803(a) of the FFMIA, which requires agencies to implement and maintain financial management systems that substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the USSGL at the transaction level. To perform our review, we conducted assessments of USAID's Phoenix financial management systems updates, its posting model's effectiveness, and its budget module postings to the general ledger to determine whether the systems substantially complied with selected mandatory requirements contained in *Acquisition/Financial System Interface Requirements* issued by the Financial Systems Integration Office, formerly known as the Joint Financial Management Improvement Program, in June 2002. We evaluated USAID's financial transactions that were recorded in Phoenix to determine whether they were compatible with federal accounting standards and the USSGL at the transaction level, and we did not observe any exceptions. However, we noted that other auditors reported a significant deficiency in the Agency's annual FISMA report, and therefore, we concluded that this deficiency represented a lack of substantial compliance with FFMIA.

MANAGEMENT COMMENTS

November 15, 2012

MEMORANDUM

TO: AIG/A, Tim Cox

FROM: M/CFO, David D. Ostermeyer /s/

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2012 and 2011 (Report No. 0-000-13-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011* and for the information provided by your staff throughout this process. We understand the basis for the issuance of a qualified opinion on USAID's principal financial statements for FY 2012 and unqualified opinion on its FY 2011 financial statements, by the USAID Office of the Inspector General.

The Agency will continue work to improve its financial systems and processes to receive an unqualified opinion on future statements. Our comments and management decisions regarding the findings and proposed audit recommendations follow.

Material Weakness: USAID Recorded Unsupported Adjustments to Bring Its Fund Balance With Treasury Account Into Agreement With the U.S. Treasury's Balance

Recommendation No 1: We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.

Management Decision: The Office of the Chief Financial Officer accepts the recommendation.

In FY 2013, we will focus our attention to research and resolve the $114 million difference and all web-based Cash Reconciliation System (eCART) outstanding differences over one year old.

USAID is proud that it has effectively addressed the inconsistencies between the Department of the Treasury (Treasury) cash balances and the General Ledger (GL) cash balances. We have corrected the inconsistencies between our GL and our subsidiary accounting journal except for issues related to advance refunds. The support for our changes at Treasury and in the GL is provided by the millions of underlying source transactions in our subsidiary accounting journals.

We acknowledge that the advance inconsistency has caused problems with our GL and recognize that our Inspector General was not satisfied with the explanations provided to justify the adjustments.

During FY 2012, USAID successfully eliminated virtually all of the differences between the Fund Balance with Treasury (FBWT or cash) account recorded in the GL of its financial accounting system (Phoenix) and the Fund Balance reported by Treasury. USAID adjusted its Treasury cash balances to its GL cash balances plus outstanding cash reconciling items in all appropriations except one. USAID consolidated all Treasury/GL cash differences into a single appropriation at Treasury. In that appropriation, Treasury cash was $114 million more than GL Cash plus outstanding items. The $114 million difference is partially caused by GL issues and partially caused by prior year cash reconciliation issues.

We implemented processes in 2012 to enable us to avoid future cash reconciliation problems. A process tool implemented in May 2012 is the web-based Cash Reconciliation System (eCART). We appreciate the Inspector General's acknowledgement of eCART. This tool enables missions and headquarters to monitor all outstanding cash reconciliation items for USAID's approximately 100 Agency Location Codes in a timely manner. We have also improved our reconciliation process for payments made by our third party payment service providers related to USAID grants and payroll.

Target completion date: March 29, 2013

Material Weakness: USAID Made Adjustments to Various Accounts in Its General Ledger That it Could Not Justify

<u>Recommendation: No. 2</u>: We recommend that the Chief Financial Officer augments its general ledger reconciliation processes to ensure that (a) the postings in the general ledger are reconciled periodically with the postings in the subsidiary ledgers, (b) general ledger differences are researched and resolved in a timely manner, (c) errors are corrected in a timely manner to maintain accurate account balances in the general ledger, and (d) detailed documentation of analysis and reconciliations supporting adjustments are maintained and easily retrievable for examination.

<u>Management Decision</u>: The Office of the Chief Financial Officer accepts the recommendation.

We accept the finding that adjustments were recorded without first researching and resolving the differences in the account balances at the level of detail provided by the cited guidance. Given the large number of accounts, we chose to correct the GL based on summaries of the source transactions. We note with respect to part (d) that we already maintain the detailed documentation described in the finding but we will reassess its accessibility.

The primary support for our changes at Treasury and in the GL is provided by the millions of underlying source transactions in our subsidiary accounting journals. We believe that in the coming months, we can provide additional information to further support these adjustments.

We chose to take these measures to eliminate the inconsistencies because we were determined to solve a material weakness first identified in our FY 2008 Annual Financial Reports. Our approach was to calculate what the cash balances should be based on the last 12 years' worth of source transactions in the subsidiary accounting journals that support our Budget Module. We then corrected the GL cash totals to make them consistent with the cash totals in the subsidiary accounting journals. We used the same source transactions to correct the budgetary status GL accounts so that they would meet other tie point tests as prescribed by Treasury. Finally, we corrected the cash balances for our appropriations at Treasury and made them consistent with both the GL and the source transactions in our subsidiary journals.

In making our decisions, we were guided by the following principles:

SFFAS 1, Paragraph 110:
A fund balance is created by budget authority. An appropriation is the major form of budget authority that creates a fund balance with Treasury for an entity. Thus, the relationship between fund balance with Treasury and budget authority cannot be ignored.

Fund Balance with Treasury Reconciliation Procedures, A Supplement to the TFM
Also, the accounting system should be capable of producing subsidiary reports that provide a detailed history of receipt and disbursement activity recorded during the month, by fund. The subsidiary report balances should agree with the G/L.

As stated in the Inspector General's report, we did not follow established procedures for reconciling general ledger accounts that require reviewing each transaction, determining the validity of transaction errors, and maintaining documentation to show the cause of each error and their resulting adjustments. It was not feasible to correct our Subsidiary accounting journal/GL cash balance inconsistencies by individually identifying and correcting errors since the errors were part of thousands of transactions occurring over more than a decade. We did, however, identify and correct most of the causes that created these inconsistencies to meet the principles of the Treasury guidance.

Target completion date: June 30, 2013

Significant Deficiency: USAID's Process for Reconciling Loans Receivable Is Not Effective and Does Not Resolve Differences in a Timely Manner *(Repeat Finding)*

Based on recommendations for this finding made in last year's audit, USAID implemented a plan to address the recommendation that the Office of the Chief Financial Officer (CFO) (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with balances maintained in PNC's Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

As noted by the Inspector General, USAID implemented this plan in FY 2012. Our progress in reconciling loan restructurings was significant in FY 2012 and we expect to complete our work in FY 2013 to fully address this finding. We will provide information to the IG so they may monitor our progress in completing the reconciliation.

Target completion date: June 30, 2013

Significant Deficiency: USAID's Process for Reviewing and Deobligating Unliquidated Obligations Is Not Effective *(Repeat Finding)*

<u>Recommendation No. 3</u>: We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and relevant Bureau Assistant Administrators to (a) initiate targeted reviews of awards that are more than 3 years old with unliquidated obligation balances

and (b) ensure that obligation managers conduct the periodic reviews required to initiate deobligation action on unliquidated obligations.

Management Decision: The Office of the Chief Financial Officer accepts the recommendation.

USAID will continue to identify and reduce the current contract and obligation closeout, and employ the services of an independent accounting firm to assist in the review and process but does not agree that our review process is ineffective.

Based on prior audits, USAID management acknowledged that a significant cause of unliquidated obligation balances was caused by the backlog of contract closeouts, a required step in the Federal procurement process, and made significant progress in addressing this issue.

Target completion date: September 30, 2013

Significant Deficiency: USAID's Process for Accounting for Advances Is Not Effective *(Repeat Finding)*

Recommendation No. 4: We recommend that the Chief Financial Officer (a) continue to upgrade controls at missions, (b) update Automated Directives System 636 to include the desktop procedures that were implemented by Cash Management and Payment Division, (c) clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, (d) research and resolve all outstanding amounts that remain in the Department of Health and Human Services synchronization report from prior years, and (e) implement a review and approval process to accurately reclassify expenses as advances for amounts that were reported by the Department of Health and Human Services Payment Management System.

Management Decision: The Office of the Chief Financial Officer accepts the recommendation.

We will continue to strengthen and improve business processes to reduce the Agency's outstanding advances to address this finding. Each recommendation component will be addressed by the following actions: (a) continue to upgrade controls at missions by; (b) revising ADS 636 Program Advances to include Internal Mandatory References related to procedures which enhance the liquidation process for both Washington and Missions; (c) revising ADS 636 Program Advances to clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination and cross reference ADS 636 and 625; (d) USAID resolved a $4.9 million item related to non-pooled advances and will resolve the remaining items totaling $2.9 million; and (e) strengthen the review and approval process for reclassifying expenses as advances for amounts reported by the Department of Health and Human Services Payment Management System.

Target completion dates: September 30, 2013 for (a) – (c); March 31, 2013 for (d) and (e).

Significant Deficiency: USAID's Process to Calculate and Record Accounts Payable and Accrued Expenses Needs Improvement

Recommendation No. 5: We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance to implement procedures to verify that contracting officer representatives review, validate, and modify as necessary the quarterly accounts payable and accrued expenses generated by the Accrual Reporting System before that information is recorded in the general ledger.

Management Decision: The Office of the Chief Financial Officer accepts this recommendation and will coordinate with the Office of Acquisition and Assistance to issue procedural reminders to assure the appropriate review of information generated by the Phoenix Accruals Query.

Target completion date: June 30, 2013

USAID's Process to Record Payroll Deductions and Entitlement Payment Is Not Effective

Recommendation No. 6: We recommend that the Chief Financial Officer in coordination with the Office of Human Resources (a) ensure that personnel files are updated to reflect all personnel actions and (b) a reconciliation with National Finance Center records are performed to ensure that bi-weekly and annual salary pay caps are not exceeded.

Management Decision: The Office of the Chief Financial Officer accepts this recommendation and will coordinate with the Office of Human Resources to: (a) ensure that personnel files are updated by eliminating the backlog of personnel actions; and (b) work with the National Finance Center to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap.

Target completion date: June 30, 2013

Intragovernmental Transactions Remain Unreconciled *(Repeat Finding)*

USAID will continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner.

Target completion date: September 30, 2015

In closing, I would like to confirm USAID's commitment to providing necessary information so the Office of the Inspector General may express an unqualified opinion on our future financial statements. We intend to ensure that the necessary steps are taken to continue to institutionalize strong financial management performance throughout the Agency. We will continue the improvements made in the last few years as we work diligently to develop and implement long-term solutions to address the findings and recommendations cited in your report.

STATUS OF PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

OMB Circular A–50 states that a management decision on audit recommendations shall be made within a maximum of 6 months after a final report is issued. Corrective action should proceed as rapidly as possible.

Status of 2011 Findings and Recommendations

Recommendation 2. We recommend that the Office of the Chief Financial Officer (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with the balances maintained in the PNC Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

Status: This recommendation is still pending final action. The Office of the CFO will continue to work with the service provider to investigate and resolve differences between the Phoenix accounting system and balances maintained by our loan service provider. The progress of the Office of the CFO in reconciling loan restructurings was limited in FY 2011 because of considerable turnover of staff in the Credit Program office, and we estimate that it will take 2.5 more years to complete past debt restructuring reconciliations. The target completion date is June 30, 2014

Recommendation 3. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and with Bureau Assistant Administrators to (a) initiate targeted reviews of non-GLAAS obligations and batch obligations for automatic deobligation for small-dollar obligation balances, travel, operating-expense-funded obligations and program-funded obligations that are older than 5 years; (b) utilize the services of independent public accounting firms to expedite the close out audit process; and (c) require obligation officials to include period-of-performance dates for all procurement type awards.

