OFFICE OF INSPECTOR GENERAL

Audit of USAID's Financial Statements for Fiscal Years 2009 and 2008

AUDIT REPORT NO. 0-000-10-001-C
November 13, 2009

WASHINGTON, DC

Office of Inspector General

November 13, 2009

MEMORANDUM

TO: David D. Ostermeyer, Chief Financial Officer

FROM: Joseph Farinella, AIG/A /s/

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2009 and 2008

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2009 and 2008*. Pursuant to the Government Management Reform Act of 1994, USAID is required to prepare consolidated financial statements as of the end of the fiscal year. USAID is also required to submit a Performance and Accountability Report, including audited financial statements, to the Office of Management and Budget (OMB) and the Department of Treasury by November 16, 2009. In accordance with fiscal year 2009 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.

The OIG has issued unqualified opinions on each of USAID's principal financial statements for fiscal years 2009 and 2008.

With respect to internal control, we identified one deficiency that we consider to be a material weakness. The material weakness pertains to USAID's process to reconcile its Fund Balance with the U.S. Treasury. Additionally, we identified certain deficiencies in internal control that we consider to be significant deficiencies. The significant deficiencies pertain to USAID's (1) process to reconcile loans receivable, (2) accounting for accrued expenses, and (3) reconciliation of intragovernmental transactions.

We noted no instances of substantial noncompliance with Federal financial management systems requirements, Federal accounting standards, or U.S. Standard General Ledger at the transaction level as a result of our tests required by Section 803(a) of the Federal Financial Management Improvement Act of 1996.

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

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We have considered your response to the draft report and the recommendations included therein and have reached 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 that your staff extended to us during the audit. The OIG is looking forward to working with you on our audit of the fiscal year 2010 financial statements.

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SUMMARY OF RESULTS

In our opinion, USAID's consolidated balance sheets, consolidated statements of changes in net position, consolidated statements of net cost, and combined statements of budgetary resources present fairly, in all material respects, the financial position of USAID as of September 30, 2009, and 2008; and its net cost, net position, and budgetary resources for the years then ended, in conformity with generally accepted accounting principles.

We identified one deficiency in internal control that we consider to be a material weakness, related to USAID's process to reconcile its Fund Balance with the U.S. Treasury. We also identified three deficiencies in internal control considered to be significant deficiencies, related to the following aspects of USAID's financial management process to:

- Reconcile loans receivable
- Account for accrued expenses
- Reconcile intra-governmental transactions

We noted no instances of substantial noncompliance with Federal financial management systems requirements, Federal accounting standards, or U.S. Standard General Ledger at the transaction level as a result of our tests required by Section 803(a) of the Federal Financial Management Improvement Act.

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 88 countries, 46 of which have full accounting operations with USAID controllers. For the fiscal year ended September 30, 2009, USAID reported total budgetary resources of approximately $19 billion.

Pursuant to the Government Management Reform Act of 1994, USAID is required to submit audited financial statements to the Office of Management and Budget (OMB) annually. Pursuant to this act, for fiscal year (FY) 2009, 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
- Other Required Supplementary Information

AUDIT OBJECTIVE

The Office of Inspector General (OIG) performed these audits to answer the following question:

> Did USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for fiscal years 2009 and 2008?

In our opinion, the financial statements referred to above present fairly, in all material respects and in conformity with accounting principles generally accepted in the United States of America, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2009, and 2008, and for the years then ended.

In accordance with *Government Auditing Standards*, the OIG has also issued reports, dated November 13, 2009, 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.

INDEPENDENT AUDITOR'S REPORT ON USAID'S FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2009, and 2008, and the consolidated statements of changes in net position, consolidated statements of net cost, and combined statements of budgetary resources of USAID for the years ended September 30, 2009, and 2008. 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 our 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 No. 07-04, *Audit Requirements for Federal Financial Statements*. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, and in conformity with accounting principles generally accepted in the United States of America, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2009, and 2008, and for the years then ended.

Management's Decision and Analysis and Required Supplementary Information sections are not a required part 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 13, 2009, 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 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.

Office of Inspector General

USAID, Office of Inspector General
November 13, 2009

REPORT ON INTERNAL CONTROL

We have audited the consolidated balance sheets of USAID as of September 30, 2009, and 2008. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, and combined statements of budgetary resources for the fiscal years ended September 30, 2009, and 2008, and have issued our report thereon dated November 13, 2009. 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2009 and 2008, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of 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 No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, 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 certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified one deficiency in internal control that we consider to be a material weakness, as defined above, relating to USAID's reconciliation of its Fund Balance with the U.S. Treasury.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in USAID's internal control:

- Process to Reconcile Loans Receivable Is Not Effective and Does Not Resolve Differences In A Timely Manner
- Accrual Reporting System Does Not Record Accrued Expenses Accurately

- Intragovernmental Transactions Remain Unreconciled

Management's Decision and Analysis and Required Supplementary Information sections are not a required part 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 the internal control over financial reporting, which we reported to USAID management in a separate letter dated November 16, 2009.

Material Weakness

USAID Does Not Reconcile Its Fund Balance with Treasury Account with the U.S. Treasury and Resolve Reconciling Items in a Timely Manner *(Repeat Finding)*

USAID continues to have large unreconciled differences between the Fund Balance with Treasury account recorded in its financial accounting system (Phoenix) and the Fund Balance reported by the U.S. Department of the Treasury (Treasury). As of September 30, 2009, these differences totaled $45 million net ($711 million absolute value). These differences occurred because USAID frequently recorded third party payments in its general ledger in appropriations that were different from the appropriations in which Treasury recorded the identical payments. As noted in prior years and continuing for the first two quarters of fiscal year (FY) 2009, USAID did not report all monthly cash disbursements and cash receipts that were recorded in Phoenix on the Statement of Transactions (SF-224) and instead reported only transactions that agreed with Treasury's records. Some of the transactions that constituted the differences were reported on USAID's SF-224 but were not recorded in Phoenix. Other transactions, many dating back several years, were recorded in the suspense account but not reported on USAID's SF-224. During FY 2009, USAID obtained a waiver from Treasury to record transactions in the suspense account. Treasury requires that all such transactions be resolved within 60 days. USAID acknowledged that it did not meet this requirement in its annual certification to Treasury in July 2009 and committed to do so by the end of FY 2010.

Treasury's reconciliation procedures state that an agency may not arbitrarily adjust its Fund Balance with Treasury account, and may only do so after clearly establishing the causes for any errors and properly correcting those errors. USAID CFO Bulletin 06-1001, *Reconciliations with U.S. Treasury*, requires USAID to perform timely monthly reconciliations with Treasury and requires a certification that reconciliations have been performed in accordance with TFM Volume 1, Part 2-5100.

In FY 2009, USAID implemented a plan that identifies, tracks, and resolves historical and current year unreconciled items. In addition, USAID has established the Cash Reconciliation Team to strengthen USAID's reconciliation process and the Data Integrity Team to investigate and resolve the cash balance differences that have arisen from past transactions. The plan has achieved significant success but large differences persist. Management believes that all differences will be resolved before the end of FY 2010. As a result of these differences, USAID recorded adjustments of $45 million at the end of FY 2009 to ensure that the Fund Balance with Treasury account agreed with the balance reported on Treasury's Form 2108, Year End Closing Statement. We recognize that this will be an ongoing effort and will monitor USAID's progress during future audits. Therefore, we are making the following recommendation:

> *Recommendation No 1: We recommend that USAID's Chief Financial Officer intensify efforts to reconcile current monthly transactions with Treasury and identify, track, and resolve legacy differences recorded in the suspense accounts and in other appropriation accounts.*

Significant Deficiencies

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

During our review of the Loans Receivable account, we noted that USAID continues to have large unreconciled differences between amounts recorded in its general ledger (Phoenix) and amounts recorded in the financial accounting system of its loan services provider. USAID has contracted with Midland Loan Services, a subsidiary of PNC Financial Services Group, Inc., to service its loan portfolio and to maintain accurate loan balances. Midland processes USAID's loan transactions in the Enterprise Loan System (ELS) and runs a monthly interface between the ELS and Phoenix to ensure that the information in the ELS agrees with the information in Phoenix. This interface is necessary because Phoenix does not use the same accounting identification information for the loans that are recorded and maintained in Midland's ELS. USAID uploads loan transactions to Phoenix through a general ledger translation table created by USAID. However, USAID does not possess sufficient knowledge or understanding of the General Ledger Interface Translation Table that Midland transmits to upload transactions to Phoenix and Midland does not provide adequate support that clearly identifies the transactions that require adjustments before they are recorded in the Phoenix accounting system.

In prior periods, the translation table had not been adequately updated, and some transactions were not captured by Phoenix. This caused significant differences between Phoenix and ELS. Although USAID has made improvements, large unreconciled differences between the two systems remain. These differences persist because USAID continues to rely on loan data from borrowers that have not been reconciled since Midland took over the loan servicing functions in 1999. In addition, USAID does not obtain and review adequate data that support loan balances in the loan services provider's records that are uploaded to USAID's general ledger. Over the past year, USAID has made progress in investigating and resolving these differences, but as of September 30, 2009, a net difference of $153 million between the two systems remained. USAID recorded audit adjustments of $153 million to bring Phoenix 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 general ledger at the end of the accounting period. SFFAS Technical Release Number 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act,* requires the Agency to maintain an audit trail from individual transactions in the subsidiary ledger to the general ledger.

Because USAID is required to maintain accurate and complete records of all outstanding loans, both direct loans and loans guaranteed by the U.S. Government, we are making the following recommendation:

> *Recommendation No. 2: We recommend that the Chief Financial Officer develop and implement procedures to conduct a thorough reconciliation of the outstanding loan balances maintained in its accounting system with those maintained by Midland and those reported by the borrowers.*

USAID's Accrual Reporting System Does Not Record Accrued Expenses Accurately

USAID's process for calculating and recording accrued expenses is not operating effectively. We reviewed USAID's quarterly accrual transactions and the methodology used to calculate those amounts, as well as each quarter's accrual reconciliation report, to determine whether disbursements made after the initial accrual calculation were properly deducted from the corresponding accrued amounts before the final accrued expenses were recorded in the financial accounting system. When USAID contracts for goods or services, in some instances, the initial contract is amended for additional or new services related to the original scope of work. When this occurs, USAID issues task orders as amendments to the original contract and records obligations against each task order. However, all disbursements made for work on the initial contract or the amendments are identified by the obligation number that was created when the original obligation against the initial contract was recorded. During our review, we identified 4,755 instances totaling $115 million that occurred in FY 2009, in which disbursements for services related to original contracts and subsequent task orders were not fully deducted from the calculated accrual amounts that were initially recorded by the Contracting Officer Technical Representative.

