



*Office of Inspector General*

FEB 23 2012

**MEMORANDUM REPORT**

**TO:** David D. Ostermeyer  
Chief Financial Officer

**FROM:** Rohit Chowbay /s/  
Director, IG/A/FA

**SUBJECT:** Improper Payments Made Under the American Recovery and Reinvestment Act of 2009 (Report No. 0-000-12-001-K)

This memorandum report presents the results of our review of USAID's process for reviewing, approving and paying invoices under the American Recovery and Reinvestment Act of 2009 (Recovery Act). This is the third finding stemming from a series of reviews that the Office of Inspector General is conducting as required by the Recovery Act. This was not an audit; however, the report contains two recommendations for your action.

I appreciate the cooperation and courtesy extended to our staff during this review.

**Background**

The Recovery Act was signed into law on February 17, 2009, as a way to jumpstart the U.S. economy, create or save millions of jobs, spur technological advances in science and health, and invest in the Nation's energy future. This effort requires an unprecedented level of transparency and accountability to ensure that U.S. citizens know how their tax dollars are being spent. As part of the Recovery Act, USAID received \$38 million for immediate information technology security and upgrades to support mission critical operations. Based on USAID's information technology priorities, USAID determined that the funding would be used for the development and deployment of the Global Acquisition and Assistance System over a 2-year period.

We conducted this review to determine whether USAID's process for reviewing, approving and paying Recovery Act invoices was functioning effectively.

## **Discussion**

Section 4.3 of the Office of Management and Budget's Memorandum 09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," states that agencies must not comingle Recovery Act funds with other funds and that internal fund codes must be established to track apportionments, allotments, obligations and outlays related to the Recovery Act.

Although USAID has implemented procedures for separating Recovery Act payments from other payments, it erroneously used Recovery Act funds to pay for services that were not authorized under the Recovery Act obligations. Through our review of Recovery Act invoices, we identified one invoice totaling \$704,621, of which \$100,440 was paid with Recovery Act funds. This amount was improperly paid with Recovery Act funds for services invoiced in November 2011. In contracting for Recovery Act efforts, USAID established a mechanism whereby its contractors would append the designation "RA" to the contract line item numbers when amounts billed were related to the Recovery Act funds. The supporting documentation for the \$100,440 did not include the "RA" designation after the contract line item numbers but the invoice was paid with funds obligated for Recovery Act efforts.

This error occurred because USAID did not follow its established process for reviewing, approving and paying Recovery Act invoices. Specifically, USAID used an incorrect obligation line to pay a portion of the invoice. This resulted in the erroneous payment of the invoice with obligation line items totaling \$100,440 using Recovery Act funds.

This payment reduced the funds available for satisfying current obligations incurred under the Recovery Act and have resulted in an improper payment, as defined by the Improper Payments Information Act of 2002.

## **Conclusion**

Because USAID did not follow its established process for reviewing, processing and paying invoices under the Recovery Act, we are making the following recommendations:

*Recommendation 1: We recommend that the Chief Financial Officer reimburse its Recovery Act obligations for the \$100,440 that was incorrectly paid out of the American Recovery and Reinvestment Act Funds (ARRA).*

*Recommendation 2: We recommend that the Chief Financial Officer direct its Cash Management and Payment Division to consult with the Contracting Officer Technical Representative when determining the ARRA obligations from which to disburse payment for invoices that include multiple obligations.*

## **Evaluation of Management Comments**

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

USAID management acknowledged that the Agency incorrectly paid a vendor from Recovery Act funding when the work completed was not within the breadth of the Recovery Act contract.

USAID management agreed to implement Recommendation 1 and commented that the Office of the Chief Financial Officer immediately executed corrective action by replenishing the Recovery Act funds. USAID replenished their Recovery Act funds by posting a Journal Voucher to its financial system on December 4, 2011. The Journal Voucher corrective entry credited the erroneous payment back to the Recovery Act funding line and debited the non-Recovery Act funding line for the same amount. Because USAID management has executed corrective action to replenish the Recovery Act Funds, this recommendation is closed upon issuance of the report and no further action is required by USAID management.

USAID management agreed to implement Recommendation 2 and has augmented its process to determine which obligation to pay a vendor from when Recovery Act funds are involved. Office of the Chief Financial Officer will consult with the Contractor Technical Representative before paying a vendor with Recovery Act funds to ensure the correct obligation is used. We have reached a management's decision on this recommendation and will continue to review USAID's Recovery Act invoicing processing as part of our review and oversight of USAID's expending and reporting of Recovery Act funds.

## **Scope and Methodology**

### ***Scope***

This review consisted of an evaluation of USAID's Recovery Act procedures to review, approve and pay invoices that were processed from November 2011 through December 2011. This review was not an audit.

### ***Methodology***

During this review, we performed the following procedures:

- Updated our understanding of the process that management has implemented to review, approve and pay Recovery Act invoices.
- Obtained and reviewed the Recovery Act obligations and supporting documentation.

- **Obtained and reviewed invoices processed by USAID under the Recovery Act from November 2011 through December 2011.**
- **Determined whether the designation “RA” was appended to the contract line item numbers on the supporting documentation for services billed on Recovery Act invoices.**
- **Determined whether all invoices paid with Recovery Act funds were allowable, allocable, and appropriately charged to the related obligation.**
- **Determined whether all invoices had the appropriate Recovery Act Checklist attached. The checklist was developed by USAID Office of the Chief Financial Officer as a result of USAID Office of the Inspector General identifying improperly paid Recovery Act invoices in August 2009 for services rendered in February and March 2009.**



February 3, 2012

**TO:** Director IG/ A/FA, Rohit Chowbay

**FROM:** Chief Financial Officer, David Ostermeyer /s/

**SUBJECT:** Improper Payments Made Under the American Recovery and Reinvestment Act of 2009 (Report No. 0-000-12-001-K)

Thank you for the opportunity to respond to the Improper Payments made under the American Recovery and Reinvestment Act of 2009. The Office of the Chief Financial Officer has reached a management decision the following two recommendations under the subject report.

**Recommendation No. 1:** We recommend that the Office of the Chief Financial Officer reimburse its Recovery Act obligations for the \$100,440 that was incorrectly paid out of the American Recovery and Reinvestment Act Funds (ARRA).

**Management Decision:** USAID management agrees with Recommendation 1. The Office of Chief Financial Officer immediately executed corrective action by posting a Journal Voucher to its financial system on December 14, 2011.

Estimated Completion Date: December 14, 2011

**Recommendation No 2:** We recommend that the Chief Financial Officer direct its Cash Management and Payment Division to consult with the Contracting Officer Technical Representative when determining the ARRA obligations from which to disburse payment for invoices that include multiple obligations.

**Management Decision:** USAID management agrees to implement Recommendation 2 and has instructed the Document Control Staff member

**to consult with the Contracting Officer Technical Representative (COTRs) when determining the ARRA obligations from which to disburse payment for invoices that include multiple vendor obligations. Will follow-up by e-mail communication to Document Control Staff and remaining ARRA COTRs.**

**Estimated Completion Date: February 13, 2012**