Status: This recommendation is still pending final action. The office of the CFO in coordination with the Office of Acquisition and Assistance will continue to identify and reduce the current contract and obligation closeout, and research the use of additional sources to expedite review. As noted, the Office of the CFO will also collaborate with the Office of Acquisition and Assistance to evaluate alternative service providers to expedite the closeout audit process. The Office of CFO will continue to target specific areas for batched processing, including low-dollar, miscellaneous and travel-related obligations. The target completion date is September 30, 2014.

Status of 2010 Findings and Recommendations

Recommendation 1. We recommend that the Chief Financial Officer (a) provide changes in its crosswalk to the Department of Health and Human Services in a timely manner to ensure that the Department of Health and Human Services charges all third-party transactions to appropriate appropriations; and (b) research and resolve all suspense items within the time stipulated by the Department of Treasury.

Status: This recommendation is still pending final action. The Chief Financial Officer noted that the auditor's acknowledged that progress has been made in the reconciliation of current transactions with the implementation of the fund balance reconciliation tool. The CFO will focus on eliminating legacy differences, correcting the Health and Human Services crosswalk, and clearing items from the suspense accounts within 60 days. The target completion date is December 31, 2012.

Recommendation 2. We recommend that the Chief Financial Officer (a) intensify efforts to reconcile loan balances with Midland's ELS, (b) ensure that all transactions transmitted to Phoenix via the interface are properly posted to Phoenix, and (c) complete debt restructuring reconciliations within 90 days after Midland records debt restructurings in ELS.

Status: This recommendation is still pending final action. The Chief Financial Officer agreed to implement the recommendation and will continue to work with the service provider to investigate and resolve differences. The CFO will complete new debt restructuring reconciliations within the time frame described above by training additional personnel, but it will take an estimated 2½ more years to complete past debt restructuring reconciliations. The target completion date is June 30, 2013.

Status of 2005 Findings and Recommendations

In the FY 2005 audit report, OIG recommended that USAID's Chief Financial Officer direct the Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the Federal Intragovernmental Transactions Accounting Policies Guide, issued by the Department of Treasury's Financial Management Service.

Status: OIG has made no recommendations in the last few years because USAID is continuously researching intragovernmental activity and developing new tools to improve its reconciliation process and eliminate the differences.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2012 and 2011 (In Thousands)

	2012	2011
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2, 15 and 20)	$ 28,999,266	$ 27,758,936
Accounts Receivable (Note 3)	30	220
Other Assets (Note 4)	85,395	96,219
Total Intragovernmental	29,084,691	27,855,375
Cash and Other Monetary Assets (Note 5)	349,069	306,635
Accounts Receivable, Net (Note 3)	88,239	94,467
Direct Loans and Loan Guarantees, Net (Note 6)	2,773,576	3,392,381
Inventory and Related Property, Net (Note 7)	29,607	43,679
General Property, Plant, and Equipment, Net (Notes 8 and 9)	76,360	74,102
Advances (Notes 4 and 20)	752,464	549,169
Total Assets	**$ 33,154,006**	**$ 32,315,808**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 15)	$ 121,730	$ 15,597
Debt (Note 11)	478,304	478,380
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,613,998	3,198,706
Other Liabilities (Note 12)	756,861	1,445,425
Total Intragovernmental	3,970,893	5,138,108
Accounts Payable (Note 10)	1,867,144	1,734,158
Loan Guarantee Liability (Notes 6 and 10)	2,012,358	1,694,195
Federal Employee and Veteran's Benefits (Note 13)	23,582	22,175
Other Liabilities (Notes 10, 12, and 13)	545,576	495,857
Total Liabilities	**8,419,553**	**9,084,493**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations	21,631,982	21,202,085
Cumulative Results of Operations	3,102,471	2,029,230
Total Net Position (Notes 15 and 20)	**$ 24,734,453**	**$ 23,231,315**
Total Liabilities and Net Position	**$ 33,154,006**	**$ 32,315,808**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2012 and 2011
(In Thousands)

OBJECTIVES	2012	2011
Peace and Security:		
Gross Costs	$ 667,840	$ 941,773
Less: Earned Revenue	(3,125)	(4,729)
Net Program Costs	664,715	937,044
Governing Justly and Democratically:		
Gross Costs	2,706,340	1,844,205
Less: Earned Revenue	(9,092)	(9,379)
Net Program Costs	2,697,248	1,834,826
Investing in People:		
Gross Costs	2,977,778	3,266,444
Less: Earned Revenue	(619,153)	(203,361)
Net Program Costs	2,358,625	3,063,083
Economic Growth:		
Gross Costs	3,770,600	4,137,161
Less: Earned Revenue	(308,266)	(887,933)
Net Program Costs	3,462,334	3,249,228
Humanitarian Assistance:		
Gross Costs	1,312,834	1,639,786
Less: Earned Revenue	(6,129)	(8,146)
Net Program Costs	1,306,705	1,631,640
Operating Unit Management:		
Gross Costs	656,833	530,837
Less: Earned Revenue	(3,095)	(2,965)
Net Program Costs	653,738	527,872
Net Cost of Operations (Notes 16 and 17)	**$ 11,143,365**	**$ 11,243,693**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2012 and 2011
(In Thousands)

	2012 Consolidated Total	2011 Consolidated Total
Cumulative Results of Operations:		
Beginning Balances	$ 2,029,230	$ 1,773,146
Adjustments – Changes in Accounting Principles	–	–
Beginning Balances, as Adjusted	2,029,230	1,773,146
Budgetary Financing Sources:		
Appropriations Used	11,205,517	11,361,601
Nonexchange Revenue	368	–
Donations and Forfeitures of Cash and Cash Equivalents	225,759	122,076
Other Financing Sources (Non-Exchange):		
Transfers-in/out Without Reimbursement	754,968	–
Imputed Financing	29,994	16,100
Total Financing Sources	12,216,606	11,499,777
Net Cost of Operations	(11,143,365)	(11,243,693)
Net Change	1,073,241	256,084
Cumulative Results of Operations	3,102,471	2,029,230
Unexpended Appropriations:		
Beginning Balance	21,202,085	21,108,712
Budgetary Financing Sources:		
Appropriations Received	11,536,737	11,737,457
Appropriations Transferred in/out	75,479	(8,906)
Other Adjustments	23,198	(273,577)
Appropriations Used	(11,205,517)	(11,361,601)
Total Budgetary Financing Sources	429,897	93,373
Total Unexpended Appropriations	21,631,982	21,202,085
Net Position (Note 20)	**$ 24,734,453**	**$ 23,231,315**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2012 and 2011
(In Thousands)

	2012		2011	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 7,875,446	$ 2,421,365	$ 6,890,873	$ 2,381,989
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	–	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	7,875,446	2,421,365	6,890,873	2,381,989
Recoveries of Prior Year Unpaid Obligations	472,000	20	2,046,388	310
Other Changes in Unobligated Balance (+ or -)	(118,331)	(71)	(221,048)	–
Unobligated Balance from Prior Year Budget Authority, Net	8,229,115	2,421,314	8,716,214	2,382,299
Appropriations (Discretionary and Mandatory)	11,575,665	(18)	11,699,661	–
Borrowing Authority (Discretionary and Mandatory)	–	–	–	96
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	812,068	209,557	712,524	281,126
Total Budgetary Resources	**$ 20,616,848**	**$ 2,630,853**	**$ 21,128,398**	**$ 2,663,521**
Status of Budgetary Resources:				
Obligations Incurred (Note 20):	$ 12,541,533	$ 752,560	$ 13,252,952	$ 242,156
Unobligated balance, End of Year:				
Apportioned	7,398,435	309,839	7,265,534	310,302
Exempt from Apportionment	–	–	–	–
Unapportioned	676,880	1,568,454	609,912	2,111,063
Total Unobligated Balance, End of Year	8,075,315	1,878,293	7,875,446	2,421,365
Total Budgetary Resources	**$ 20,616,848**	**$ 2,630,853**	**$ 21,128,398**	**$ 2,663,521**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2012 and 2011
(In Thousands)

	2012		2011	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Change in Obligated Balance:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 17,505,109	$ (282)	$ 17,932,333	$ (160)
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1 (-)	(34,395)	35	(24,907)	35
Obligated Balance, Start of Year (Net), Before Adjustments (+ or -)	17,470,714	(247)	17,907,426	(125)
Adjustment to Obligated Balance, Start of Year (Net) (+ or -)	–	–	–	–
Obligated Balance, Start of Year (Net), as Adjusted	17,470,714	(247)	17,907,426	(125)
Obligations Incurred (Note 20)	12,541,533	752,560	13,252,952	242,156
Outlays (Gross) (-) (Note 20)	(11,236,564)	(750,958)	(11,633,784)	(241,968)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	(6,085)	–	(9,487)	–
Recoveries of Prior Year Unpaid Obligations (-)	(472,000)	(20)	(2,046,388)	(310)
Obligated balance, End of Year				
Unpaid Obligations, End of Year (Gross)	18,338,078	1,300	17,505,109	(282)
Uncollected Customer Payments from Federal Sources, End of Year	(40,480)	35	(34,395)	35
Obligated Balance, End of Year (Net)	**$ 18,297,598**	**$ 1,335**	**$ 17,470,714**	**$ (247)**
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 12,387,732	$ 209,540	$ 12,412,185	$ 281,222
Actual Offsetting Collections (Discretionary and Mandatory)	(1,077,951)	(209,558)	(966,312)	(281,133)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	(6,085)	–	(9,487)	–
Budget Authority, Net (Discretionary and Mandatory)	$ 11,303,696	$ (18)	$11,436,386	$89
Outlays, Gross (Discretionary and Mandatory) (Note 20)	$ 11,236,564	$ 750,958	$ 11,633,784	$ 241,968
Actual Offsetting Collections (Discretionary and Mandatory)	(1,077,951)	(209,558)	(966,312)	(281,133)
Outlays, Net (Discretionary and Mandatory)	10,158,613	541,400	10,667,472	(39,165)
Distributed Offsetting Receipts (-)	(923,914)	–	(377,859)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 9,234,699**	**$ 541,400**	**$ 10,289,614**	**$ (39,165)**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. They have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as established by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These standards have been agreed to, and published by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General.

B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

Programs

The statements present the financial activity of various programs and accounts managed by USAID. The programs include Assistance for Europe, Eurasia, and Central Asia; Civilian Stabilization Initiative; Capital Investment Fund; Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; Complex Crisis Fund; Transition Initiatives; and Direct and Guaranteed Loan Programs. This classification is consistent with the Budget of the United States.

Assistance for Europe, Eurasia, and Central Asia

Funds appropriated under this heading are considered to be economic assistance under the Foreign Assistance Act of 1961.

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support the U.S. foreign policy goals of improved U.S. security; building a lasting partnership with the new independent states; and providing access to each other's markets, resources, and expertise.

Civilian Stabilization Initiative

This fund provides support for the necessary expenses needed to establish, support, maintain, mobilize, and deploy a civilian response corps in coordination with the USAID. This fund is also used for related reconstruction and stabilization assistance to prevent or respond to conflict or civil strife in foreign countries or regions, or to enable transition from such strife.

Capital Investment Fund

This fund provides for the necessary expenses for overseas construction and related costs, and for the procurement and enhancement of information technology and related capital investments. Specifically, this fund provides assistance in supporting the GLAAS system.

Economic Support Fund

The Economic Support Fund (ESF) supports U. S. foreign policy objectives by providing economic assistance to allies and countries in transition to democracy. Programs funded through this account promote stability and U.S. security interests in strategic regions of the world.