Specifically, when more than one task order was funded under the initial contract and a disbursement exceeded the accrual amount on the initial contract, the excess amount was not deducted from the obligation related to the task order. Therefore, the accrual amount related to that initial contract and its amendments were overstated in USAID's financial accounting system. We conducted tests of the details of each quarterly accrual and found that the total overstatement for the entire year was approximately $115 million. This overstatement occurred because of a flaw in the financial accounting system script used by USAID that does not allow for disbursements that exceed accruals under original contracts to be applied to accruals related to other amendments under the same contract before the calculated accrual is recorded against the initial contract obligation. As of September 30, 2009, we determined that the accounts payable and accrued expenses reported in the financial statements were overstated by approximately

$16 million. As a result, we proposed an adjustment for the $16 million to accurately reflect USAID's accounts payable and accrued expenses in the general ledger.

USAID's Automated Directive System 631.3.4, *Accrued Expenditures*, states that the modified accrual estimates must be updated for payments made after the initial accrual amount has been recorded in the Phoenix accounting system. Because of the flaw in USAID's financial accounting system, which does not allocate disbursements against all related accruals, we are making the following recommendation:

> *Recommendation No. 3: We recommend that the Chief Financial Officer rectify the flaw in the financial accounting system script to ensure that payments made for amounts accrued are applied to the related contract or task order accruals before quarterly accruals are recorded against the original contract obligation in the accounting system.*

Intragovernmental Transactions Remain Unreconciled

(Repeat Finding)

USAID continues to have a large number of intragovernmental transactions that have not been reconciled. As of September 30, 2009, the U.S. Treasury reported a net difference of $3.1 billion in intragovernmental transactions between USAID and other Federal agencies. Of this amount, USAID was required to reconcile $101 million in accordance with OMB Circular A-136, *Financial Reporting Requirements*, and the U.S. Department of Treasury's (Treasury) *Federal Intragovernmental Transactions Accounting Policies Guide, section 17.1*. These differences which are reported by Treasury each quarter in the Material Differences/Status of Disposition Certification Report[1] represent differences identified by Treasury between USAID's records and those of its Federal trading partners that exceed $50 million or the assurance threshold which is determined by Treasury. In its third and fourth quarter material difference reports Treasury did not report any difference greater than $50 million but reported lesser differences totaling $101 million. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist, including the $101 million that should have been reconciled with four different Federal agencies. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different accounting methodologies to record them.

USAID is continuously researching intragovernmental activity and developing new tools in order to improve USAID's reconciliation process and eliminate the differences. While 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 in each set of records to ensure that they are in agreement and that long-term accounting policy differences can be identified. Until these differences are eliminated, USAID's financial statements are subject to error, to the extent of unreconciled intragovernmental activity.

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[1] The Material Differences/Status 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.

Although $3 billion of the $3.1 billion of net differences reported between USAID and the U.S. Treasury general fund are not required to be reconciled, Treasury does suggest 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 identified similar conditions related to USAID's reconciliation of intragovernmental process in a previous audit report[2] 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.

Other Matters

GAO Financial Audit Manual requires the auditor to disclose whether material weaknesses identified during the audit were identified in USAID's Federal Managers' Financial Integrity Act report. In the FY 2009 Report on Internal Control, OIG reported a material weakness pertaining to USAID's reconciliation of its Fund Balance with Treasury account. USAID did not report this material weakness. Instead, it reported this as a significant deficiency.

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 and 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 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.

Office of Inspector General

USAID, Office of Inspector General
November 13, 2009

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[2] *Report on the Audit of USAID's Financial Statements for Fiscal Years 2008 and 2007*, p. 9, November 13, 2008, http://www.usaid.gov/oig/public/fy08rpts/0-000-09-001-c.pdf.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the consolidated balance sheets of USAID as of September 30, 2009, and 2008. We have also audited the consolidated statements of changes in net position, consolidated statements of net cost, and combined statements of budgetary resources for the fiscal years ended September 30, 2009, and 2008, 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 No. 07-04, *Audit Requirements for Federal Financial Statements.*

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 Federal Managers' Financial Integrity Act (FMFIA). Appendix A of OMB Circular A-123 contains an assessment process that management should implement in order to properly 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 2009, USAID monitored key business processes and followed up on recommendations made in prior years. For FY 2009, USAID, in its Management Assurance Report to the President and Congress, identified and reported the following significant deficiencies:

- Accrual Module does not always reduce accruals by subsequent payments
- USAID/Washington and Missions continue to have large unreconciled

differences, beyond 60 days, in the Outstanding Suspense Aging Report
- USAID's reconciliation of Loans Receivable is not adequate and does not resolve differences between USAID and its loans services provider.

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 United States Government Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. We noted no instances of substantial noncompliance with Federal financial management systems requirements, Federal accounting standards, or USSGL accounting at the transaction level. In our Report on Internal Control, we identified the following areas for improvement over several financial system processes, not affecting substantial compliance:

- Reconciliation of Fund Balance with the U.S. Treasury
- Reconciliation of loans receivable
- Accounting for accounts payable and accrued expenses
- 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 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.

Office of Inspector General

USAID, Office of Inspector General
November 13, 2009

EVALUATION OF MANAGEMENT COMMENTS

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

USAID management agreed to implement recommendation No. 1 and commented that the Chief Financial Officer's (CFO) office accepts this recommendation. USAID management also commented that last year, the CFO made good progress on reconciling cash transactions that USAID originates. USAID's CFO further commented that his office will focus in FY 2010 on eliminating legacy differences and differences caused by transactions made by third party payment service providers on USAID's behalf. The target completion date is September 30, 2010. We have reached management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2010 GMRA audit.

USAID management agreed to implement recommendation No. 2 and promised to make significant progress in investigating and resolving loans receivable differences. The target completion date is September 30, 2010. We have reached management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2010 GMRA audit.

USAID management agreed to implement recommendation No. 3 and commented that Management agrees that the script used to adjust accruals for late payments is faulty. The CFO commented that the script does not accurately subtract all payments, causing accruals to be overstated. The CFO noted that USAID's contractor for Phoenix, CGI, has begun development of a modification to the payment adjustment script that will eliminate this weakness. The current plan is to have the enhanced script included with the Momentum 6.3.1 release in June 2010. The CFO commented that the FY 2010 third quarter accruals will be adjusted completely and accurately for all payments made during the accrual cycle. The target completion date is July 7, 2010. We have reached management decision to this recommendation and will review USAID's implementation of this recommendation during our FY 2010 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 the Federal Managers Financial Integrity Act (FMFIA) are met; (3) ensuring that USAID's financial management systems substantially comply with the requirements of Federal Financial Management Improvement Act of 1996 (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 generally accepted accounting principles. The 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 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, the 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; and
- 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
- Improper Payments Information Act
- Prompt Payment Act
- Debt Collection Improvement Act
- Federal Credit Reform Act
- 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, 2009, and 2008. 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 $267 million for any individual statement to be material to the presentation of the overall financial statements.

Federal Financial Management Improvement Act

We assessed whether USAID was substantially compliant with section 803(a) of the FFMIA which requires agencies to report whether their financial management systems substantially comply with: (1) Federal financial management systems requirements; (2) applicable Federal accounting standards; and (3) the United States Government Standard General Ledger (USSGL) at the transaction level. To perform our review, we conducted assessments, with contractor support, of USAID's time and attendance system (Web TA) and Phoenix financial management systems to determine whether the systems substantially complied with selected mandatory requirements contained in the Financial Systems Integration Office, formerly known as the Joint Financial Management Improvement Program, A*cquisition/Financial Systems Interface Requirements* dated June 2002.

In conducting our review, we held discussions with Web TA and Phoenix officials as well as contract and Agency systems personnel to obtain the necessary documentation to support our compliance assessment. Our review disclosed that USAID has implemented 19 systems changes since Phoenix was determined to be compliant in FY 2006. However, none of the changes resulted in USAID not being compliant with FFMIA. In addition, we requested and obtained a memorandum from the Office of the Chief Financial Officer certifying that FY 2009 upgrades or changes to the Phoenix accounting system did not result in USAID being substantially noncompliant with FFMIA.

We also evaluated USAID's financial transactions that were recorded in Phoenix to determine if they were compatible with Federal accounting standards and the USSGL at the transaction level and we did not observe any exceptions. We concluded therefore, that our review found no instances of substantial noncompliance with any of the three FFMIA section 803 (a) requirements.

MANAGEMENT COMMENTS

MEMORANDUM

TO: AIG, Joseph Farinella

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

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2009 and 2008 (Report No. 0-000-10-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2009 and 2008* and for the professionalism and dedication exhibited by your staff throughout this entire process.

Fiscal Year (FY) 2009 was another significant year for federal financial management at USAID. For the first time in many years, the Inspector General's annual report to the Acting Administrator did not list Financial Management among USAID's most serious management and performance challenges. We are gratified that the USAID Inspector General will issue unqualified opinions on all four principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are greatly appreciated.

Following are our comments and management decisions regarding the findings and proposed audit recommendations:

Material Weakness: USAID Does Not Reconcile its Fund Balance with Treasury Account with the U.S. Treasury and Resolve Reconciling Items In a Timely Manner (Repeat Finding)

Recommendation No 1: We recommend that USAID's Chief Financial Officer intensify efforts to reconcile current monthly transactions with Treasury and identify, track and resolve legacy differences recorded in the suspense accounts and in other appropriation accounts.

Management Decision: We accept the recommendation. Last year, the Chief Financial Officer (CFO) made good progress on reconciling cash transactions that USAID originates. The CFO will focus in FY 2010 on eliminating legacy differences and differences caused by transactions made by third party payment service providers on USAID's behalf.

Target completion date: September 30, 2010

Significant Deficiency: USAID's Process to Reconcile Loans Receivable Is Not Effective And Does Not Resolve Differences Between USAID and Its Loan Services Provider In A Timely Manner (Repeat Finding)

Recommendation No. 2: We recommend that the Chief Financial Officer develop and implement procedures to conduct a thorough reconciliation of the outstanding loan balances maintained in its accounting system with those maintained by Midland and those reported by the borrowers.

Management Decision: We agree to implement the recommendation. We will make significant progress in investigating and resolving differences.

Target completion date: September 30, 2010

Significant Deficiency: USAID's Accrual Reporting System Does Not Record Accrued Expenses Accurately

Recommendation No. 3: We recommend that the Chief Financial Officer rectify the flaw in the financial accounting system script to ensure that payments made for amounts accrued are applied to the related contract or task order accruals before quarterly accruals are recorded against the original contract obligation in the accounting system.

Management Decision: We agree to implement the recommendation. Management agrees that the script used to adjust accruals for late payments is faulty. The script does not accurately subtract all payments, causing accruals to be overstated. Our contactor for Phoenix, CGI, has begun development of a modification to the payment adjustment script that will eliminate this weakness. The current plan is to have the enhanced script included with the Momentum 6.3.1 release in June 2010. The FY 2010 Q3 accruals will be adjusted completely and accurately for all payments made during the accrual cycle.

Target completion date: July 7, 2010

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

There are no recommendations associated with this significant deficiency. The CFO has implemented corrective actions related to audit recommendations issued under the GMRA audit reports for FYs 2005-2008. USAID requires more cooperation from its trading partners if we are to eliminate differences altogether but we will keep trying to improve, consistent with other demands on our resources.

In closing, I would like to confirm USAID's commitment to continual improvement in financial management. I intend to ensure that all necessary steps are taken to institutionalize strong financial management performance throughout the Agency. We will continue the improvements made in the last few years as we work hard to develop and implement long-term solutions to address the issues cited in your report.

STATUS OF PRIOR YEAR 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 2008 Findings and Recommendations

Recommendation No. 1: We recommend that USAID's Chief Financial Officer implement a process in accordance with the Supplement to Treasury Financial Manual Volume 1, Part 2-5100, section V (A), Periodic Review and Evaluation, to perform and document monthly reconciliation of its Fund Balance with Treasury account with the U.S. Treasury and to identify, track, and resolve all differences in a timely manner.

Status: The Chief Financial Officer (CFO) noted that USAID will need additional resources to implement this recommendation. USAID implemented a process that documents its reconciliations, and identifies and tracks all differences for the headquarters paying location until they are resolved. USAID has made progress in this area but large differences still remain. USAID has established the Cash Reconciliation Team to strengthen USAID's reconciliation process and the Data Integrity Team to investigate and resolve the cash balance differences that have arisen from past transactions. Target completion date: September 30, 2010.

Recommendation No. 2: We recommend that USAID's Office of the Chief Financial Officer implement procedures to reconcile loans receivable balances in Phoenix with the loans receivable balances in Midland's Enterprise Loan System and to investigate and resolve differences in a timely manner.

Status: USAID has made progress in investigating and resolving differences but large differences remain. Target completion date: September 30, 2009 has been achieved.

Recommendation No. 3: We recommend that the Chief Financial Officer develop and implement procedures to ensure that cognizant technical officers review and validate the quarterly accounts payable and accrued expenses amounts generated by the Accrual Reporting System before that information is recorded in the general ledger.

Status: USAID CFO noted that formal and detailed procedures were developed and disseminated throughout the Agency to provide clear guidance, particularly to Cognizant Technical Officers, on the correct preparation and recording of quarterly accrued expenditures. Target Completion date of September 30, 2009 has been achieved.

Recommendation No. 4: We recommend that the Chief Financial Officer develop and implement an overall plan to identify and correct the errors in the posting models and to maintain, update, and test posting models on a periodic basis.

Status: The CFO noted that USAID has resolved some of the errors identified during the audit. CFO has implemented an ongoing "tie point" review process to identify and correct errors in the posting models, and we will expand these efforts. Target completion date of June 30, 2009 has been achieved.

Status of 2005 Findings and Recommendations

In FY 2005 audit report, the 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: USAID has implemented this recommendation but significant differences still remain. However, USAID is continuously researching intragovernmental activity and developing new tools in order to improve USAID's reconciliation process and eliminate the differences.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2009 and 2008
(In Thousands)

	2009	2008
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2 and 15)	$ 21,437,709	$ 19,181,073
Accounts Receivable (Note 3)	220	220
Other Assets (Note 4)	12,014	1,753
Total Intragovernmental	21,449,943	19,183,046
Cash and Other Monetary Assets (Note 5)	322,851	302,628
Accounts Receivable, Net (Note 3)	84,654	267,029
Direct Loans and Loan Guarantees, Net (Note 6)	3,762,680	3,988,662
Inventory and Related Property, Net (Note 7)	22,711	32,729
General Property, Plant, and Equipment, Net (Notes 8 and 9)	117,794	94,269
Advances (Note 4)	377,803	497,223
Total Assets	**$ 26,138,436**	**$ 24,365,586**
LIABILITIES (Note 17):		
Intragovernmental:		
Accounts Payable (Note 10 and 15)	$ 2,552	$ 48,389
Debt (Note 11)	477,381	477,372
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	3,468,201	3,737,917
Other Liabilities (Note 12)	67,735	159,437
Total Intragovernmental	4,015,869	4,423,115
Accounts Payable (Note 10)	1,834,079	1,869,874
Loan Guarantee Liability (Note 6)	2,283,273	1,606,876
Federal Employee and Veteran's Benefits (Note 13)	26,885	21,269
Other Liabilities (Notes 10, 12, and 13)	507,155	459,977
Total Liabilities	**8,667,261**	**8,381,111**
Commitments and Contingencies (Note 14)	1,310	–
NET POSITION:		
Unexpended Appropriations	16,464,124	14,982,084
Cumulative Results of Operations	1,005,741	1,002,391
Total Net Position (Note 15)	**$ 17,469,865**	**$ 15,984,475**
Total Liabilities and Net Position	**$ 26,138,436**	**$ 24,365,586**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2009 and 2008
(In Thousands)

OBJECTIVES	2009	2008
Peace and Security:		
Gross Costs	$ 983,269	$ 846,976
Less: Earned Revenue	(3,631)	(2,161)
Net Program Costs	979,638	844,815
Governing Justly and Democratically:		
Gross Costs	1,759,735	1,413,922
Less: Earned Revenue	(5,969)	(3,800)
Net Program Costs	1,753,766	1,410,122
Investing in People:		
Gross Costs	3,466,346	3,941,083
Less: Earned Revenue	(408,333)	(278,465)
Net Program Costs	3,058,013	3,662,618
Economic Growth:		
Gross Costs	4,418,757	2,497,065
Less: Earned Revenue	(794,252)	(133,679)
Net Program Costs	3,624,505	2,363,386
Humanitarian Assistance:		
Gross Costs	1,460,372	594,418
Less: Earned Revenue	(4,718)	(12,397)
Net Program Costs	1,455,654	582,021
Operating Unit Management:		
Gross Costs	145,198	58,507
Less: Earned Revenue	(1,023)	(162)
Net Program Costs	144,175	58,345
Net Costs of Operations (Notes 16 and 17)	**$ 11,015,751**	**$ 8,921,307**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2009 and 2008
(In Thousands)

	2009 Consolidated Total	2008 Consolidated Total
Cumulative Results of Operations:		
Beginning Balances	$ 1,002,391	$ 415,605
Beginning Balances, as Adjusted	1,002,391	415,605
Budgetary Financing Sources:		
Appropriations Used	10,796,496	9,397,644
Donations and Forfeitures of Cash and Cash Equivalents	76,897	87,774
Transfers-in/out without Reimbursement	132,445	165
Other Financing Sources (Non-Exchange):		
Imputed Financing	13,263	22,509
Total Financing Sources	11,019,101	9,508,092
Net Cost of Operations	(11,015,751)	(8,921,307)
Net Change	3,350	586,785
Cumulative Results of Operations:	1,005,741	1,002,391
Unexpended Appropriations:		
Beginning Balance	14,982,084	14,787,230
Beginning Balance, as Adjusted	14,982,084	14,787,230
Budgetary Financing Sources:		
Appropriations Received	12,187,744	9,389,158
Appropriations Transferred in/out	121,792	370,567
Other Adjustments	(31,000)	(167,227)
Appropriations Used	(10,796,496)	(9,397,644)
Total Budgetary Financing Sources	1,482,040	194,854
Total Unexpended Appropriations	16,464,124	14,982,084
Net Position	**$ 17,469,865**	**$ 15,984,475**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2009 and 2008
(In Thousands)

	2009		2008	
	Budgetary	**Non-Budgetary Credit Reform**	**Budgetary**	**Non-Budgetary Credit Reform**
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 3,908,007	$ 1,616,689	$ 3,271,812	$1,582,317
Recoveries of Prior Year Unpaid Obligations	391,919	28	211,228	2
Budget Authority:				
Appropriations	12,263,857	1	9,478,641	–
Borrowing Authority (Note 11)	–	13	–	3,313
Spending Authority from Offsetting Collections:				
Earned:				
Collected	1,020,840	216,823	1,163,545	197,609
Change in Receivables from Federal Sources	(2,703)	–	–	–
Change in Unfilled Customer Orders:				
Without Advance from Federal Sources	8,373	(35)	(52,966)	–
Subtotal	13,290,367	216,802	10,589,220	200,922
Nonexpenditure Transfers, Net, Anticipated and Actual	154,587	–	354,552	–
Permanently Not Available	(616,512)	–	(893,394)	–
Total Budgetary Resources	**$ 17,128,368**	**$ 1,833,519**	**$13,533,418**	**$ 1,783,241**
Status of Budgetary Resources:				
Obligations Incurred: (Note 18)				
Direct	$ 11,323,163	$ 190,089	$ 9,302,741	$ 166,533
Reimbursable	444,804	(18)	328,612	18
Subtotal	11,767,967	190,071	9,631,353	166,551
Unobligated Balance:				
Apportioned (Note 2)	4,148,492	3,514	2,400,824	7,599
Subtotal	4,148,492	3,514	2,400,824	7,599
Unobligated Balance Not Available (Note 2)	1,211,909	1,639,934	1,501,241	1,609,091
Total Status of Budgetary Resources (Note 18)	**$ 17,128,368**	**$ 1,833,519**	**$13,533,418**	**$ 1,783,241**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2009 and 2008
(In Thousands)

	2009		2008	
	Budgetary	**Non-Budgetary Credit Reform**	**Budgetary**	**Non-Budgetary Credit Reform**
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	$ 13,725,579	$ (695)	$ 14,292,483	$ 28,669
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(22,044)	–	(75,010)	–
Total Unpaid Obligated Balance, Net (Note 18)	13,703,535	(695)	14,217,473	28,669
Obligations Incurred Net (+/-)	11,767,967	190,071	9,631,353	166,551
Less: Gross Outlays	(10,679,531)	(189,988)	(9,987,029)	(195,914)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(391,919)	(28)	(211,228)	(2)
Change in Uncollected Customer Payments from Federal Sources (+/-)	(5,670)	35	52,966	–
Obligated Balance, Net, End of Period				
Unpaid Obligations	14,422,096	(640)	13,725,579	(695)
Less: Uncollected Customer Payments from Federal Sources	(27,714)	35	(22,044)	–
Total, Unpaid Obligated Balance, Net, End of Period	14,394,382	(605)	13,703,535	(695)
Net Outlays:				
Gross Outlays	10,679,531	189,988	9,987,028	195,914
Less: Offsetting Receipts (Note 18)	(1,020,840)	(216,823)	(1,163,545)	(197,609)
Less: Distributed Offsetting Receipts	(182,729)	–	(179,387)	–
Net Outlays	**$ 9,475,962**	**$ (26,835)**	**$8,644,096**	**$ (1,695)**

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 recommended 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 set 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.

American Recovery and Reinvestment Act

Recovery Act funds are for immediate 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.