Development Assistance

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth, opportunity, and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

International Disaster Assistance

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, prevention and mitigation; providing emergency commodities and services for immediate healthcare and nutrition. Additionally, this fund supports the capability to provide timely emergency response to disasters worldwide.

Global Health and Child Survival

This fund provides economic resources to developing countries to support programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, and malaria; and to expand access to quality basic education for girls and women.

Complex Crisis Fund

This fund provides for necessary expenses to carry out the provisions of the Foreign Assistance Act of 1961 to enable USAID to support programs and activities to prevent or respond to emerging or unforeseen complex crises overseas.

Transition Initiatives

This fund provides for humanitarian programs that provide post-conflict assistance to victims of both natural and man-made disasters. The program supports U.S. foreign policy objectives by helping local partners advance peace and democracy in priority countries in crisis. Seizing critical windows of opportunity, the Office of Transition Initiatives (OTI) works on the ground to provide fast, flexible, short-term assistance targeted at key political transition and stabilization needs.

Direct and Guaranteed Loans

- ***Direct Loan Program***

  These loans are authorized under the Foreign Assistance Acts, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" place the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- ***Urban and Environmental Program***

  The Urban and Environmental (UE) Program, formerly the Housing Guarantee Program, extends guaranties to U.S. private investors who make loans to developing countries to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- ***Micro and Small Enterprise Development Program***

  The Micro and Small Enterprise Development (MSED) Program was designed to support private sector activities in developing countries by providing direct loans and loan guarantees to support local micro and small enterprises. The MSED program is substantially inactive and will be closed; the bulk of USAID's new credit activity is handled through the Development Credit Authority (DCA) Program.

- ***Israel Loan Guarantee Program***

  Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under this program, the U.S. Government guaranteed the repayment of up to $10 billion in loans from commercial sources. Borrowing was completed under the program during FY 1999, with approximately $9.2 billion being guaranteed, of which $7.2 billion is currently outstanding. Guarantees were made by USAID on behalf of the U.S Government.

  In FY 2003, Congress authorized a second Israel Loan Guarantee Program of up to $9.0 billion to support Israel's comprehensive economic program to overcome economic difficulties and create conditions for higher and sustainable growth. $4.1 billion has been borrowed under this program, of which the entire $4.1 billion is currently outstanding.

- ***Development Credit Authority***

  The first obligations for USAID's Development Credit Authority (DCA) were made in FY 1999. The DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50% risk-sharing with a private-sector institution, and (3) the DCA guarantee addresses a financial market failure in-country and does not “crowd-out” private sector lending. The DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

- ***Loan Guarantees to Egypt Program***

  The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act of 2003. Under this program, the U.S. Government was authorized to issue an amount not to exceed $2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. New loan guarantees totaling $1.25 billion were issued in FY 2005 before the expiration of the program.

- ***Loan Guarantee to Tunisia Program***

  The Loan Guarantee to Tunisia Program was established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Public Law 112-74, to provide support for the Republic of Tunisia through a loan guarantee. Under this program, the U.S. Government was authorized to issue guarantees with respect to the payment obligations of Tunisia for notes, for which USAID’s budget cost, calculated in accordance with Federal Credit Reform Act of 1990, would not exceed $30 million. Using this budget cost as a basis for determining the loan guarantee, Tunisia issued Notes totaling $485 million in FY 2012.

Fund Types

The consolidated financial statements include the accounts of all funds under USAID’s control. Most of the fund accounts relate to general fund appropriations. USAID also has special funds, revolving funds, trust funds, deposit funds, a capital investment fund, receipt account, and budget clearing accounts.

General fund appropriations and the Special fund are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the trust agreement or statute. These receipts may be either unavailable for collection, or immediately available for collection depending upon the statutory requirements governing establishment of the trust.

The capital investment fund contains no-year (non-expiring) funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction that the annual appropriation for Operating Expenses does not allow.

Deposit funds are established for (1) amounts received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held awaiting distribution on the basis of legal determination.

C. BASIS OF ACCOUNTING

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and controls of, the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

D. BUDGETS AND BUDGETARY ACCOUNTING

The components of USAID’s budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multi-year and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation of fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, for five additional years until the account is canceled. Any amounts remaining in canceled accounts are not available for obligations or expenditure for any purpose, and are returned to the U.S. Treasury.

The "Consolidated Appropriations Act" signed into law as P.L. 112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now known as "7011/511" authority. Under this authority, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations --annual, multi-year, and no-year (non-expiring) appropriations -- that may be used within statutory limits. Appropriations are recognized as a financing source (i.e. Appropriations used) on the Statement of Change in Net Position at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the U.S. Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation (MCC).

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from the U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they are received by USAID from other agencies, other governments and the public. Imputed revenues are reported in the financial statements to offset imputed costs. Amounts received from other Federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred.

F. FUND BALANCE WITH THE U.S. TREASURY

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

G. FOREIGN CURRENCY

The Direct Loan Program has foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on conversion is recognized for the change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the Balance Sheet and Statement of Net Costs.

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable for non-loan or revenue generating sources based on a historical analysis of collectability.

I. DIRECT LOANS AND LOAN GUARANTEES

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

Loans obligated on or after October 1, 1991 are reduced by an allowance equal to the net present value of the cost to the U. S. Government of making the loan. This cost, known as "subsidy", takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and any changes are reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or without "Maintenance of Value" (MOV). Those with MOV place the currency exchange risk upon the borrowing government; those without MOV place the risk on USAID. Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net receivable balance of the credit programs.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts; determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other U.S. Government agencies.

J. ADVANCES

Funds disbursed in advance of incurred expenditures are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.

K. INVENTORY AND RELATED PROPERTY

USAID's inventory and related property are comprised of life essential materials and supplies. The Agency has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These consist of tents, disaster kits, field packs, and water purification units.

Agency supplies held in reserve for future use are those that are not readily available in the market, or for which there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered "held for sale." USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that have an acquisition cost of $25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost, depending on when the asset was put into production and depreciated using the straight-line method (mid-year and mid-quarter). Real property is depreciated over 20 years, nonexpendable personal property is depreciated over three to five years, and capital leases are depreciated according to the terms of the lease. The Agency operates land, buildings, and equipment that are provided by the General Services Administration. Internal use software that has development costs of $300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements.

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as liabilities not covered by budgetary resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be abrogated by the U.S. Government, acting in its sovereign capacity.

N. LIABILITIES FOR LOAN GUARANTEES

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, significantly changed the manner in which USAID's loan programs finance their activities. The main purpose of CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in FY 1992, USAID can only issue new loans or loan guarantees with an appropriation available to fund the cost of making the loan or guarantee. This cost is known as the "subsidy."

For USAID's loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the Program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. Footnote 6 presents the unfunded amounts separate from the post-1991 liabilities. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to the OMB prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of employment with the Agency. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. The Office of Personnel Management (OPM) administers these benefits and provides the factors that USAID applies to report the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This cost is considered an imputed cost to USAID.

USAID recognizes a current period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed by USAID are reported on the Statement of Net Cost.

Q. COMMITMENTS AND CONTINGENCIES

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not. Footnote 14 identifies commitments and contingency liabilities.

R. NET POSITION

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations reflects the net difference between (i) expenses and losses and (ii) financing sources, including appropriations, revenues and gains, since the inception of the activity.

S. NON-ENTITY ASSETS

Non-entity fund balances are amounts in Deposit Fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount as reflected in Note 3, composed solely of accounts receivable, net of allowances.

T. AGENCY COSTS

USAID's costs of operations are comprised of program and operating expenses. USAID/Washington program and Mission related expenses, by objective, are obtained directly from Phoenix, the Agency's general ledger. A cost allocation model is used to distribute operating expenses – including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs – to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

U. PARENT/CHILD REPORTING

USAID is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its ability to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. Exceptions to this general rule affecting USAID include the Executive Office of the President, for whom USAID is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in USAID's financial statements. In addition to these funds, USAID allocates funds as the parent to:

- Department of Energy
- Department of Interior
- Department of Labor
- Department of State
- Department of the Treasury
- Nuclear Regulatory Commission

USAID receives allocation transfers as the child from:

- Department of State
- Executive Office of the President
- Millennium Challenge Corporation
- Department of Agriculture, Commodity Credit Corporation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2012 and 2011 consisted of the following:

FUND BALANCE WITH TREASURY
(In Thousands)

Fund Balance	2012	2011
Trust Funds	$ 278,101	$ 142,393
Revolving Funds	6,198,094	5,790,820
Appropriated Funds	21,869,063	21,825,809
Other Funds	654,008	(86)
Total	$ 28,999,266	$ 27,758,936
Status of Fund Balance with Treasury	**2012**	**2011**
Unobligated Balance		
Available	$ 7,708,272	$ 7,575,836
Unavailable	2,245,334	2,720,975
Obligated and Other Balances Not Yet Disbursed (Net)	19,045,660	17,462,125
Total	$ 28,999,266	$ 27,758,936

Fund Balances with Treasury are the aggregate amounts of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the a loan guarantee and other operating funds.

Unobligated balances become available when apportioned by the OMB for obligation in the current fiscal year. Obligated and other balances not yet disbursed (net) include balances for non-budgetary funds and unfilled customer orders without advances. The unobligated and obligated balances are reflected on the Combined Statement of Budgetary Resources. The total available unobligated balance includes expired funds which are available for upward adjustments, however they are not available to incur new obligations. In the Combined Statement of Budgetary Resources the expired fund balance is included in Unobligated Balances Not Available.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2012 and 2011 are as follows:

ACCOUNTS RECEIVABLE, NET

(In Thousands)

	Receivable Gross	Allowance Accounts	Receivable Net 2012	Receivable Net 2011
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 10	N/A	$ 10	$ 356
Accounts Receivable from Federal Agencies	330,845	N/A	330,845	31,410
Less Intra-Agency Receivables	(330,825)	N/A	(330,825)	(31,546)
Total Intragovernmental Accounts Receivable	30	N/A	30	220
Accounts Receivable from the Public	93,685	(5,446)	88,239	94,467
Total Receivables	$ 93,715	$ (5,446)	$ 88,269	$ 94,687

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance accounts have been established for the intragovernmental accounts receivable, which are considered to be 100% collectible.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of overdue advances, unrecovered advances, and audit findings. The allowance for uncollectible accounts related to these receivables is calculated based on a historical analysis of collectability. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately, and there is no interest included in the accounts receivable listed above.

NOTE 4. OTHER ASSETS

Advances as of September 30, 2012 and 2011 consisted of the following:

ADVANCES

(In Thousands)

	2012	2011
Intragovernmental		
Advances to Federal Agencies	$ 85,395	$ 96,219
Total Intragovernmental	85,395	96,219
Advances to Contractors/Grantees	397,934	433,078
Advances to Host Country Governments and Institutions	129,494	113,123
Advances, Other	225,036	2,968
Total with the Public	752,464	549,169
Total Other Assets	$ 837,859	$ 645,388

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received.

Advances to Contractors/Grantees are amounts that USAID pays to them to cover their immediate cash needs related to program implementation until they submit expense reports to USAID and USAID records those expenses. Advances to Host Country Governments and Institutions represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as educational institutions and voluntary organizations. Advances, Other consist primarily of amounts advanced for living quarters, travel, and home service.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2012 and 2011 are as follows:

CASH AND OTHER MONETARY ASSETS *(In Thousands)*		
Cash and Other Monetary Assets	**2012**	**2011**
Imprest Fund-Headquarters	$ –	$ 5
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	–	50
Foreign Currencies	349,069	306,580
Total Cash and Other Monetary Assets	$ 349,069	$ 306,635

USAID has imprest funds in various overseas locations. However, these funds are provided by the Department of State overseas U.S. Disbursing Officers to which USAID is liable for any shortages. USAID has no imprest fund balance to report because the imprest funds come from State Department appropriations.

Foreign Currencies are related to Foreign Currency Trust Funds that totaled $349 million in FY 2012 and $307 million in FY 2011. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Egypt Loan Guarantee Program
- Tunisia Loan Guarantee Program

Direct loans resulting from obligations made prior to 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after 1991. Subsidy cost, which is the net present value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows) associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by the Office of Management and Budget (OMB). Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

SUMMARY OF LOANS RECEIVABLES, NET *(In Thousands)*		
	2012	**2011**
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 2,414,336	$ 2,953,161
Net Direct Loans Obligated After 1991 (Present Value Method)	237,142	232,992
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	122,098	206,228
Total Loans Receivable, Net as reported on the Balance Sheet	$ 2,773,576	$ 3,392,381

DIRECT LOANS

DIRECT LOANS (In Thousands)				
Loan Programs	**Loans Receivable Gross**	**Interest Receivable**	**Allowance for Loan Losses**	**Value of Assets Related to Direct Loans, Net**
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2012:				
Direct Loans	$ 2,667,424	$ 347,807	$ (600,894)	$ 2,414,337
MSED	29	26	(55)	–
Total	$ 2,667,453	$ 347,833	$ (600,949)	$ 2,414,337
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2011:				
Direct Loans	$ 3,240,399	$ 330,519	$ (617,757)	$ 2,953,161
MSED	29	11	(40)	–
Total	$ 3,240,428	$ 330,530	$ (617,797)	$ 2,953,161
Loan Programs	**Loans Receivable Gross**	**Interest Receivable**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Direct Loans Obligated After 1991 as of September 30, 2012:				
Direct Loans	$ 771,129	$ 14,802	$ (622,091)	$ 163,840
UE - Subrogated Claims	49,208	16,249	8,029	73,486
MSED	150	24	(357)	(183)
Total	$ 820,487	$ 31,075	$ (614,419)	$ 237,143
Direct Loans Obligated After 1991 as of September 30, 2011:				
Direct Loans	$ 720,734	$ 14,251	$ (567,953)	$ 167,032
UE - Subrogated Claims	34,990	12,203	18,950	66,143
MSED	150	(150)	(183)	(183)
Total	$ 755,874	$ 26,304	$ (549,186)	$ 232,992

TOTAL AMOUNT OF DIRECT LOANS DISBURSED (In Thousands)		
Direct Loan Programs	**2012**	**2011**
Direct Loans	$ 3,438,553	$ 3,961,133
UE - Subrogated Claims	49,208	34,990
MSED	179	179
Total	$ 3,487,940	$ 3,996,302

SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

(In Thousands)

	2012				2011			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Subsidy Cost Allowance	$ 567,953	$(18,950)	$ 183	$549,186	$ 798,927	$(12,012)	$ 183	$787,098
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	–	–	–	–	–	–	–	–
Adjustments:								
(A) Loan Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–	–
(D) Loans Written Off	–	–	–	–	–	–	–	–
(E) Subsidy Allowance Amortization	(3,790)	–	–	(3,790)	(21,896)	–	–	(21,896)
(F) Other	57,928	10,921	174	69,023	(209,078)	(6,938)	–	(216,016)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 622,091	$ (8,029)	$ 357	$614,419	$ 567,953	$(18,950)	$ 183	$549,186
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	–	–	–	–	–	–
Total of the Above Reestimate Components	–	–	–	–	–	–	–	–
Ending Balance of the Subsidy Cost Allowance	$ 622,091	$ (8,029)	$ 357	$614,419	$ 567,953	$(18,950)	$ 183	$549,186

DEFAULTED GUARANTEED LOANS

(In Thousands)

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2012				
UE	$ 132,314	$ 93,523	$ (103,738)	$ 122,099
Total	$ 132,314	$ 93,523	$ (103,738)	$ 122,099
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2011				
UE	$ 222,020	$ 88,051	$ (103,843)	$ 206,228
Total	$ 222,020	$ 88,051	$ (103,843)	$ 206,228

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2012, the UE Program experienced $3.8 million in defaults on payments.

In 2011, the UE Program experienced $3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

GUARANTEED LOANS OUTSTANDING
(In Thousands)

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2012):		
UE	$ 734,890	$ 734,890
MSED	14,760	7,380
Israel	11,280,648	11,280,648
DCA	266,156	133,078
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	$ 14,031,454	$ 13,890,996
Guaranteed Loans Outstanding (2011):		
UE	$ 817,179	$ 817,179
MSED	14,760	7,380
Israel	11,615,776	11,615,776
DCA	303,495	151,748
Egypt	1,250,000	1,250,000
Total	$ 14,001,210	$ 13,842,083
New Guaranteed Loans Disbursed (2012):		
DCA	$ 76	$ 38
Tunisia	485,000	485,000
Total	$ 485,076	$ 485,038
New Guaranteed Loans Disbursed (2011):		
DCA	$ 111,894	$ 55,947
Total	$ 111,894	$ 55,947

LIABILITY FOR LOAN GUARANTEES (In Thousands)			
Loan Guarantee Programs	**Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims**	**Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value**	**Total Liabilities for Loan Guarantees**
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2012:			
UE	$ 28,528	$ 155,921	$ 184,449
MSED	–	(661)	(661)
Israel	–	1,297,606	1,297,606
DCA	–	62,233	62,233
Egypt	–	438,855	438,855
Tunisia	–	29,876	29,876
Total	$ 28,528	$ 1,983,830	$ 2,012,358
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2011:			
UE	$ 54,977	$ 162,947	$ 217,924
MSED	–	(661)	(661)
Israel	–	1,314,845	1,314,845
DCA	–	30,206	30,206
Egypt	–	131,881	131,881
Total	$ 54,977	$ 1,639,218	$ 1,694,195

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT (In Thousands)					
Loan Guarantee Programs	**Interest Supplements**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
Subsidy Expense for New Loan Guarantees (2012):					
DCA	$ –	$ 6,396	$ –-	$ –	$ 6,396
Tunisia	–	29,876	–	–	29,876
Total	$ –	$ 36,272	$ –	$ –	$ 36,272
Subsidy Expense for New Loan Guarantees (2011):					
DCA	$ –	$ 7,189	$ –	$ –	$ 7,189
Total	$ –	$ 7,189	$ –	$ –	$ 7,189

(continued on next page)

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT *(continued)*

(In Thousands)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2012):				
UE	$ –	$ –	$ (4,907)	$ (4,907)
Israel	–	–	(99,363)	(99,363)
DCA	–	–	(380)	(380)
Egypt	–	–	301,455	301,455
Tunisia	–	–	–	–
Total	$ –	$ –	$ 196,805	$ 196,805
Modifications and Reestimates (2011):				
UE	$ –	$ –	$ 230	$ 230
Israel	–	–	5,769	5,769
Egypt	–	–	–	–
Total	$ –	$ –	$ 5,999	$ 5,999

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE

(In Thousands)

Loan Guarantee Programs	2012	2011
UE	$ (4,907)	$ 230
MSED	–	–
Israel	(99,363)	5,769
DCA	6,016	7,189
Egypt	301,455	–
Tunisia	29,876	–
Total	$ 233,077	$ 13,188

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

BUDGET SUBSIDY RATES FOR LOAN GUARANTEES FOR THE CURRENT YEAR'S COHORTS

(Percent)

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	5.01%	(0.89)%	–	4.12%
Tunisia	–	6.16%	–	–	6.16%

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

(In Thousands)

2012

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Tunisia	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Loan Guarantee Liability	$ 30,206	$ (661)	$ 162,947	$ 1,314,845	$ 131,881	$ –	$1,639,218
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	6,396	–	–	–	–	29,876	36,272
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 6,396	$ –	$ –	$ –	$ –	$ 29,876	$ 36,272
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	1,306	–	1,045	–	–	–	2,351
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(6,575)	(11)	(13,467)	(662,889)	(69,448)	–	(752,390)
(F) Interest Accumulation on the Liability Balance	1,998	–	3,307	82,124	5,519	–	92,948
(G) Other	29,282	11	6,996	662,889	69,448	–	768,626
Ending Balance of the Loan Guarantee Liability Before Reestimates	62,613	(661)	160,828	1,396,969	137,400	29,876	1,787,025
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Total of the Above Reestimate Components	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Ending Balance of the Loan Guarantee Liability	$ 62,233	$ (661)	$ 155,921	$ 1,297,606	$ 438,855	$ 29,876	$1,983,830

2011

	DCA	MSED	UE	Israel	Egypt	Total
Beginning Balance, Changes, and Ending Balance						
Beginning Balance of the Loan Guarantee Liability	$ 15,035	$ (649)	$ 137,074	$ 1,856,214	$ 193,048	$2,200,722
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:						
(A) Interest Supplement Costs	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–
(D) Other Subsidy Costs	7,189	–	–	–	–	7,189
Total of the Above Subsidy Expense Components	7,189	–	–	–	–	7,189
Adjustments:						
(A) Loan Guarantee Modifications	–	–	–	–	–	–
(B) Fees Received	1,164	–	1,153	–	–	2,317
(C) Interest Supplements Paid	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–
(E) Claim Payments to Lenders	(27,566)	(1,297)	(30,463)	(135,134)	–	(194,460)
(F) Interest Accumulation on the Liability Balance	1,464	–	3,706	115,750	8,282	129,202
(G) Other	29,892	1,285	65,993	135,135	(1)	232,304
Ending Balance of the Loan Guarantee Liability Before Reestimates	27,178	(661)	177,463	1,971,965	201,329	2,377,274
Add or Subtract Subsidy Reestimates by Component:						
(A) Interest Rate Reestimate	–	–	–	–	–	–
(B) Technical/Default Reestimate	3,028	–	(14,516)	(657,120)	(69,448)	(738,056)
Total of the Above Reestimate Components	3,028	–	(14,516)	(657,120)	(69,448)	(738,056)
Ending Balance of the Loan Guarantee Liability	$ 30,206	$ (661)	$ 162,947	$ 1,314,845	$ 131,881	$1,639,218

ADMINISTRATIVE EXPENSE (In Thousands)		
Loan Programs	**2012**	**2011**
DCA	$ 13,890	$ 18,262
Total	$ 13,890	$ 18,262

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. Six countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing $11.1 million that is more than six months delinquent. Seven countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $403.5 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled $11.1 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled $403.5 million.

2. The MSED Liquidating Account general ledger has a loan receivable balance of $29 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.

3. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in FY 2013.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property, Net is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2012 and 2011 are as follows:

INVENTORY AND RELATED PROPERTY (In Thousands)		
	2012	**2011**
Items Held for Use		
Office Supplies	$ 5,260	$ 6,046
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	11,139	11,620
Birth Control Supplies	13,208	26,013
Total Inventory and Related Property	$ 29,607	$ 43,679

Operating Materials and Supplies are considered tangible properties that are consumed in the normal course of business and not held for sale. The valuation is based on historical acquisition costs. There are no items obsolete or unserviceable, and no restrictions on their use. Items costing less than $25,000 are expensed as incurred.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E) as of September 30, 2012 and 2011 are as follows:

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

(In Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2012	Net Book Value 2011
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 87,704	$ (68,236)	$ 19,468	$ 10,905
Buildings, Improvements, and Renovations	20 years	68,840	(43,226)	25,614	23,850
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Assets Under Capital Lease (Note 9)		–	–	–	–
Construction in Progress	N/A	–	–	–	–
Internal Use Software	3 to 5 years	110,674	(86,599)	24,075	32,144
Total PP&E		$ 274,421	$ (198,061)	$ 76,360	$ 74,102

The threshold for capitalizing assets is $25,000 except for Internal Use Software which is capitalized and amortized at $300,000. Assets are depreciated using the straight line depreciation method. USAID uses the mid-year convention for assets purchased prior to FY 2003 and the mid-quarter convention for assets purchased during FY 2003 and beyond. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PP&E assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field missions.