Programs

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

Democracy Fund

This fund is for the necessary expenses to carry out the provisions of the Foreign Assistance Act of 1961 which is to promote democracy globally. This fund specifically is intended for programs that that support good governance, human rights, independent media, and the rule of law, and otherwise strengthen the capacity of democratic political parties, governments, nongovernmental organizations and institutions, and citizens to support the development of democratic states, institutions, and practices that are responsive and accountable to citizens.

Assistance for Europe, Eurasia, and Central Asia

Funds appropriated under this heading shall be considered to be economic assistance under the Foreign Assistance Act of 1961. These funds are available for the Southern Caucasus region may be used for confidence-building measures and other activities in furtherance of the peaceful resolution of conflicts, to include conflicts in Nagorno-Karabagh.

Funds appropriated in prior years under the headings "Independent States of the Former Soviet Union" and "Assistance for Eastern Europe and the Baltic States" shall be available under this heading. That withstanding, this account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support U.S. foreign policy goals of consolidating 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.

Iraq Relief and Reconstruction Fund

This fund supports necessary expenses related to providing humanitarian assistance in and around Iraq and to carrying out the Foreign Assistance Act of 1961 as it relates to rehabilitation and reconstruction in Iraq. These include costs of (1) water/sanitation infrastructure,(2) feeding and food distribution, (3) supporting relief efforts related to refugees, internally displaced persons, and vulnerable individuals, including assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations, (4) electricity,(5) healthcare,(6) telecommunications,(7) economic and financial policy, (8) education, (9) transportation, (10) rule of law and governance, (11) humanitarian de-mining, and (12) agriculture.

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, supports initiatives intended to stabilize population growth, protects the environment, and fosters 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.

Special Assistance Initiatives

This program provides funds for democratic and economic restructuring in Central and Eastern European countries consistent with the objectives of the Support for the East European Democracy (SEED) Act. All SEED Act programs support one or more of the following strategic objectives: promoting broad-based economic growth with an emphasis on privatization, legal and regulatory reform, and support for the emerging private sector; encouraging democratic reforms; and improving quality of life, including protecting the environment and providing humanitarian assistance.

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 provides assistance in disaster preparedness, prevention, and mitigation. It also provides emergency commodities and services for immediate healthcare and nutrition. The fund also ensures that USAID staff is able to respond to emergencies throughout the world in a timely manner.

Global Health and Child Survival

This program 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 major infectious diseases such as polio and malaria; and to expand access to quality basic education for girls and women.

Transition Initiatives

This account funds humanitarian programs that provide post-conflict assistance to victims of natural and man-made disasters. Until FY 2001, this type of assistance was funded under the International Disaster Assistance account. This 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 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 supports private sector activities in developing countries by providing direct loans and loan guarantees to support local micro and small enterprises. Although the MSED program is still active, the bulk of USAID's new loan guarantee activity is handled through the Development Credit Authority (DCA) program.

- ***Israeli Loan Guarantee Program***

  Congress enacted the Israeli 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, to be borrowed in $2 billion annual increments. Borrowing was completed under the program during FY 1999, with approximately $9.2 billion being guaranteed. Guarantees are made by USAID on behalf of the U.S. Government, with funding responsibility and basic administrative functions guarantees for Israel, not to exceed $9 billion and $1.3 billion in guarantees were resting with USAID. In FY 2003, Congress authorized a second portfolio of loans issued under this portfolio during FY 2003.

- ***Development Credit Authority***

  The first obligations for USAID's new Development Credit Authority (DCA) were made in FY 1999. 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 percent 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. 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 fiscal year 2005 before the expiration of the program.

Fund Types

The 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 fund, revolving fund, trust fund, deposit funds, 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. At the point of collection, these receipts are unavailable, depending upon statutory requirements, or available immediately.

The capital investment fund contains no year 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) amount 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 waiting 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, until that account is canceled. When accounts are canceled five years after they expire, amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

Division A, Title VII, Section 611 found on page 474 of H. R. 2764, known as the "Consolidated Appropriations Act, 2008" and signed into law as P.L.110-161, provides to USAID extended authority to obligate funds. USAID's appropriations acts for years have consistently provided essentially similar authority. It is commonly known as "511/517" authority, a name that is based on references to the sections of the previous appropriations acts. Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations. The appropriations are categorized as annual, multi-year, and no-year appropriations that may be used within statutory limits. Appropriations are recognized as revenues 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.

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 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 were payable to USAID from other agencies, other governments and the public in exchange for goods and services rendered to others. Imputed revenues are reported in the financial statements to offset the imputed costs.

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 the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on translation 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 that have not been collected for a period of over one year.

I. LOANS RECEIVABLE

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.

For loans obligated on or after October 1, 1991, the loans receivable 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 changes 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 credit programs receivable balance.

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 is comprised of operating materials and supplies. Some operating materials and supplies are held for use and consist mainly of computer paper and other expendable office supplies not in the hands of the user. USAID also has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These consist of tents, vehicles, and water purification units. The Agency also has birth control supplies stored at several sites.

USAID's office supplies are deemed items held for use because they are tangible personal property to be consumed in normal operations. Agency supplies held in reserve for future use are not readily available in the market, or 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. Rent for this property is expensed. 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, has 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 fiscal 1992, USAID cannot make new loans or guarantees without an appropriation available to fund the cost of making the loan or guarantee. This cost is known as "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 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 time the employees provide the related services. 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 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 are also part of net position. This account 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 receivables, net of allowances.

T. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program expenses by objective are obtained directly from Phoenix, the Agency general ledger. Mission related program expenses by objective are obtained from Phoenix. 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 Justice
- 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
- United States Department of Agriculture, Commodity Credit Corporation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2009 and 2008 consisted of the following:

FUND BALANCE WITH TREASURY
(In Thousands)

Fund Balance	2009	2008
Trust Funds	$ 50,238	$ 49,614
Revolving Funds	4,328,092	3,689,191
Appropriated Funds	16,927,098	15,458,588
Other Funds	132,281	(16,320)
Total	$ 21,437,709	$ 19,181,073
Status of Fund Balance with Treasury	**2009**	**2008**
Unobligated Balance		
Available	$ 4,152,006	$ 2,408,423
Unavailable	2,851,843	3,110,332
Obligated and Other Balances Not Yet Disbursed (Net)	14,433,860	13,662,318
Total	$ 21,437,709	$ 19,181,073

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 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 crosswalk for the Statement of Budgetary Resources the expired fund balance is included in line 10C which is the unobligated balance not available.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2009 and 2008 are as follows:

ACCOUNTS RECEIVABLE, NET (In Thousands)	Receivable Gross	Allowance Accounts	Receivable Net 2009	Receivable Net 2008
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 761	$ N/A	$ 761	$ 761
Accounts Receivable from Federal Agencies	616,309	N/A	616,309	52,001
Less Intra-Agency Receivables	(616,850)	N/A	(616,850)	(52,542)
Total Intragovernmental Account Receivables	220	N/A	220	220
Accounts Receivable to the Public	82,850	1,804	84,654	267,029
Total Receivables	$ 83,070	$ 1,804	$ 84,874	$ 267,249

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 percent collectible.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of non-program related receivables such as overdue advances, unrecovered advances, audit findings, and any interest related to these types of receivables. A 100 percent allowance for uncollectible amounts is estimated for accounts receivable due from the public, which are more than one year past due. 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, 2009 and 2008 consisted of the following:

ADVANCES (In Thousands)	2009	2008
Intragovernmental		
Advances to Federal Agencies	$ 12,014	$ 1,753
Total Intragovernmental	12,014	1,753
Advances to Contractors/Grantees	310,343	376,804
Advances to Host Country Governments and Institutions	59,136	114,122
Advances, Other	8,324	6,297
Total with the Public	377,803	497,223
Total Other Assets	$ 389,817	$ 498,976

FY 2009 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, 2009 and 2008 are as follows:

CASH AND OTHER MONETARY ASSETS
(In Thousands)

Cash and Other Monetary Assets	2009	2008
Imprest Fund-Headquarters	$ 5	$ 5
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	50	50
Foreign Currencies	322,796	302,573
Total Cash and Other Monetary Assets	$ 322,851	$ 302,628

USAID has imprest funds in various overseas locations. These funds are provided by the Department of State overseas U.S. Disbursing Officers to which USAID is liable for any shortages. The cumulative balance of imprest funds provided to USAID by the Department of State was $5 million in FY 2009 and $5 million in FY 2008. These imprest funds are not included in USAID's Consolidated Balance Sheet.

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled to $322.9 million in FY 2009 and $302.6 million in FY 2008. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOAN 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

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)

	2009	2008
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 3,314,440	$ 3,489,183
Net Direct Loans Obligated After 1991 (Present Value Method)	288,912	282,738
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	159,328	216,741
Total Loans Receivable, Net as reported on the Balance Sheet	$ 3,762,680	$ 3,988,662

DIRECT LOANS

DIRECT LOANS

(In Thousands)

Loan Programs	Loans Receivables 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, 2009:				
Direct Loans	$ 3,962,336	$ 260,642	$ 908,538	$ 3,314,440
MSED	29	–	29	–
Total	$ 3,962,365	$ 260,642	$ 908,567	$ 3,314,440
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2008:				
Direct Loans	$ 4,429,500	$ 346,969	$ 1,287,285	$ 3,489,183
MSED	29	32	61	–
Total	$ 4,429,529	$ 347,001	$ 1,287,346	$ 3,489,183

Loan Programs	Loans Receivables 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, 2009:				
Direct Loans	$ 1,027,918	$ 12,732	$ (800,470)	$ 240,179
UE - Subrogated Claims	40,974	2,461	5,480	48,915
MSED	150	–	(333)	(183)
Total	$ 1,069,042	$ 15,193	$ 795,323	$ 288,911
Direct Loans Obligated After 1991 as of September 30, 2008:				
Direct Loans	$ 1,165,515	$ 5,138	$ 887,732	$ 282,921
MSED	150	24	357	(183)
Total	$ 1,165,665	$ 5,162	$ 888,089	$ 282,738

TOTAL AMOUNT OF DIRECT LOANS DISBURSED

(In Thousands)

Direct Loan Programs	2009	2008
Direct Loans	$ 4,991,805	$ 5,595,015
UE - Subrogated Claims	42,000	–
MSED	179	179
Total	$ 5,033,984	$ 5,595,194

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

(In Thousands)

	2009				2008		
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	MSED	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Subsidy Cost Allowance	$ 861,084	$ –	$ 357	$ 861,441	$ 741,374	$ 357	$ 741,731
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	–	–	–	–	26,648	–	26,648
(B) Fees Received	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–
(D) Loans Written Off	–	–	–	–	–	–	–
(E) Subsidy Allowance Amortization	(169,266)	–	–	(169,266)	6,784	–	6,784
(F) Other	108,652	(5,480)	(24)	103,148	86,278	–	86,278
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 800,470	$ (5,480)	$ 333	$ 795,323	$ 861,084	$ 357	$ 861,444
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	$ 800,470	$ (5,480)	$ 333	$ 795,323	$ 861,084	$ 357	$ 861,444

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): 2009				
UE	$ 234,772	$ 57,300	$ 132,744	$ 159,328
Total	$ 234,772	$ 57,300	$ 132,744	$ 159,328
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2008				
UE	$ 272,727	$ 66,632	$ 122,618	$ 216,741
Total	$ 272,727	$ 66,632	$ 122,618	$ 216,741

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2009, the UE Program had $3.7 million in defaults on payments.