Equipment consists primarily of electric generators, Automatic Data Processing (ADP) hardware, vehicles and copiers located at the overseas field missions. Note 9 discusses USAID leases.

Buildings, Improvements, and Renovations, in addition to Land and Land Rights include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Land is generally procured with the intent of constructing buildings.

NOTE 9. LEASES

As of September 30, 2012 and 2011 Leases consisted of the following:

LEASES
(In Thousands)

Entity as Lessee		
Capital Leases:	**2012**	**2011**
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ 900
Accumulated Depreciation	–	(900)
Net Assets under Capital Leases	$ –	$ –

Description of Lease(s) Arrangements. Capital leases consist of rental agreements entered into by missions for warehouses, parking lots, residential space, and office buildings. These leases are one year or more in duration.

Operating Leases:	
Future Payments Due:	**2012**
Fiscal Year	**Future Costs**
2013	$ 88,180
2014	79,213
2015	73,494
2016	25,725
2017	22,454
After 5 Years	43,672
Lease Liabilities Covered by Budgetary Resources	$ 332,738

Operating lease payments total $333 million in future lease payments of which $166 million is for the USAID headquarters in Washington, D.C. The current lease agreements are for approximately 802,417 sq. feet and with expiration dates of FY 2013, FY 2015, FY 2016, FY 2017 and FY 2020. The lessor, General Services Administration (GSA), charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

USAID records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. USAID considers the Intragovernmental accounts payable as liabilities covered under budgetary resources. These accounts payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies. The accounts payable with the public represent liabilities to other non-federal entities.

Liabilities not covered by budgetary resources include accrued unfunded annual leave and separation pay. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided. Accrued unfunded annual leave, workers' compensation benefits, and separation pay represent future liabilities not currently funded by budgetary resources, but will be funded as it becomes due with future resources. The Contingent Liabilities for Loan Guarantees is in the pre-Credit Reform Urban and Environmental (UE) Housing Loan Guarantee liquidating fund. As such, it represents the estimated liability to lenders for future loan guarantee defaults in that program.

As of September 30, 2012 and 2011 liabilities covered and not covered by budgetary resources were as follows:

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(In Thousands)

	2012	2011
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 121,730	$ 15,597
Debt (Note 11)	478,304	478,380
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,613,998	3,198,706
Other Liabilities (Note 12)	660,533	701,303
Total Intragovernmental	3,874,565	4,393,986
Accounts Payable	1,856,966	1,722,872
Disbursements in Transit	10,178	11,286
Total Accounts Payable with Public	1,867,144	1,734,158
Loan Guarantee Liability (Note 6)	1,983,830	1,639,218
Other Liabilities with Public	501,747	459,909
Total Liabilities Covered by Budgetary Resources	$ 8,227,286	$ 8,227,271
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	$ (7,108)	$ 4,968
Unfunded FECA Liability (Note 13)	8,228	8,073
Other Unfunded Employment Related Liability	120	107
Other Liabilities (Note 12)	95,088	730,974
Total Intragovernmental (Note 12)	$ 96,328	$ 744,122
Accrued Annual Leave	43,829	35,948
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	43,829	35,948
Future Workers' Compensation Benefits (Note 13)	23,582	22,175
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	28,528	54,977
Total Liabilities Not Covered by Budgetary Resources	192,267	857,222
Total Liabilities	$ 8,419,553	$ 9,084,493

NOTE 11. DEBT

USAID Intragovernmental Debt as of September 30, 2012 and September 30, 2011 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

INTRAGOVERNMENTAL DEBT
(In Thousands)

Debt Due to Treasury	2011 Beginning Balance	Net Borrowing	2011 Ending Balance	Net Borrowing	2012 Ending Balance
Direct Loans	$ 478,195	$ –	$ 478,195	$ –	$ 478,195
DCA	85	100	185	(76)	109
Total Treasury Debt	$ 478,280	$ 100	$ 478,380	$ (76)	$ 478,304

Pursuant to the Federal Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from the Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources.

In FY 2012, no interest was accrued for DCA and Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of $2.6 billion, which under the Act is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2012 and 2011 Other Liabilities consisted of the following:

OTHER LIABILITIES (In Thousands)	2012	2011
Intragovernmental		
IPAC Suspense	$ (7,108)	$ 4,968
Unfunded FECA Liability	8,228	8,073
Custodial Liability	8,090	12,543
Employer Contributions & Payroll Taxes Payable	4,765	10,070
Other Unfunded Employment Related Liability	120	107
Liability for Advances and Prepayments	647,678	678,690
Other Liabilities	95,088	730,974
Total Intragovernmental	$ 756,861	$ 1,445,425
Accrued Funded Payroll and Leave	31,325	39,753
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	43,829	35,948
Advances From Others	2,697	2,688
Deferred Credits	1,330	21,388
Foreign Currency Trust Fund	350,210	307,726
Capital Lease Liability (Note 9)	–	–
Other Liabilities	116,185	88,354
Total Liabilities With the Public	$ 545,576	$ 495,857
Total Other Liabilities	$ 1,302,437	$ 1,941,282

Intragovernmental Liabilities represent amounts due to other federal agencies.
All remaining Other Liabilities are liabilities to non-federal entities.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2012 and 2011 are indicated in the table below.

ACCRUED UNFUNDED WORKERS' COMPENSATION BENEFITS *(In Thousands)*	2012	2011
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 23,582	$ 22,175
Unfunded FECA Liability	8,228	8,073
Total Accrued Unfunded Workers' Compensation Benefits	$ 31,810	$ 30,248

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor (DOL). DOL initially pays valid FECA claims for all Federal Government agencies and seeks reimbursement two fiscal years later from the federal agencies employing the claimants.

For FY 2012, USAID's total FECA liability was $31.8 million, comprised of unpaid FECA billings for $8.2 million and estimated future FECA costs of $23.6 million.

The actuarial estimate for the FECA unfunded liability is determined by the DOL using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation.

NOTE 14. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims, suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2012 a total of four cases were pending, along with two claims that have yet to be filed in any court.

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against United States (AID and State). The court has dismissed the tort claims and denied reconsideration. The damages sought are $48 million.
- The second case is a basic claim that USAID has willfully violated the Fair Labor Standards Act by failing to compensate employees for overtime worked. The estimated loss is $10 million.
- The third case is a contract claim that USAID wrongfully withheld payment for invoices submitted by a contractor under the "Hurricane Mitch" host-country relief efforts.
- The fourth case is a companion to a prior case, in which a contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract with an estimated loss of $1.8 million.

The two claims that have not been filed in any court were submitted on December 2, 2011 under the Federal Tort Claims Act. Both claims allege negligence on the part of the Agency. The first claim seeks payment totaling $20 million and the second seeks payment totaling $10 million. The Agency has 6 months to respond to the claim; if the response is unfavorable then the claims may become the subject of litigation before a U.S. District Court. The General Counsel Office plans to defend the Agency's actions if a case is filed in court.

During FY 2012 there was l dismissal and 2 settlements.

- The dismissal occurred in the second quarter of FY 2012. The case was based on a claim for damages suffered allegedly as a result of USAID-caused delay in relation to the delivery and off-loading of grain. The Civilian Board of Contract Appeals ruled in USAID's favor and dismissed the case on January 11, 2012.
- A settlement was reached in the third quarter on June 12, 2012. Pursuant to the agreement the Agency paid $511,000 to settle all claims against USAID.

- A settlement was reached in the fourth quarter on September 12, 2012. Pursuant to the agreement the Agency paid $1,250,000 to settle all claims against USAID.

USAID's normal course of business involves the execution of project agreements with foreign governments that are a type of treaty. All of these agreements give rise to obligations that are fully reported on USAID's financial statements, and none of which are contingent. It is not USAID's normal business practice to enter into other types of agreements or treaties with foreign governments that create contingent liabilities.

NOTE 15. RECOVERY ACT FUNDS

RECOVERY ACT ASSETS, LIABILITIES AND NET POSITION
(In Thousands)

	Recovery Act Assets, Liabilities and Net Position	
	2012	**2011**
Fund Balance With Treasury	$ 8	$ 976
Total Assets	**8**	**976**
Accounts Payable	–	853
Total Liabilities	**–**	**853**
Unexpended Appropriations	8	123
Cumulative Results of Operations	–	–
Total Net Position	**8**	**123**
Total Liabilities and Net Position	**$ 8**	**$ 976**
	Status of Recovery Act Funds	
Total Budgetary Resources	**$ 8**	**$ 8**
Obligations Incurred	–	–
Unobligated Balance	8	8
Total Status of Budgetary Resources	**$ 8**	**$ 8**
Total, Unpaid Obligated Balance, Net, End of Period	–	968
Net Outlays	**$ 968**	**$ 14,886**

In February, 2009 Congress passed the American Recovery and Reinvestment Act of 2009 with the goal to create jobs, spur economic activity and invest in long term economic growth. This $787 billion Recovery plan includes federal tax cuts and incentives, an expansion of unemployment benefits, and other spending on social entitlement programs. In addition, federal agencies are using Recovery funds to award contracts, grants, and loans around the country.

USAID received $38 million for information technology security and upgrades to support mission-critical operations. Due to Agency IT priorities and toward maximizing job creation with the Recovery Act funds, USAID determined that the funding should be dedicated to the Global Acquisition and Assistance System (GLAAS) project. There is one fund in association with the Recovery Act Funds.

NOTE 16. INTRAGOVERNMENTAL COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by Objective and Program Area, as of September 30, 2012. These objectives are consistent with the State/USAID's Strategic Planning Framework.

The format of the Consolidated Statement of Net Cost is consistent with OMB Circular A-136 guidance.

Note 16 shows the value of transactions between USAID and other federal entities as well as non-federal entities. These are also categorized by Objectives, Program Areas and Responsibility Segments.

Responsibility Segments are defined in Note 17.

Intragovernmental costs and earned revenue sources relate to transactions between USAID and other federal entities. Public costs and exchange revenues relate to transactions between USAID and non-federal entities.