In 2008, the UE Program had $3.6 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 (2009):		
UE	$ 1,048,525	$ 1,048,525
MSED	16,996	8,498
Israel	12,220,958	12,220,958
DCA	234,065	96,382
Egypt	1,250,000	1,250,000
Total	$ 14,770,544	$ 14,624,363
Guaranteed Loans Outstanding (2008):		
UE	$ 1,220,669	$ 1,220,669
MSED	17,010	8,505
Israel	12,493,872	12,493,872
DCA	264,480	104,625
Egypt	1,250,000	1,250,000
Total	$ 15,246,031	$ 15,077,671
New Guaranteed Loans Disbursed (2009):		
DCA	$ 40,006	$ 18,730
Total	$ 40,006	$ 18,730
New Guaranteed Loans Disbursed (2008):		
DCA	$ 75,831	$ 30,333
Total	$ 75,831	$ 30,333

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, 2009:			
UE	$ 90,793	$ 154,795	$ 245,588
MSED	–	693	693
Israel	–	1,824,893	1,824,893
DCA	–	34,071	34,071
Egypt	–	178,028	178,028
Total	$ 90,793	$ 2,192,480	$ 2,283,273
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2008:			
UE	$ 97,745	$ 138,058	$ 235,803
MSED	–	412	412
Israel	–	1,160,452	1,160,452
DCA	–	25,972	25,972
Egypt	–	184,237	184,237
Total	$ 97,745	$ 1,509,131	$ 1,606,876

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 (2009):					
DCA	$ –	$ 3,571	$ –	$ –	$ 3,571
Total	$ –	$ 3,571	$ –	$ –	$ 3,571
Subsidy Expense for New Loan Guarantees (2008):					
DCA	$ –	$ 1,575	$ –	$ –	$ 1,575
Total	$ –	$ 1,575	$ –	$ –	$ 1,575

(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 (2009):				
UE	$ –	$ –	$ 5,256	$ 5,256
Israel	–	–	282,969	282,969
Egypt	–	–	–	–
Total	$ –	$ –	$ 288,225	$ 288,225
Modifications and Reestimates (2008):				
UE	$ –	$ –	$ 8,351	$ 8,351
Israel	–	–	2,227	2,227
Egypt	–	–	11,663	11,663
Total	$ –	$ –	$ 22,241	$ 22,241

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE *(In Thousands)*		
Loan Guarantee Programs	**2009**	**2008**
DCA	$ 626	$ 1,575
UE	5,256	8,351
MSED	–	–
Israel	282,969	2,227
Egypt	–	11,663
Total	$ 288,851	$ 23,816

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	–	2.78%	–	–	2.78%

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

(In Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
2009						
Beginning Balance, Changes, and Ending Balance						
Beginning Balance of the Loan Guarantee Liability	$ 25,972	$ 412	$ 138,058	$ 1,160,451	$ 184,237	$1,509,130
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	3,571	–	–	–	–	3,571
Total of the Above Subsidy Expense Components	29,543	412	138,058	1,160,451	184,237	1,512,701
Adjustments:						
(A) Loan Guarantee Modifications	–	–	–	–	–	–
(B) Fees Received	1,424	7	1,926	–	–	3,357
(C) Interest Supplements Paid	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–
(E) Claim Payments to Lenders	(637)	–	(3,719)	–	–	(4,356)
(F) Interest Accumulation on the Liability Balance	–	–	6,303	72,412	7,904	86,619
(G) Other	3,741	274	18,589	–	–	22,604
Ending Balance of the Loan Guarantee Liability Before Reestimates	34,071	693	161,157	1,232,863	192,141	1,620,925
Add or Subtract Subsidy Reestimates by Component:						
(A) Interest Rate Reestimate	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	(6,363)	592,029	(14,112)	571,554
Total of the Above Reestimate Components	–	–	(6,363)	592,029	(14,112)	571,554
Ending Balance of the Loan Guarantee Liability	$ 34,071	$ 693	$ 154,794	$ 1,824,892	$ 178,029	$2,192,479
2008						
Beginning Balance, Changes, and Ending Balance						
Beginning Balance of the Loan Guarantee Liability	$ 14,617	$ (3,884)	$ 138,202	$ 1,386,173	$ 163,430	$1,698,538
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	1,575	–	–	–	–	1,575
Total of the Above Subsidy Expense Components	16,192	(3,884)	138,202	1,386,173	163,430	1,700,113
Adjustments:						
(A) Loan Guarantee Modifications	–	–	–	–	–	–
(B) Fees Received	962	14	1,911	–	–	2,887
(C) Interest Supplements Paid	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–
(E) Claim Payments to Lenders	2,156	–	3,589	–	–	5,745
(F) Interest Accumulation on the Liability Balance	–	–	4,782	75,859	7,010	87,651
(G) Other	6,662	4,282	(29,015)	(178,206)	–	(196,277)
Ending Balance of the Loan Guarantee Liability Before Reestimates	25,972	412	119,469	1,283,826	170,440	1,600,119
Add or Subtract Subsidy Reestimates by Component:						
(A) Interest Rate Reestimate	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	18,589	(123,374)	13,797	(90,988)
Total of the Above Reestimate Components	–	–	–	–	–	–
Ending Balance of the Loan Guarantee Liability	$ 25,972	$ 412	$ 138,058	$ 1,160,452	$ 184,237	$1,509,131

ADMINISTRATIVE EXPENSE *(In Thousands)*		
Loan Programs	**2009**	**2008**
DCA	$ 10,632	$ 9,774
Total	$ 10,632	$ 9,774

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. Seven countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing $25.7 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 $410.1 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled $16.2 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled $345.7 million.

2. The MSED Liquidating Account general ledger has a loan receivable balance of $29,000. This includes a loan pending closure. This loan is being carried at 100 percent 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 Fiscal Year 2010.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2009 and 2008 are as follows:

INVENTORY AND RELATED PROPERTY *(In Thousands)*		
	2009	**2008**
Items Held for Use		
Office Supplies	$ 4,565	$ 9,858
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	11,473	5,591
Birth Control Supplies	6,673	17,280
Total Inventory and Related Property	$ 22,711	$ 32,729

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 that do not exceed capitalization criteria of $25,000. There are no items obsolete or unserviceable, and no restrictions on their use. Inventory costing less than $25,000 is expensed as incurred.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant & Equipment (PP&E) as of September 30, 2009 and 2008 are as follows:

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET
(In Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2009	Net Book Value 2008
The components of PP&E as of September 30, 2009 are as follows:					
Classes of Fixed Assets					
Equipment	3 to 5 years	$ 92,713	$ (75,954)	$ 16,759	$ 20,633
Buildings, Improvements, and Renovations	20 years	93,139	(44,674)	48,465	36,601
Land and Land Rights	N/A	8,800	N/A	8,800	2,456
Assets Under Capital Lease (Note 9)		13,442	(8,969)	4,473	4,497
Construction in Progress	N/A	–	–	–	–
Internal Use Software	3 to 5 years	84,191	(44,894)	39,296	30,082
Total PP&E		$ 292,285	$ (174,491)	$ 117,794	$ 94,269

The threshold for capitalizing or amortizing assets is $25,000. Assets purchased prior to FY 2003 are depreciated using the straight line depreciation method. Assets purchased during FY 2003 and beyond are depreciated using the mid-quarter convention depreciation method. 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, Automated Data Processing (ADP) hardware, vehicles and copiers located at the overseas field missions. Note 9 discusses USAID leases.

Line items 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, 2009 and 2008 Leases consisted of the following:

LEASES (In Thousands)		
Entity as Lessee		
Capital Leases:	**2009**	**2008**
Summary of Assets Under Capital Lease:		
Buildings	$ 13,442	$ 6,002
Accumulated Depreciation	(8,969)	(1,505)
Net Assest under Capital Leases	$ 4,473	$ 4,497

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

Future Payments Due: **Fiscal Year**	**2009** **Future Costs**	**2008** **Future Costs**
2009	$ –	$ 297
2010	3,015	297
2011	390	231
2012	–	52
2013	2,375	972
2014	2,375	–
After 5 Years	1,170	768
Net Capital Lease Liability (Note 12)	$ 9,325	2,617
Lease Liabilities Covered by Budgetary Resources	$ 9,325	$ 2,617

Operating Leases:

Future Payments Due: **Fiscal Year**	**2009** **Future Costs**	**2008** **Future Costs**
2009	$ –	$ 62,162
2010	66,972	58,012
2011	61,840	55,226
2012	56,527	52,630
2013	54,887	41,332
2014	60,132	19,642
After 5 Years	194,632	–
Total Future Lease Payments	$ 494,991	$ 289,004

Operating lease payments total $495 million in future lease payment, $257 million is for the USAID headquarters in Washington, D.C. The current lease agreement is for approximately 550,000 sq. feet and will expire in FY 2010. The lessor, General Services Administration (GSA), charges commercial rates for USAID's occupancy. Lease payments for FY 2009 and FY 2008 amounted to $44 million and $40.6 million, respectively.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY REOURCES

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, workmen 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, 2009 and 2008 liabilities covered and not covered by budgetary resources were as follows:

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(In Thousands)

	2009	2008
Intragovernmental		
Accounts Payable	$ 2,532	$ 48,375
Disbursements in Transit	20	14
Total Intragovernmental	2,552	48,389
Accounts Payable	1,806,648	1,856,887
Disbursements in Transit	27,431	12,987
Total with the Public	1,834,079	1,869,874
Total Other	6,609,662	6,265,740
Total Liabilities Covered by Budgetary Resources	$ 8,446,293	$ 8,184,003
Liabilities Not Covered by Budgetary Resources		
Accrued Annual Leave	$ 73,411	$ 59,972
FSN Separation Pay Liability	6,638	4,543
Total Accrued Unfunded Annual Leave and Separation Pay	80,049	64,515
Accrued Unfunded Workers Compensation Benefits (Note 13)	50,125	34,848
Debt - Contingent Liabilities for Loan Guarantees	90,794	97,745
Total Liabilities Not Covered by Budgetary Resources	220,968	197,108
Total Liabilities	$ 8,667,261	$ 8,381,111