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2011 and 2010
(In Thousands)

Objective	Africa	Asia	OAPA	DCHA	EGAT	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	2012 Total	2011 Total
Peace and Security												
Intragovernmental Costs	$ 2,102	$ 4,332	$ 4,324	$ 8,362	$ 3,669	$ 4,278	$ –	$ –	$ 4,945	$ 3,457	$ 35,469	$ 37,827
Public Costs	62,672	40,895	180,285	135,719	4,241	68,696	–	–	129,798	10,065	632,371	903,946
Total Program Costs	64,774	45,227	184,609	144,081	7,910	72,974	–	–	134,743	13,522	667,840	941,773
Intragovernmental Earned Revenue	(248)	(461)	(436)	(673)	(82)	(504)	–	–	(583)	(33)	(3,020)	(3,414)
Public Earned Revenue	(9)	(16)	(15)	(23)	(3)	(18)	–	–	(20)	(1)	(105)	(1,315)
Total Earned Revenue	(257)	(477)	(451)	(696)	(85)	(522)	–	–	(603)	(34)	(3,125)	(4,729)
Net Program Costs	**64,517**	**44,750**	**184,158**	**143,385**	**7,825**	**72,452**	**–**	**–**	**134,140**	**13,488**	**664,715**	**937,044**
Governing Justly and Democratically												
Intragovernmental Costs	9,444	9,342	38,997	5,160	3,062	9,263	–	–	9,521	9,262	94,051	71,985
Public Costs	204,919	137,479	1,476,411	75,915	5,885	172,351	–	175	160,990	378,164	2,612,289	1,772,220
Total Program Costs	214,363	146,821	1,515,408	81,075	8,947	181,614	–	175	170,511	387,426	2,706,340	1,844,205
Intragovernmental Earned Revenue	(904)	(983)	(3,010)	(860)	(74)	(1,000)	–	–	(857)	(1,056)	(8,744)	(6,773)
Public Earned Revenue	(31)	(34)	(104)	(19)	(3)	(34)	–	–	(47)	(76)	(348)	(2,606)
Total Earned Revenue	(935)	(1,017)	(3,114)	(879)	(77)	(1,034)	–	–	(904)	(1,132)	(9,092)	(9,379)
Net Program Costs	**213,428**	**145,804**	**1,512,294**	**80,196**	**8,870**	**180,580**	**–**	**175**	**169,607**	**386,294**	**2,697,248**	**1,834,826**
Investing in People												
Intragovernmental Costs	99,799	20,864	9,047	3,384	6,562	7,481	33,523	–	12,089	12,410	205,159	184,192
Public Costs	678,017	161,503	294,245	69,895	65,545	70,214	964,697	139	118,722	349,642	2,772,619	3,082,252
Total Program Costs	777,816	182,367	303,292	73,279	72,107	77,695	998,220	139	130,811	362,052	2,977,778	3,266,444
Intragovernmental Earned Revenue	(11,136)	(2,602)	(76,743)	(370)	(3,776)	(867)	(513,129)	–	(1,240)	(1,338)	(611,201)	(192,051)
Public Earned Revenue	(384)	(90)	(325)	(13)	(6,906)	(20)	(125)	–	(43)	(46)	(7,952)	(11,310)
Total Earned Revenue	(11,520)	(2,692)	(77,068)	(383)	(10,682)	(887)	(513,254)	–	(1,283)	(1,384)	(619,153)	(203,361)
Net Program Costs	**766,296**	**179,675**	**226,224**	**72,896**	**61,425**	**76,808**	**484,966**	**139**	**129,528**	**360,668**	**2,358,625**	**3,063,083**

(continued on next page)

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2012 and 2011
(In Thousands)

Objective	Africa	Asia	OAPA	DCHA	EGAT	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	2012 Total	2011 Total
Economic Growth												
Intragovernmental Costs	57,015	32,417	20,389	2	116,533	10,801	–	–	35,492	23,159	295,808	289,077
Public Costs	650,098	351,949	684,508	257	640,526	211,443	-	1,923	284,573	649,515	3,474,792	3,848,084
Total Program Costs	707,113	384,366	704,897	259	757,059	222,244	-	1,923	320,065	672,674	3,770,600	4,137,161
Intragovernmental Earned Revenue	(2,465)	(2,428)	(1,901)	–	(111,938)	(1,198)	–	–	(3,409)	(2,815)	(126,154)	(169,667)
Public Earned Revenue	(85)	(84)	(64)	–	(181,709)	(41)	–	–	(47)	(82)	(182,112)	(718,266)
Total Earned Revenue	(2,550)	(2,512)	(1,965)	–	(293,647)	(1,239)	–	–	(3,456)	(2,897)	(308,266)	(887,933)
Net Program Costs	**704,563**	**381,854**	**702,932**	**259**	**463,412**	**221,005**	**-**	**1,923**	**316,609**	**669,777**	**3,462,334**	**3,249,228**
Humanitarian Assistance												
Intragovernmental Costs	16	6,864	1,494	81,475	–	187	–	–	1,373	1,314	92,723	151,850
Public Costs	600	24,306	25,937	1,098,779	8,367	4,411	-	-	20,630	37,081	1,220,111	1,487,936
Total Program Costs	616	31,170	27,431	1,180,254	8,367	4,598	-	-	22,003	38,395	1,312,834	1,639,786
Intragovernmental Earned Revenue	(1)	(224)	(65)	(5,410)	–	(22)	–	–	(70)	(131)	(5,923)	(5,882)
Public Earned Revenue	–	(8)	(2)	(188)	–	(1)	–		(2)	(5)	(206)	(2,264)
Total Earned Revenue	(1)	(232)	(67)	(5,598)	–	(23)	–	–	(72)	(136)	(6,129)	(8,146)
Net Program Costs	**615**	**30,938**	**27,364**	**1,174,656**	**8,367**	**4,575**	**-**	**-**	**21,931**	**38,259**	**1,306,705**	**1,631,640**
Operating Unit Management												
Intragovernmental Costs	21,306	10,331	26,390	36,319	39,136	13,855	–	74	12,985	7,426	167,822	148,595
Public Costs	93,213	44,654	114,699	80,737	33,651	36,008	-	2,764	57,915	25,370	489,011	382,242
Total Program Costs	114,519	54,985	141,089	117,056	72,787	49,863	-	2,838	70,900	32,796	656,833	530,837
Intragovernmental Earned Revenue	(539)	(329)	(316)	(441)	(723)	(246)	–	–	(312)	(86)	(2,992)	(2,223)
Public Earned Revenue	(19)	(11)	(11)	(15)	(25)	(8)	–	–	(11)	(3)	(103)	(742)
Total Earned Revenue	(558)	(340)	(327)	(456)	(748)	(254)	–	–	(323)	(89)	(3,095)	(2,965)
Net Program Costs	**113,961**	**54,645**	**140,762**	**116,600**	**72,039**	**49,609**	**-**	**2,838**	**70,577**	**32,707**	**653,738**	**527,872**
Net Cost of Operations	**$1,863,380**	**$837,666**	**$2,793,734**	**$1,587,992**	**$621,938**	**$605,029**	**$484,966**	**$5,075**	**$842,392**	**$1,501,193**	**$11,143,365**	**$11,243,693**

NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

The Suborganization Program Costs/ Program Costs by Segment categorizes costs and revenues by Objectives, Program Areas and Responsibility Segment.

A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. The geographic and technical bureaus of USAID (below) meet the criteria of a responsibility segment. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to Program Areas to reflect total costs.

The FY 2012 Consolidated Statement of Net Cost major responsibility segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The Geographic Bureaus include: Africa; Asia; Middle East; Latin America and the Caribbean; and Europe and Eurasia; and Afghanistan and Pakistan (OAPA).

Technical Bureaus are referred to as Democracy, Conflict, and Humanitarian Assistance (DCHA); Economic Growth, Agriculture and Trade (EGAT) and Global Health (GH). In FY 2012 Q2, IDEA was added as a Technical Bureau.

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT

As of September 30, 2012 and 2011
(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2012 Consolidated Total	2011 Consolidated Total
Peace and Security												
Counterterrorism												
Gross Costs	$ 16,807	$ 353	$ 50	$ –	$ –	$ –	$ –	$ –	$ 3,178	$ –	$ 20,388	$ 29,344
Less: Earned Revenues	(53)	(3)	–	–	–	–	–	–	(5)	–	(61)	(107)
Net Program Costs	16,754	350	50	–	–	–	–	–	3,173	–	20,327	29,237
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	50	–	30,351	–	–	–	–	–	30,401	13,790
Less: Earned Revenues	–	–	–	–	(295)	–	–	–	–	–	(295)	(165)
Net Program Costs	–	–	50	–	30,056	–	–	–	–	–	30,106	13,625
Stabilization Operations and Security Sector Reform												
Gross Costs	678	7,066	–	–	2,301	–	–	20,304	5,112	8,505	43,966	36,398
Less: Earned Revenues	(2)	(27)	–	–	(14)	–	–	(98)	(23)	(17)	(181)	(139)
Net Program Costs	676	7,039	–	–	2,287	–	–	20,206	5,089	8,488	43,785	36,259
Counternarcotics												
Gross Costs	–	6,173	50	–	365	–	–	110,266	–	102,077	218,931	303,326
Less: Earned Revenues	–	(166)	–	–	(3)	–	–	(482)	–	(245)	(896)	(1,943)
Net Program Costs	–	6,007	50	–	362	–	–	109,784	–	101,832	218,035	301,383
Transnational Crime												
Gross Costs	128	8,172	195	58	4,188	–	–	1,115	–	–	13,856	15,483
Less: Earned Revenues	(1)	(38)	(1)	(1)	(22)	–	–	(3)	(1)	–	(67)	(67)
Net Program Costs	127	8,134	194	57	4,166	–	–	1,112	(1)	–	13,789	15,416
Conflict Mitigation and Reconciliation												
Gross Costs	47,161	23,464	143,733	7,852	35,769	–	–	3,059	5,233	74,027	340,298	543,432
Less: Earned Revenues	(201)	(244)	(692)	(84)	(188)	–	–	(21)	(6)	(189)	(1,625)	(2,308)
Net Program Costs	46,960	23,220	143,041	7,768	35,581	–	–	3,038	5,227	73,838	338,673	541,124
Total Peace and Security	**64,517**	**44,750**	**143,385**	**7,825**	**72,452**	**–**	**–**	**134,140**	**13,488**	**184,158**	**664,715**	**937,044**

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2012 and 2011

(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2012 Consolidated Total	2011 Consolidated Total
Governing Justly and Democratically												
Rule of Law and Human Rights												
Gross Costs	26,372	28,369	2,271	1,325	37,085	–	–	67,215	30,281	44,375	237,293	233,098
Less: Earned Revenues	(130)	(161)	(24)	(13)	(220)	–	–	(319)	(92)	(127)	(1,086)	(1,245)
Net Program Costs	26,242	28,208	2,247	1,312	36,865	–	–	66,896	30,189	44,248	236,207	231,853
Good Governance												
Gross Costs	94,527	69,614	47,628	6,194	54,290	–	–	65,656	187,036	1,400,510	1,925,455	1,020,159
Less: Earned Revenues	(348)	(538)	(242)	(44)	(289)	–	–	(365)	(458)	(2,801)	(5,085)	(4,787)
Net Program Costs	94,179	69,076	47,386	6,150	54,001	–	–	65,291	186,578	1,397,709	1,920,370	1,015,372
Political Competition and Consensus-Building												
Gross Costs	46,144	20,181	12,210	–	29,146	–	–	16,294	28,952	39,288	192,215	257,812
Less: Earned Revenues	(283)	(168)	(176)	–	(172)	–	–	(133)	(77)	(106)	(1,115)	(1,640)
Net Program Costs	45,861	20,013	12,034	–	28,974	–	–	16,161	28,875	39,182	191,100	256,172
Civil Society												
Gross Costs	47,320	28,657	18,964	1,428	61,093	–	175	21,347	141,158	31,235	351,377	333,136
Less: Earned Revenues	(174)	(150)	(435)	(20)	(353)	–	–	(88)	(506)	(80)	(1,806)	(1,707)
Net Program Costs	47,146	28,507	18,529	1,408	60,740	–	175	21,259	140,652	31,155	349,571	331,429
Total Governing Justly and Democratically	**213,428**	**145,804**	**80,196**	**8,870**	**180,580**	**–**	**175**	**169,607**	**386,294**	**1,512,294**	**2,697,248**	**1,834,826**
Investing in People												
Health												
Gross Costs	485,473	103,722	9,763	16,575	51,243	998,220	139	47,890	160,213	157,176	2,030,414	1,759,827
Less: Earned Revenues	(10,434)	(2,033)	(54)	(215)	(713)	(513,254)	–	(868)	(525)	(586)	(528,682)	(175,628)
Net Program Costs	475,039	101,689	9,709	16,360	50,530	484,966	139	47,022	159,688	156,590	1,501,732	1,584,199
Education												
Gross Costs	256,374	67,375	15,327	24,207	16,707	–	–	47,992	131,660	104,411	664,053	746,042
Less: Earned Revenues	(905)	(481)	(71)	(233)	(107)	–	–	(165)	(365)	(76,137)	(78,464)	(3,555)
Net Program Costs	255,469	66,894	15,256	23,974	16,600	–	–	47,827	131,295	28,274	585,589	742,487
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	35,968	11,270	48,189	31,326	9,745	–	–	34,929	70,179	41,705	283,311	760,575
Less: Earned Revenues	(180)	(178)	(258)	(10,235)	(67)	–	–	(250)	(494)	(345)	(12,007)	(24,178)
Net Program Costs	35,788	11,092	47,931	21,091	9,678	–	–	34,679	69,685	41,360	271,304	736,397
Total Investing in People	**766,296**	**179,675**	**72,896**	**61,425**	**76,808**	**484,966**	**139**	**129,528**	**360,668**	**226,224**	**2,358,625**	**3,063,083**
Economic Growth												
Macroeconomic Foundation for Growth												
Gross Costs	21,815	11,009	3	59,611	12,132	–	–	6,730	409,466	9,493	530,259	720,843
Less: Earned Revenues	(54)	(42)	–	(47,355)	(51)	–	–	(10)	(2,051)	(15)	(49,578)	(399,114)
Net Program Costs	21,761	10,967	3	12,256	12,081	–	–	6,720	407,415	9,478	480,681	321,729
Trade and Investment												
Gross Costs	32,015	23,110	2	10,752	14,974	–	226	26,263	11,766	24,932	144,040	137,193
Less: Earned Revenues	(134)	(140)	–	(142)	(92)	–	–	(120)	(43)	(66)	(737)	(714)
Net Program Costs	31,881	22,970	2	10,610	14,882	–	226	26,143	11,723	24,866	143,303	136,479
Financial Sector												
Gross Costs	10,431	5,441	2	500,142	19,882	–	149	529	20,510	7,740	564,826	566,541
Less: Earned Revenues	(47)	(40)	–	(243,570)	(124)	–	–	(2,045)	(85)	(22)	(245,933)	(472,398)
Net Program Costs	10,384	5,401	2	256,572	19,758	–	149	(1,516)	20,425	7,718	318,893	94,143
Infrastructure												
Gross Costs	141,854	58,487	–	5,652	61,657	–	190	54,297	9,568	430,369	762,074	870,795
Less: Earned Revenues	(613)	(506)	–	(88)	(323)	–	–	(283)	(48)	(1,222)	(3,083)	(4,915)
Net Program Costs	141,241	57,981	–	5,564	61,334	–	190	54,014	9,520	429,147	758,991	865,880

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2012 and 2011

(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2012 Consolidated Total	2011 Consolidated Total
Agriculture												
Gross Costs	341,463	123,466	2	56,736	25,574	–	328	59,425	51,125	124,911	783,030	935,266
Less: Earned Revenues	(1,171)	(1,040)	–	(1,074)	(143)	–	–	(279)	(157)	(349)	(4,213)	(5,911)
Net Program Costs	340,292	122,426	2	55,662	25,431	–	328	59,146	50,968	124,562	778,817	929,355
Private Sector Competitiveness												
Gross Costs	34,603	41,138	104	7,667	72,641	–	–	48,858	61,895	71,968	338,874	301,468
Less: Earned Revenues	(114)	(228)	–	(106)	(429)	–	–	(219)	(189)	(211)	(1,496)	(1,600)
Net Program Costs	34,489	40,910	104	7,561	72,212	–	–	48,639	61,706	71,757	337,378	299,868
Economic Opportunity												
Gross Costs	27,104	10,795	2	22,129	6,198	–	1,030	10,414	71,370	32,673	181,715	188,923
Less: Earned Revenues	(84)	(79)	–	(281)	(29)	–	–	(65)	(178)	(70)	(786)	(1,000)
Net Program Costs	27,020	10,716	2	21,848	6,169	–	1,030	10,349	71,192	32,603	180,929	187,923
Environment												
Gross Costs	97,828	110,922	145	94,369	9,185	–	–	113,548	36,974	2,811	465,782	416,132
Less: Earned Revenues	(333)	(439)	(1)	(1,030)	(47)	–	–	(434)	(146)	(10)	(2,440)	(2,281)
Net Program Costs	97,495	110,483	144	93,339	9,138	–	–	113,114	36,828	2,801	463,342	413,851
Total Economic Growth	**704,563**	**381,854**	**259**	**463,412**	**221,005**	**–**	**1,923**	**316,609**	**669,777**	**702,932**	**3,462,334**	**3,249,228**
Humanitarian Assistance												
Protection, Assistance and Solutions												
Gross Costs	–	27,790	1,063,016	–	4,575	–	–	22,003	38,397	24,743	1,180,524	1,503,723
Less: Earned Revenues	–	(222)	(5,074)	–	(22)	–	–	(70)	(138)	(61)	(5,587)	(7,565)
Net Program Costs	–	27,568	1,057,942	–	4,553	–	–	21,933	38,259	24,682	1,174,937	1,496,158
Disaster Readiness												
Gross Costs	615	3,362	117,237	8,367	–	–	–	–	–	–	129,581	133,772
Less: Earned Revenues	–	(9)	(525)	–	–	–	–	(2)	–	–	(536)	(557)
Net Program Costs	615	3,353	116,712	8,367	–	–	–	2	–	–	129,045	133,215
Migration Management												
Gross Costs	–	17	2	–	22	–	–	–	–	2,688	2,729	2,291
Less: Earned Revenues	–	–	–	–	–	–	–	–	–	(6)	(6)	(24)
Net Program Costs	–	17	2	–	22	–	–	–	–	2,682	2,723	2,267
Total Humanitarian Assistance	**615**	**30,938**	**1,174,656**	**8,367**	**4,575**	**–**	**–**	**21,931**	**38,259**	**27,364**	**1,306,705**	**1,631,640**
Operating Unit Management												
Cross-cutting Management and Staffing												
Gross Costs	1,949	508	125	936	1,128	–	–	–	2,870	1,371	8,887	26,764
Less: Earned Revenues	(26)	(8)	(1)	(3)	(7)	–	–	–	(12)	(3)	(60)	(124)
Net Program Costs	1,923	500	124	933	1,121	–	–	–	2,858	1,368	8,827	26,640
Program Design and Learning												
Gross Costs	26,401	5,782	4,361	12,989	6,574	–	1,533	6,508	10,124	27,524	101,796	93,355
Less: Earned Revenues	(127)	(60)	(19)	(171)	(38)	–	–	(36)	(30)	(80)	(561)	(515)
Net Program Costs	26,274	5,722	4,342	12,818	6,536	–	1,533	6,472	10,094	27,444	101,235	92,840
Administration and Oversight												
Gross Costs	86,169	48,694	112,570	58,861	42,164	–	1,305	64,391	19,802	112,194	546,150	410,718
Less: Earned Revenues	(405)	(271)	(437)	(573)	(211)	–	–	(286)	(47)	(244)	(2,474)	(2,326)
Net Program Costs	85,764	48,423	112,133	58,288	41,953	–	1,305	64,105	19,755	111,950	543,676	408,392
Total Operating Unit Management	**113,961**	**54,645**	**116,599**	**72,039**	**49,610**	**–**	**2,838**	**70,577**	**32,707**	**140,762**	**653,738**	**527,872**
Net Cost of Operations	**$1,863,380**	**$837,666**	**$1,587,991**	**$ 621,938**	**$ 605,030**	**$ 484,966**	**$ 5,075**	**$ 842,392**	**$ 1,501,193**	**$ 2,793,734**	**$ 11,143,365**	**$ 11,243,693**

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2012 and 2011.

USAID's total budgetary resources were $23.2 billion and $23.8 billion for the years ended September 30, 2012 and 2011, respectively.

A. Apportionment Categories of Obligations Incurred:

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED
(In Thousands)

	2012	2011
Category A, Direct	$ 1,405,504	$ 1,430,019
Category B, Direct	11,256,372	11,869,188
Category A, Reimbursable	42,406	38,866
Category B, Reimbursable	589,811	157,035
Total	$ 13,294,093	$ 13,495,108

B. Borrowing Authority, End of Period and Terms of Borrowing Authority Used:

The Agency had $0 in borrowing authority in FY 2012 and $96 thousand in borrowing authority in FY 2011. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, P.L. 101-508), and is used to finance obligations during the current year, as needed.

C. Permanent Indefinite Appropriations:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2012, there is $1.9 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. Legal Arrangements Affecting the Use of Unobligated Balances:

The "Consolidated Appropriations Act" signed into law as Public Law 112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now known as "7011/511" authority. Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

E. Unpaid Obligations:

Unpaid Obligations for the periods ended September 30, 2012 and 2011 were $18.3 and $17.5 billion, respectively.

F. Difference between the Statement of Budgetary Resources and the Budget of the U.S. Government:

There are no material differences between the Statement of Budgetary Resources for FY 2012 and the President's Budget submission for FY 2012. The President's Budget with actual numbers for 2012 has not yet been published. USAID expects no material difference between the President's Budget "actual" column and the FY 2012 reported results when the budget becomes available in February 2013.

DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

(In Thousands)

2012	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 23,247,701	$ 13,294,093	$ (923,914)	$ 10,700,013
Difference #1: Parent Activity Reported in FACTSII by USAID	8,230,939	6,315,809	–	6,425,900
Difference #2: Child Activity Reported in FACTSII by Child Agencies	(995,597)	(635,434)	–	(503,739)
Difference #3: Reported in the SBR but excluded from SF-133s	1,111	–	–	(8,856)
Difference #4:Parent/Child Reporting Differences	(24,588)	(24,588)	–	–
Difference #5:Reporting Difference between the SBR and SF-133s	(6,205)	(1,453)	–	202,199
Difference #6: Credit Financing and Suspense	–	–	–	–
Budget of the U.S. Government	$ 30,453,361	$ 18,948,426	$ (923,914)	$ 16,815,518

NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

USAID presents the Consolidated Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Combined Statement of Budgetary Resources. The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting.

RECONCILIATION OF OBLIGATIONS INCURRED TO NET COST OF OPERATIONS

For the Years Ended September 30, 2012 and 2011
(In Thousands)

	2012	2011
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 13,294,093	$ 13,495,108
Spending Authority From Offsetting Collections (FY 2012 includes Change in Unfilled Customer Orders previously broken out in the SBR)	(1,021,625)	(1,029,378)
Change in Unfilled Customer Orders	–	(227,554)
Downward Adjustments of Obligations	(472,020)	(2,046,698)
Offsetting Receipts	(923,914)	(377,859)
Net Obligations	10,876,534	9,813,619
Other Resources Used to Finance Activities	29,994	16,100
Resources Used to Finance Activities	10,906,528	9,829,719
Resources Used to Finance Items Not Part of Net Cost of Operations	1,029,033	1,813,777
Total Resources Used to Finance Net Cost of Operations	11,935,561	11,643,496
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(59,980)	(34,054)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(732,216)	(365,749)
Net Cost of Operations	$ 11,143,365	$ 11,243,693

NOTE 20. IMPACT OF ADJUSTMENTS TO FUND BALANCE WITH TREASURY, ADVANCES, AND UNPAID/PAID OBLIGATIONS

During FY 2012, USAID reconciled its general ledger (GL) to its subsidiary ledgers. As a result of these reconciliations, USAID was required to post several adjustments in its GL. The impacts of those GL adjustments are shown for each financial statement in the table below.