NOTE 11. DEBT

USAID Intragovernmental Debt as of September 30, 2009 and 2008 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	2008 Beginning Balance	Net Borrowing	Accrued Interest Paid	2008 Ending Balance	Net Borrowing	2009 Ending Balance
Direct Loan	$ 498,506	$ 3,241	$ (24,447)	$ 477,300	$ (4)	$ 477,296
DCA	–	72	–	72	$ 13	85
Total Treasury Debt	$ 498,506	$ 3,313	$ (24,447)	$ 477,372	$ 9	$ 477,381

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 2008, $24.5 million in accrued interest was included in the Direct Loan balance. The ending FY 2009 DCA loan balance had a zero amount balance accrued interest payable to Treasury. 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 $3.5 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, 2009 and 2008 Other Liabilities consisted of the following:

OTHER LIABILITIES (In Thousands)	2009	2008
Intragovernmental		
IPAC Suspense	$ (2,411)	$ –
Unfunded FECA Liability	9,871	5,648
Credit Program	35,476	126,228
Custodial Liability	10,252	14,451
Other	14,548	13,110
Total Intragovernmental	$ 67,735	$ 159,437
Accrued Funded Payroll and Leave (Note 13)	23,240	13,579
Unfunded Leave (Note 10)	80,049	64,515
Advances From Others	1,690	1,114
Deferred Credits	16,160	12,893
Foreign Currency Trust Fund	323,942	302,708
Capital Lease Liability (Note 9)	9,325	2,617
Custodial Liability	–	–
Other Liabilities	52,749	62,551
Total Liabilities With the Public	$ 507,155	$ 459,977
Total Other Liabilities	$ 574,890	$ 619,414

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

Unfunded leave components are shown in note 10.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2009 and 2008 are indicated in the table below. These liabilities are included in the Intragovernmental Other Liabilities line item on the Consolidated Balance Sheet and are not covered by budgetary resources.

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 2009, USAID's total FECA liability was $50.1 million and comprised of unpaid FECA billings for $26.9 million and estimated future FECA costs of $23.3 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. Currently, the projected number of years of benefit payments is 37 years.

ACCRUED UNFUNDED WORKERS COMPENSATION BENEFITS

(In Thousands)

	2009	2008
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 26,885	$ 21,269
Accrued Funded Payroll and Leave (Note 12)	23,240	13,579
Total Accrued Unfunded Workers' Compensation Benefits	$ 50,125	$ 34,848

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, 2009 a total of eight cases were pending.

One case has been designated as probable with a total of $1.3 million.

This case is where a contractor seeks costs that were incurred by one of its subcontractors; however USAID disputes those costs as unsubstantiated. The estimated loss is $1.3 million.

Five cases have been designated as reasonably possible, a total of $16 million:

- The first case is a basis claim that USAID has willfully violated the Fair Labor Standards Act by failing to compensate employees for overtime worked. The estimated loss is $7 million.
- The second case is a contract claim that USAID wrongfully withheld payment for invoices submitted under "Hurricane Mitch" host-country, contract in Honduras. The estimated loss is $2.2 million.
- The third case is a companion case. A contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract with the Honduran government. The estimated loss is $1.8 million.
- In the fourth case the plaintiff is suing on the grounds of a breach of contract and seeks relief. The estimated loss is $1.6 million.
- The fifth case is an appeal case to the government's decision to disallow cost which had allegedly been incurred by the appellant. The appellant has requested that the Board enter a judgment that the Government is not entitled to disallow and demand repayment of the costs at issue. The estimated loss is $1.6 million.

The two remaining cases have a remote likelihood of unfavorable outcome. Two cases were also dismissed voluntarily without any payment of funds by the Agency.

During the fourth quarter in FY 2009 there were no new cases or settlements. However, the likelihood of loss for one case was elevated to probable.

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
Fund Balance With Treasury	$	**34,379**
Total Assets		**34,379**
Accounts Payable		2,908
Total Liabilities		**2,908**
Unexpended Appropriations		31,471
Cumulative Results of Operations		–
Total Net Position		**31,471**
Total Liabilities and Net Position	$	**34,379**
		Status of Recovery Act Funds
Total Budgetary Resources	$	**38,000**
Obligated Balance		20,060
Unobligated Balance		17,940
Total Status of Budgetary Resources	$	**38,000**
Total, Unpaid Obligated Balance, Net, End of Period		**16,439**
Net Outlays	$	**3,621**

The balances for each line item in this footnote are included in the cummulative balances presented in their respective financial statements.

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 has received $38 million for immediate 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. The $38 million is included in USAID's Fund Balance amount of $21.4 billion.

NOTE 16. INTRAGOVERNMENTAL COSTS AND EXCHANGE 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, 2009. These objectives are consistent with the new State/USAID 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 exchange 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 exchange revenue sources relate to transactions between USAID and other Federal entities. Public costs and exchange revenues on the other hand relate to transactions between USAID and non-Federal entities.

INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2009 and 2008
(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	2009 Total	2008 Total
Peace and Security										
Intragovernmental Costs	$ 2,244	$ 11,285	$ 3,079	$ 752	$ 1,527	$ –	$ 5,784	$ 3,077	$ 27,748	$ 19,423
Public Costs	40,421	347,580	61,490	3,855	41,168	–	195,468	265,539	955,521	827,553
Total Program Costs	42,665	358,865	64,569	4,607	42,695	–	201,252	268,616	983,269	846,976
Intragovernmental Earned Revenue	(159)	(706)	(264)	(33)	(190)	–	(814)	(439)	(2,605)	(1,737)
Public Earned Revenue	(63)	(278)	(104)	(13)	(75)	–	(320)	(173)	(1,026)	(424)
Total Earned Revenue	(222)	(984)	(368)	(46)	(265)	–	(1,134)	(612)	(3,631)	(2,161)
Net Program Costs	**42,443**	**357,881**	**64,201**	**4,561**	**42,430**	**–**	**200,118**	**268,004**	**979,638**	**844,815**
Governing Justly and Democratically										
Intragovernmental Costs	13,784	8,456	3,022	541	5,611	–	4,574	5,117	41,105	32,505
Public Costs	192,944	641,074	95,972	3,272	171,995	–	130,681	482,692	1,718,630	1,381,417
Total Program Costs	206,728	649,530	98,994	3,813	177,606	–	135,255	487,809	1,759,735	1,413,922
Intragovernmental Earned Revenue	(953)	(1,047)	(427)	(31)	(538)	–	(564)	(723)	(4,283)	(3,053)
Public Earned Revenue	(375)	(412)	(168)	(12)	(212)	–	(222)	(285)	(1,686)	(747)
Total Earned Revenue	(1,328)	(1,459)	(595)	(43)	(750)	–	(786)	(1,008)	(5,969)	(3,800)
Net Program Costs	**205,400**	**648,071**	**98,399**	**3,770**	**176,856**	**–**	**134,469**	**486,801**	**1,753,766**	**1,410,122**
Investing in People										
Intragovernmental Costs	79,519	14,334	1,923	5,148	4,330	23,506	10,705	7,610	147,075	137,031
Public Costs	777,310	500,483	63,956	64,229	84,602	936,911	179,093	712,687	3,319,271	3,804,052
Total Program Costs	856,829	514,817	65,879	69,377	88,932	960,417	189,798	720,297	3,466,346	3,941,083
Intragovernmental Earned Revenue	(10,669)	(1,347)	(274)	(6,423)	(243)	(366,005)	(1,107)	(1,052)	(387,120)	(247,715)
Public Earned Revenue	(4,206)	(531)	(108)	(14,710)	(96)	(711)	(436)	(415)	(21,213)	(30,750)
Total Earned Revenue	(14,875)	(1,878)	(382)	(21,133)	(339)	(366,716)	(1,543)	(1,467)	(408,333)	(278,465)
Net Program Costs	**841,954**	**512,939**	**65,497**	**48,244**	**88,593**	**593,701**	**188,255**	**718,830**	**3,058,013**	**3,662,618**

(continued on next page)

INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2009 and 2008
(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	2009 Total	2008 Total
Economic Growth										
Intragovernmental Costs	24,528	33,303	111	27,172	14,815	–	45,113	19,142	164,184	141,416
Public Costs	387,197	886,963	2,376	578,263	586,232	–	661,027	1,152,515	4,254,573	2,355,649
Total Program Costs	411,725	920,266	2,487	605,435	601,047	–	706,140	1,171,657	4,418,757	2,497,065
Intragovernmental Earned Revenue	(1,749)	(50,487)	(16)	(72,062)	(1,918)	–	(27,596)	(2,332)	(156,160)	(233,576)
Public Earned Revenue	(690)	(728)	(6)	(256,408)	(756)	–	(378,585)	(919)	(638,092)	99,897
Total Earned Revenue	(2,439)	(51,215)	(22)	(328,470)	(2,674)	–	(406,181)	(3,251)	(794,252)	(133,679)
Net Program Costs	**409,286**	**869,051**	**2,465**	**276,965**	**598,373**	**–**	**299,959**	**1,168,406**	**3,624,505**	**2,363,386**
Humanitarian Assistance										
Intragovernmental Costs	175	2,324	37,261	–	276	–	350	12,165	52,551	50,706
Public Costs	2,806	129,119	709,821	511,794	19,521	–	18,611	16,149	1,407,821	543,712
Total Program Costs	2,981	131,443	747,082	511,794	19,797	–	18,961	28,314	1,460,372	594,418
Intragovernmental Earned Revenue	(10)	(249)	(3,005)	–	(39)	–	(35)	(46)	(3,384)	(12,042)
Public Earned Revenue	(4)	(98)	(1,185)	–	(15)	–	(14)	(18)	(1,334)	(355)
Total Earned Revenue	(14)	(347)	(4,190)	–	(54)	–	(49)	(64)	(4,718)	(12,397)
Net Program Costs	**2,967**	**131,096**	**742,892**	**511,794**	**19,743**	**–**	**18,912**	**28,250**	**1,455,654**	**582,021**
Operating Unit Management										
Intragovernmental Costs	4,053	4,589	8,780	2,649	3,864	–	558	1,951	26,444	6,744
Public Costs	16,479	26,621	31,216	7,464	18,930	–	2,606	15,438	118,754	51,763
Total Program Costs	20,532	31,210	39,996	10,113	22,794	–	3,164	17,389	145,198	58,507
Intragovernmental Earned Revenue	(76)	(58)	(340)	(67)	(45)	–	(10)	(272)	(868)	(109)
Public Earned Revenue	(30)	(23)	(47)	(26)	(18)	–	(4)	(7)	(155)	(53)
Total Earned Revenue	(106)	(81)	(387)	(93)	(63)	–	(14)	(279)	(1,023)	(162)
Net Program Costs	**20,426**	**31,129**	**39,609**	**10,020**	**22,731**	**–**	**3,150**	**17,110**	**144,175**	**58,345**
Net Costs of Operations	**$1,522,476**	**$2,550,167**	**$1,013,063**	**$855,354**	**$ 948,726**	**$ 593,701**	**$ 844,863**	**$2,687,401**	**$11,015,751**	**$ 8,921,307**

NOTE 17. SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT

The Schedule of Costs by Responsibility 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 2009 Statement of Net Cost major responsiblitiy segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The Geographic Bureaus includes: Africa; Asia and Middle East, Latin America and the Caribbean and Europe and Eurasia. Effective in FY 2009 Asia and Middle East are being reported separately. The Technical Bureaus are the Democracy, Conflict, and Humanitarian Assistance (DCHA); Economic Growth, Agriculture, and Trade (EGAT) and Global Health (GH).