IMPACT OF ADJUSTMENTS TO FUND BALANCE WITH TREASURY, ADVANCES, AND UNPAID/PAID OBLIGATIONS
(In Thousands)

Balance Sheet FY 2012	USAID	Child Agencies
Assets		
Cash and Other Monetary Assets	$ (36,947)	$ (20,905)
Advances	305,039	172,521
Total Assets	$ 268,093	$ 151,616
Liabilities		
Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections	–	–
Total Liabilities	–	–
Net Position		
Unexpended Appropriations	266,212	151,616
Cumulative Results of Operations	1,880	–
Total Net Position	268,093	151,616
Total Liabilities and Net Position	$ 268,093	$ 151,616

Statement of Budgetary Resources FY 2012	USAID	Child Agencies
Total Resources	$ –	$ –
Total Status of Resources	$ –	$ –
Obligations Incurred	–	–
Unpaid Obligations, End of Year (Gross)	45,662	95,907
Outlays, (Gross) (-)	$ (45,662)	$ (95,907)

During a review of the accounting adjustments posted into the Agency's GL, it was subsequently discovered that the adjustments were partially incorrect because the accounting journals were not updating correctly for a certain type of advance refund returned to the Agency. Although the analysis is not complete, it appears the Agency has understated its cash position, overstated both proprietary and budgetary advances (prepayments) outstanding, and understated unliquidated obligations.

The Agency intends to make the necessary corrections during FY 2013. The correction will involve reclassifying assets, increasing the Agency's cash position and reducing the outstanding prepayments. In addition, the Agency will change the status for some obligations from prepaid to unpaid. The Agency is currently unable to provide an exact amount of the reclassification adjustment but the Agency believes the adjustment will not exceed $150 million.

Required Supplementary Information

(Above) **This potable water system in the San Lorenzo municipality of Ecuador is part of the Northern Border Development Program. Before its construction in 2002, families in the area carried water from unprotected and contaminated sources, such as rivers and wells, which made young children in particular sick.** PHOTO: IOM ECUADOR

(Preceding page) **In 2011, USAID and other donors provided 11 million free insecticide-treated mosquito nets through a mass distribution campaign to Kenyans. Malaria kills an estimated 34,000 children under age 5 in Kenya every year.**

PHOTO: WENDY STONE / USAID

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2012

(In Thousands)

	Recovery Act	Operating	Civilian Stabilization Initiative	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit-Financing	Other	Parent Fund	Combined Total
	302	**1000**	**305**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:													
Unobligated Balance Brought Forward, October 1	$ 8	$ 437,013	$ 7,570	$ 3,702	$ 1,092,484	$ 237,276	$ 4,642,696	$ 14,362	$ 31,768	$ 2,421,365	$ 1,086,318	$ 322,249	$ 10,296,811
Recoveries of Prior Year Unpaid Obligations	–	120,412	1,945	2,572	48,899	49,223	158,457	7,228	13,595	20	39,473	30,196	472,020
Other Changes in Unobligated Balance (+ or -)	–	(147)	–	2,367	(54,510)	–	(183,467)	(1,609)	(107)	(71)	(110,455)	229,597	(118,402)
Unobligated Balance from Prior Year Budget Authority, Net	8	557,278	9,515	8,641	1,086,873	286,499	4,617,686	19,981	45,256	2,421,314	1,015,336	582,042	10,650,429
Appropriations (Discretionary and Mandatory)	–	1,347,300	–	–	2,519,950	975,000	5,663,207	–	–	(18)	1,070,208	–	11,575,647
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	–	38,717	69	–	(14,226)	254	(48,551)	–	–	209,557	422,249	413,556	1,021,625
Total Budgetary Resources	**$ 8**	**$1,943,295**	**$ 9,584**	**$ 8,641**	**$3,592,597**	**$1,261,753**	**$10,232,342**	**$ 19,981**	**$ 45,256**	**$2,630,853**	**$2,507,793**	**$ 995,598**	**$23,247,701**
Status of Budgetary Resources:													
Obligations Incurred:	$ –	$ 1,391,388	$ 3,734	$ 3,149	$ 2,645,619	$ 1,122,724	$ 5,273,599	$ 5,933	$ 16,722	$ 752,560	$ 1,443,231	$ 635,434	$ 13,294,093
Unobligated balance, End of Year:													
Apportioned	–	480,022	5,850	1,825	882,983	139,029	4,996,245	7,588	15,960	309,839	527,804	341,129	7,708,274
Unapportioned	8	71,885	–	3,667	63,995	–	(37,502)	6,460	12,574	1,568,454	536,758	19,035	2,245,334
Total Unobligated Balance, End of Year	8	551,907	5,850	5,492	946,978	139,029	4,958,743	14,048	28,534	1,878,293	1,064,562	360,164	9,953,608
Total Budgetary Resources	**$ 8**	**$1,943,295**	**$ 9,584**	**$ 8,641**	**$3,592,597**	**$1,261,753**	**$10,232,342**	**$ 19,981**	**$ 45,256**	**$2,630,853**	**$2,507,793**	**$ 995,598**	**$23,247,701**

(continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES *(continued)*

For the Year Ended September 30, 2012
(In Thousands)

	Recovery Act 302	Operating 1000	Civilian Stabilization Initiative 305	Assistance for Eastern Europe 1010	Development Assistance 1021	International Disaster Assistance 1035	Economic Support Fund 1037	Assistance for New Independent States 1093	Child Survival 1095	Credit-Financing	Other	Parent Fund	Combined Total
Change in Obligated Balance:													
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 968	$ 791,833	$ 5,546	$ 45,046	$ 4,117,023	$ 913,780	$ 8,904,627	$ 70,750	$ 77,333	$ (282)	$ 1,883,059	$ 695,144	$ 17,504,827
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1 (-)	–	(9,883)	–	(35)	(2,272)	(203)	2	(39)	(1,006)	35	(20,613)	(346)	(34,360)
Obligated Balance, Start of Year (Net), Before Adjustments (+ or -)	968	781,950	5,546	45,011	4,114,751	913,577	8,904,629	70,711	76,327	(247)	1,862,446	694,798	17,470,467
Adjustment to Obligated Balance, Start of Year (Net) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Obligated Balance, Start of Year (Net), as Adjusted	968	781,950	5,546	45,011	4,114,751	913,577	8,904,629	70,711	76,327	(247)	1,862,446	694,798	17,470,467
Obligations Incurred	–	1,391,388	3,734	3,149	2,645,619	1,122,724	5,273,599	5,933	16,722	752,560	1,443,231	635,434	13,294,093
Outlays (gross) (-)	(968)	(1,318,250)	(4,109)	(24,021)	(1,689,719)	(946,023)	(4,915,149)	(34,628)	(40,767)	(750,958)	(1,742,328)	(520,602)	(11,987,522)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	–	(1,381)	–	–	2,310	–	(2)	–	–	–	(7,358)	346	(6,085)
Recoveries of Prior Year Unpaid Obligations (-)	–	(120,412)	(1,945)	(2,572)	(48,898)	(49,223)	(158,457)	(7,228)	(13,596)	(20)	(39,473)	(30,196)	(472,020)
Obligated balance, End of Year													
Unpaid Obligations, End of Year (Gross)	–	744,559	3,226	21,602	5,024,025	1,041,258	9,104,620	34,827	39,692	1,300	1,544,489	779,780	18,339,378
Uncollected Customer Payments from Federal Sources, End of Year	–	(11,264)	–	(35)	38	(203)	–	(39)	(1,006)	35	(27,971)	–	(40,445)
Obligated Balance, End of Year (Net)	**$ –**	**$ 733,295**	**$ 3,226**	**$ 21,567**	**$ 5,024,063**	**$ 1,041,055**	**$ 9,104,620**	**$ 34,788**	**$ 38,686**	**$ 1,335**	**$ 1,516,518**	**$ 779,780**	**$ 18,298,933**
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	$ –	$ 1,386,017	$ 69	$ –	$ 2,505,724	$ 975,254	$ 5,614,656	$ –	$ –	$ 209,540	$ 1,492,456	$ 413,556	$ 12,597,272
Actual Offsetting Collections (Discretionary and Mandatory)	–	(37,336)	(69)	–	(2,049)	(254)	(77,034)	–	–	(209,558)	(944,346)	(16,863)	(1,287,509)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	–	(1,381)	–	–	2,310	–	(2)	–	–	–	(7,358)	346	(6,085)
Budget Authority, Net (Discretionary and Mandatory)	$ –	$ 1,347,300	$ –	$ –	$ 2,505,985	$ 975,000	$ 5,537,620	$ –	$ –	$ (18)	$ 540,752	$ 397,039	$ 11,303,678
Outlays, Gross (Discretionary and Mandatory)	$ 968	$ 1,318,250	$ 4,109	$ 24,021	$ 1,689,719	$ 946,023	$ 4,915,149	$ 34,628	$ 40,767	$ 750,958	$ 1,742,328	$ 520,602	$ 11,987,522
Actual Offsetting Collections (Discretionary and Mandatory)	–	(37,336)	(69)	–	(2,049)	(254)	(77,034)	–	–	(209,558)	(944,346)	(16,863)	(1,287,509)
Outlays, Net (Discretionary and Mandatory)	968	1,280,914	4,040	24,021	1,687,670	945,769	4,838,115	34,628	40,767	541,400	797,982	503,739	10,700,013
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(923,914)	–	(923,914)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 968**	**$ 1,280,914**	**$ 4,040**	**$ 24,021**	**$ 1,687,670**	**$ 945,769**	**$ 4,838,115**	**$ 34,628**	**$ 40,767**	**$ 541,400**	**$ (125,932)**	**$ 503,739**	**$ 9,776,099**

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

1010 Special Assistance Initiatives
1021 Development Assistance
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Programs Funds

CREDIT-FINANCING FUNDS

4119 Israel Guarantee Financing Fund
4137 Direct Loan Financing Fund
4266 DCA Financing Fund
4342 MSED Direct Loan Financing Fund
4343 MSED Guarantee Financing Fund
4344 UE Financing Fund
4345 Ukraine Financing Fund
4491 Egypt Guarantee Financing Fund

OTHER FUNDS

Operating Funds

0300 Capital Investment Fund (CIF)
0302 Capital Investment Fund-Recovery Act
0306 Assistance for Europe, Eurasia and Central Asia
1007 Operating Expenses of USAID Inspector General
1036 Foreign Service Retirement and Disability Fund

Program Funds

0305 Civilian Stabilization Initiative
1012 Sahel Development Program
1015 Complex Crisis Fund
1023 Food and Nutrition Development Assistance
1024 Population and Planning & Health Dev. Asst.
1025 Education and Human Resources, Dev. Asst.
1027 Transition Initiatives
1028 Global Fund to Fight HIV / AIDS
1029 Tsunami Relief and Reconstruction Fund
1038 Central American Reconciliation Assistance
1040 Sub-Saharan Africa Disaster Assistance
1096 Latin American/Caribbean Disaster Recovery
1500 Demobilization and Transition Fund

Trust Funds

8342 Foreign Natl. Employees Separation Liability Fund
8502 Technical Assistance, U.S. Dollars Advanced from Foreign Governments
8824 Gifts and Donations

Credit Program Funds

0301 Israel Program Fund
0304 Egypt Program Fund
0400 MSED Program Fund
0401 UE Program Fund
0402 Ukraine Program Fund
1264 DCA Program Fund
4103 Economic Assistance Loans - Liquidating Fund
4340 UE Guarantee Liquidating Fund
4341 MSED Direct Loan Liquidating Fund
5318 Israel Admin Expense Fund

Revolving Funds

4175 Property Management Fund
4513 Working Capital Fund
4590 Acquisition of Property, Revolving Fund

ALLOCATIONS TO OTHER AGENCIES

1010 Special Assistance Initiatives
1021 Development Assistance
1027 Transition Initiatives
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Programs Funds

ALLOCATIONS FROM OTHER AGENCIES

1000 Operating Expenses of USAID
1014 Africa Development Assistance
1030 Global HIV/AIDS Initiative-Appropriations Carry Over
1031 Global Health and Child Survival
1096 International Organizations and Programs