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT
For the Year Ended September 30, 2009
(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Peace and Security									
Counter-Terrorism									
Gross Costs	$ 12,207	$ 285	$ 219	$ –	$ –	$ –	$ –	$ 2,435	$ 15,146
Less: Exchange Revenues	(71)	(1)	(1)	–	–	–	–	1	(72)
Net Program Costs	12,136	284	218	–	–	–	–	2,436	15,074
Combating Weapons of Mass Destruction (WMD)									
Gross Costs	–	–	39	–	4,007	–	–	–	4,046
Less: Exchange Revenues	–	–	–	–	(117)	–	–	–	(117)
Net Program Costs	–	–	39	–	3,890	–	–	–	3,929
Stabilization Operations and Security Sector Reform									
Gross Costs	3,345	395	(147)	–	991	–	9,034	210,238	223,856
Less: Exchange Revenues	(14)	(1)	2	–	(3)	–	(87)	(521)	(624)
Net Program Costs	3,331	394	(145)	–	988	–	8,947	209,717	223,232
Counter-Narcotics									
Gross Costs	40	250,371	2,442	–	73	–	159,541	(2)	412,465
Less: Exchange Revenues	–	(673)	(12)	–	–	–	(866)	–	(1,551)
Net Program Costs	40	249,698	2,430	–	73	–	158,675	(2)	410,914
Transnational Crime									
Gross Costs	930	5,379	39	2,277	5,432	–	3,619	1,830	19,506
Less: Exchange Revenues	(8)	(21)	–	(26)	(22)	–	(26)	(3)	(106)
Net Program Costs	922	5,358	39	2,251	5,410	–	3,593	1,827	19,400
Conflict Mitigation and Reconciliation									
Gross Costs	26,143	102,435	61,977	2,330	32,192	–	29,058	54,115	308,250
Less: Exchange Revenues	(129)	(288)	(357)	(20)	(123)	–	(155)	(89)	(1,161)
Net Program Costs	26,014	102,147	61,620	2,310	32,069	–	28,903	54,026	307,089
Total Peace & Security	**42,443**	**357,881**	**64,201**	**4,561**	**42,430**	**–**	**200,118**	**268,004**	**979,638**
Governing Justly and Democratically									
Rule of Law and Human Rights									
Gross Costs	16,758	40,415	3,059	2,341	33,254	–	44,708	30,000	170,535
Less: Exchange Revenues	(83)	(131)	(9)	(27)	(125)	–	(268)	(56)	(699)
Net Program Costs	16,675	40,284	3,050	2,314	33,129	–	44,440	29,944	169,836

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

For the Year Ended September 30, 2009

(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Good Governance									
Gross Costs	78,374	439,472	52,933	649	46,574	–	42,448	334,751	995,201
Less: Exchange Revenues	(577)	(936)	(277)	(6)	(274)	–	(277)	(662)	(3,009)
Net Program Costs	77,797	438,536	52,656	643	46,300	–	42,171	334,089	992,192
Political Competition and Consensus-Building									
Gross Costs	71,792	124,982	13,463	–	23,368	–	17,449	12,101	263,155
Less: Exchange Revenues	(401)	(270)	(93)	–	(81)	–	(99)	(46)	(990)
Net Program Costs	71,391	124,712	13,370	–	23,287	–	17,350	12,055	262,165
Civil Society									
Gross Costs	39,804	44,661	29,539	823	74,410	–	30,650	110,957	330,844
Less: Exchange Revenues	(267)	(122)	(216)	(10)	(270)	–	(142)	(244)	(1,271)
Net Program Costs	39,537	44,539	29,323	813	74,140	–	30,508	110,713	329,573
Total Governing Justly and Democratically	**205,400**	**648,071**	**98,399**	**3,770**	**176,856**	**–**	**134,469**	**486,801**	**1,753,766**
Investing in People									
Health									
Gross Costs	619,249	267,769	14,083	4,091	63,720	960,416	93,249	109,846	2,132,423
Less: Exchange Revenues	(13,377)	(1,249)	(94)	(67)	(249)	(366,715)	(1,070)	(218)	(383,039)
Net Program Costs	605,872	266,520	13,989	4,024	63,471	593,701	92,179	109,628	1,749,384
Education									
Gross Costs	220,705	217,259	19,579	34,272	10,921	–	72,439	214,600	789,775
Less: Exchange Revenues	(1,414)	(537)	(101)	(428)	(39)	–	(330)	(373)	(3,222)
Net Program Costs	219,291	216,722	19,478	33,844	10,882	–	72,109	214,227	786,553
Social and Economic Services and Protection for Vulnerable Populations									
Gross Costs	16,875	29,789	32,218	31,014	14,291	–	24,110	395,851	544,148
Less: Exchange Revenues	(84)	(92)	(188)	(20,638)	(51)	–	(143)	(876)	(22,072)
Net Program Costs	16,791	29,697	32,030	10,376	14,240	–	23,967	394,975	522,076
Total Investing in People	**841,954**	**512,939**	**65,497**	**48,244**	**88,593**	**593,701**	**188,255**	**718,830**	**3,058,013**
Economic Growth									
Macroeconomic Foundation for Growth									
Gross Costs	3,806	5,970	40	16,326	456,582	–	505,105	450,148	1,437,977
Less: Exchange Revenues	(17)	(14)	–	(2,444)	(2,193)	–	(405,238)	(1,409)	(411,315)
Net Program Costs	3,789	5,956	40	13,882	454,389	–	99,867	448,739	1,026,662
Trade and Investment									
Gross Costs	22,627	38,552	27	5,725	6,949	–	37,680	43,124	154,684
Less: Exchange Revenues	(127)	(115)	–	(48)	(26)	–	(204)	(83)	(603)
Net Program Costs	22,500	38,437	27	5,677	6,923	–	37,476	43,041	154,081
Financial Sector									
Gross Costs	16,551	7,995	195	333,796	18,251	–	2,567	395,080	774,435
Less: Exchange Revenues	(109)	(18)	(2)	(322,655)	(66)	–	(15)	(1,166)	(324,031)
Net Program Costs	16,442	7,977	193	11,141	18,185	–	2,552	393,914	450,404
Infrastructure									
Gross Costs	102,314	545,052	24	10,807	19,737	–	6,492	55,538	739,964
Less: Exchange Revenues	(618)	(50,095)	–	(114)	(64)	–	(23)	(104)	(51,018)
Net Program Costs	101,696	494,957	24	10,693	19,673	–	6,469	55,434	688,946
Agriculture									
Gross Costs	141,593	121,038	27	163,017	28,109	–	28,553	53,913	536,250
Less: Exchange Revenues	(881)	(436)	–	(2,308)	(81)	–	(131)	(111)	(3,948)
Net Program Costs	140,712	120,602	27	160,709	28,028	–	28,422	53,802	532,302

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

For the Year Ended September 30, 2009

(In Thousands)

Objective	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Private Sector Competitiveness									
Gross Costs	32,581	95,433	247	4,397	56,909	–	31,449	81,312	302,328
Less: Exchange Revenues	(179)	(235)	(2)	(37)	(189)	–	(149)	(178)	(969)
Net Program Costs	32,402	95,198	245	4,360	56,720	–	31,300	81,134	301,359
Economic Opportunity									
Gross Costs	18,098	53,440	1,900	25,424	13,671	–	6,264	60,821	179,618
Less: Exchange Revenues	(90)	(177)	(18)	(298)	(52)	–	(36)	(129)	(800)
Net Program Costs	18,008	53,263	1,882	25,126	13,619	–	6,228	60,692	178,818
Environment									
Gross Costs	74,155	52,786	27	45,943	839	–	88,030	31,721	293,501
Less: Exchange Revenues	(418)	(125)	–	(567)	(3)	–	(384)	(71)	(1,568)
Net Program Costs	73,737	52,661	27	45,376	836	–	87,646	31,650	291,933
Total Economic Growth	**409,286**	**869,051**	**2,465**	**276,964**	**598,373**	**–**	**299,960**	**1,168,406**	**3,624,505**
Humanitarian Assistance									
Protection, Assistance and Solutions									
Gross Costs	506	128,933	690,875	–	19,423	–	6,973	28,316	875,026
Less: Exchange Revenues	(1)	(340)	(3,874)	–	(52)	–	(21)	(64)	(4,352)
Net Program Costs	505	128,593	687,001	–	19,371	–	6,952	28,252	870,674
Disaster Readiness									
Gross Costs	2,475	2,510	56,181	511,794	182	–	11,988	(2)	585,128
Less: Exchange Revenues	(13)	(7)	(316)	–	(1)	–	(28)	–	(365)
Net Program Costs	2,462	2,503	55,865	511,794	181	–	11,960	(2)	584,763
Migration Management									
Gross Costs	–	–	26	–	192	–	–	–	218
Less: Exchange Revenues	–	–	–	–	(1)	–	–	–	(1)
Net Program Costs	–	–	26	–	191	–	–	–	217
Total Humanitarian Assistance	**2,967**	**131,096**	**742,892**	**511,794**	**19,743**	**–**	**18,912**	**28,250**	**1,455,654**
Operating Unit Management									
Cross-cutting Management and Staffing									
Gross Costs	17,071	29,491	8,508	4,528	19,290	–	2,560	16,431	97,879
Less: Exchange Revenues	(93)	(78)	(60)	(55)	(57)	–	(13)	(279)	(635)
Net Program Costs	16,978	29,413	8,448	4,473	19,233	–	2,547	16,152	97,244
Program Design and Learning									
Gross Costs	516	808	418	774	135	–	30	457	3,138
Less: Exchange Revenues	(1)	(1)	(1)	(4)	–	–	–	–	(7)
Net Program Costs	515	807	417	770	135	–	30	457	3,131
Administration and Oversight									
Gross Costs	2,945	911	31,068	4,813	3,369	–	574	501	44,181
Less: Exchange Revenues	(12)	(2)	(326)	(34)	(6)	–	(1)	–	(381)
Net Program Costs	2,933	909	30,742	4,779	3,363	–	573	501	43,800
Total Operating Unit Management	**20,426**	**31,129**	**39,607**	**10,022**	**22,731**	**–**	**3,150**	**17,110**	**144,175**
Net Cost of Operations	**$1,522,476**	**$2,550,167**	**$1,013,061**	**$855,355**	**$948,726**	**$593,701**	**$844,864**	**$2,687,401**	**$11,015,751**

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2009 and 2008. USAID's total budgetary resources were $19.0 billion and $15.3 billion for the years ended September 30, 2009 and 2008.

A. Apportionment Categories of Obligations Incurred

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

(In Thousands)

	2009	2008
Category A, Direct	$ 1,048,679	$ 769,447
Category B, Direct	10,464,573	8,699,827
Category A, Reimbursable	16,911	11,793
Category B, Reimbursable	427,875	316,837
Total	$ 11,958,038	$ 9,797,904

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

The Agency did not have any borrowing authority in FY 2009. Fiscal Year 2008 borrowing authority was $3.3 million for credit financing activities. 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 has authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2008, there is $1.62 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. Legal Arrangements Affecting the Use of Unobligated Balances

Division A, Title VII, Section 611 found on page 474 of H. R. 2764, known as the "Consolidated Appropriations Act, 2008" and signed into law as P.L.110-161, provides to USAID extended authority to obligate funds. USAID's appropriations acts for years have consistently provided essentially similar authority. It is commonly known as "511/517" authority, a name that is based on references to the sections of the previous appropriations acts. 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. Undelivered Orders

Undelivered Orders for the periods ended September 30, 2009 and 2008 were $14.2 billion and $12.1 billion.

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 Resouces for FY 2008 and the President's Budget submission for FY 2010. The President's Budget with actual numbers for 2011 has not yet been published. USAID expects no material difference between the President's Budget "actual" column and the FY 2009 reported results when the budget becomes available in February 2010.

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

(In Thousands)

FY 2009	Budgetary Resources	Obligations	Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 18,961,887	$ 11,958,038	$ (1,237,663)	$ 10,869,519
Difference #1: Funds Reported by Other Federal Entities	6,496,642	6,184,067	(2,399)	4,521,219
Difference #2: Child Activity Reported by USAID	(461,676)	(295,882)	–	(619,428)
Difference #3: Reported in the SBR but excluded from SF-133s	(369,992)	–	–	(99,642)
Difference #4: Adjustments to Obligations	37,633	(34,619)	–	–
Difference #5: Credit Financing and Suspense	–	–	–	(24,123)
Budget of the U.S. Government	$ 24,664,494	$ 17,811,604	$ (1,240,062)	$ 14,647,546

NOTE 19. RECONCILIATION OF OBLIGATIONS INCURRED TO NET COST OF OPERATIONS

USAID presents the 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 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, 2009 and 2008
(In Thousands)

	2009	2008
Resources Used to Finance Actvities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 11,958,038	$ 9,797,904
Spending authority from offsetting collections	(1,237,663)	(1,361,154)
Change in Unfilled Customer Orders	(8,338)	52,966
Downward Adjustments of Obligations	(391,947)	(211,230)
Offsetting Receipts	182,729	179,387
Net Obligations	10,502,819	8,457,873
Other resources used to finance activities	13,263	22,509
Resources Used to Finance Activities	10,516,082	8,480,382
Resources Used to Finance items not part of net cost of operations	99,154	364,291
Total Resources Used to Finance Net Cost of Operations	10,615,236	8,844,673
Components of the Net Cost of Operations:		
Components of Net Cost of Operations that will require or generate resources in future periods	313,001	37,211
Components of Net Cost of Operations that will not require or generate resources	87,514	39,423
Net Cost of Operations	$ 11,015,751	$ 8,921,307

The 2008 balance for the line titled "Other resources used to finance activities" was incorrectly published as $19,431 and has been updated to $22,509. Furthermore, the 2008 balance for the line titled "Resources Used to Finance items not part of net cost of operations" was incorrectly published as $367,369 and has been updated to $364,291.

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF BUDGETARY RESOURCES

For the period ended September 30, 2009

(In Thousands)

	Recovery Act	Operating	Program							Credit-Financing	Other	Parent Fund	Consolidated Total
	302	1000	305	1010	1021	1035	1037	1093	1095				
Budgetary Resources:													
Unobligated Balance, Brought Forward, October 1	$ –	$ 165,808	$ –	$ 187,423	$ 335,911	$ 217,399	$1,784,822	$ 258,158	$ 31,487	$1,616,689	$ 683,668	$ 243,331	$ 5,524,696
Recoveries of Prior Year Unpaid Obligations	–	48,955	–	3,659	28,198	9,312	113,101	16,002	25,294	28	76,425	70,973	391,947
Budget Authority:													–
Appropriation	–	1,059,184	30,000	–	2,000,000	820,000	7,120,402	–	–	1	1,234,271	–	12,263,858
Borrowing Authority	–	–	–	–	–	–	–	–	–	13	–	–	13
Spending Authority from Offsetting Collections:													–
Earned:													–
Collected	–	9,622	–	–	24,332	376	42,956	–	–	216,823	942,193	1,361	1,237,663
Change in Receivables from Federal Sources	–	–	–	–	–	–	–	–	–	–	(2,703)	–	(2,703)
Change in Unfilled Customer Orders:													
Without Advance from Federal Sources	–	3,531	–	35	99	27	1,871	38	12	(35)	2,760	–	8,338
Subtotal	–	1,072,337	30,000	35	2,024,431	820,403	7,165,229	38	12	216,802	2,176,521	1,361	13,507,169
Nonexpenditure Transfers, Net, Anticipated and Actual	38,000	679	–	(77,369)	(6,003)	–	(274,406)	42,188	–	–	262,571	168,927	154,587
Permanently Not Available	–	(389)	–	(1)	(326)	(2,233)	(2,975)	(942)	–	–	(586,730)	(22,916)	(616,512)
Total Budgetary Resources	$ 38,000	$1,287,390	$ 30,000	$ 113,747	$2,382,211	$1,044,881	$8,785,771	$ 315,444	$ 56,793	$1,833,519	$2,612,455	$ 461,676	$ 18,961,887
Status of Budgetary Resources:													
Obligations Incurred:													
Direct	$ 20,060	$ 988,315	$ –	$ 93,325	$1,811,388	$ 734,134	$6,294,968	$ 207,443	$ (19,355)	$ 190,090	$ 897,001	$ 295,883	$ 11,513,252
Reimbursible	–	13,152	–	35	24,431	403	44,828	38	12	(18)	361,905	–	444,786
Subtotal	20,060	1,001,467	–	93,360	1,835,819	734,537	6,339,796	207,481	(19,343)	190,072	1,258,906	295,883	11,958,038
Unobligated Balance:													–
Apportioned	17,940	278,200	–	4,529	477,058	186,917	2,409,327	104,355	25,988	3,514	585,318	58,860	4,152,006
Subtotal	17,940	278,200	–	4,529	477,058	186,917	2,409,327	104,355	25,988	3,514	585,318	58,860	4,152,006
Unobligated Balance Not Available	-	7,723	30,000	15,858	69,334	123,427	36,648	3,608	50,148	1,639,933	768,231	106,933	2,851,843
Total, Status of Budgetary Resources	$ 38,000	$1,287,390	$ 30,000	$ 113,747	$2,382,211	$1,044,881	$8,785,771	$ 315,444	$ 56,793	$1,833,519	$2,612,455	$ 461,676	$ 18,961,887

(continued on next page)

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

For the period ended September 30, 2009

(In Thousands)

	Recovery Act	Operating	Program							Credit-Financing	Other	Parent Fund	Consolidated Total
	302	1000	305	1010	1021	1035	1037	1093	1095				
Change in Obligated Balance:													
Obligated Balance, Net													
Unpaid Obligations, Brought Forward, October 1	$ –	$ 264,255	$ –	$334,055	$2,789,337	$ 682,106	$6,318,070	$ 376,811	$ 1,108,497	$ (695)	$ 711,204	$1,141,244	$ 13,724,884
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	–	(2,543)	–	–	(2,172)	(178)	–	–	(994)	–	(15,621)	(536)	(22,044)
Total Unpaid Obligated Balance, Net	–	261,712	–	334,055	2,787,165	681,928	6,318,070	376,811	1,107,503	(695)	695,583	1,140,708	13,702,840
Obligations Incurred Net (+/-)	20,060	1,001,467	–	93,360	1,835,819	734,537	6,339,796	207,481	(19,343)	190,072	1,258,906	295,883	11,958,038
Less: Gross Outlays	(3,621)	(820,877)	–	(283,851)	(1,501,368)	(636,491)	(4,735,561)	(322,079)	(716,497)	(189,988)	(1,039,757)	(619,429)	(10,869,519)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	–	(48,955)	–	(3,659)	(28,198)	(9,312)	(113,101)	(16,002)	(25,294)	(28)	(76,425)	(70,973)	(391,947)
Change in Uncollected Customer Payments from Federal Sources (+/-)	–	(3,531)	–	(35)	(99)	(27)	(1,871)	(38)	(12)	35	(57)	–	(5,635)
Obligated Balance, Net, End of Period													
Unpaid Obligations	16,439	395,890	–	139,905	3,095,590	770,840	7,809,204	246,211	347,363	(639)	853,928	746,725	14,421,456
Less: Uncollected Customer Payments from Federal Sources	–	(6,074)	–	(35)	(2,271)	(205)	(1,871)	(38)	(1,006)	35	(15,678)	(536)	(27,679)
Total, Unpaid Obligated Balance, Net, End of Period	16,439	389,816	–	139,870	3,093,319	770,635	7,807,333	246,173	346,357	(604)	838,250	746,189	14,393,777
Net Outlays:													
Gross Outlays	3,621	820,877	–	283,851	1,501,368	636,491	4,735,561	322,079	716,497	189,988	1,039,757	619,429	10,869,519
Less: Offsetting Receipts	–	(9,622)	–	–	(24,332)	(376)	(42,956)	–	–	(216,822)	(942,194)	(1,361)	(1,237,663)
Less: Distributed Offsetting Receipts	–	–	–	–	–	–	–	–	–	(182,729)	–	–	(182,729)
Net Outlays	$ 3,621	$ 811,255	$ –	$283,851	$1,477,036	$ 636,115	$4,692,605	$ 322,079	$ 716,497	$ (209,563)	$ 97,563	$ 618,068	$ 9,449,127

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 Financial 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
1014 Africa Development Assistance
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 Tech. Assist. - U.S. Dollars Advance from Foreign
8824 Gifts and Donations

Credit Program Funds

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

1000 Operating Expenses of USAID
1010 Special Assistance Initiatives
1014 Africa Development Assistance
1021 Development Assistance
1027 Transition Initiatives
1030 New Global Initiatives Fund – 2007 Appropriations Carry Over
1031 New Global Initiatives Fund – Current Funding
1032 Peacekeeping Operations
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
1096 International Organizations and Programs
1500 Demobilization and Transition Fund