OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2011 AND 2010

AUDIT REPORT NO. 0-000-12-001-C
NOVEMBER 15, 2011

WASHINGTON, D.C.

Office of Inspector General

November 15, 2011

MEMORANDUM

TO: David D. Ostermeyer, Chief Financial Officer

FROM: Tim Cox, AIG/A

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2011 and 2010

The Office of Inspector General (OIG) is transmitting its report on the Audit of USAID's Financial Statements for Fiscal Years 2011 and 2010. Pursuant to the Government Management Reform Act of 1994, Public Law 103–356, USAID is required to prepare consolidated financial statements for the fiscal year. Office of Management and Budget (OMB) Circular A–136, Financial Reporting Requirements, requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, Department of the Treasury and the Government Accountability Office by November 15, 2011. In accordance with the requirements of OMB Circular A–136, USAID has elected to prepare an alternative Agency Financial Report that includes an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG has issued unqualified opinions on each of USAID's principal financial statements for fiscal years 2011 and 2010. With respect to internal control, we identified one deficiency that we consider a material weakness. The material weakness pertains to USAID's process for reconciling its fund balance with the U.S. Treasury. Additionally, we identified six deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) reconciling loan receivables; (2) deobligating unliquidated obligations; (3) accounting for property, plant, and equipment; (4) accounting for accounts receivable; (5) accounting for advances; and (6) reconciling intragovernmental transactions.

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

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

We have considered your response to the draft report and the recommendations included therein 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.)*

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
http://www.usaid.gov/oig

We appreciate the cooperation and courtesies extended to us during the audit. OIG is looking forward to working with you on our audit of USAID's fiscal year 2012 financial statements.

CONTENTS

SUMMARY OF RESULTS

USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources present fairly, in all material respects, the financial position of USAID as of September 30, 2011 and 2010 and its net cost, net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

This audit identified one deficiency in internal control that the audit team considered a material weakness, related to USAID's process for reconciling its fund balance with the U.S. Treasury. The audit also identified six significant deficiencies in internal control related to the following aspects of USAID's financial management processes:

- Reconciling loans receivable
- Accounting for unliquidated obligations
- Accounting for property, plant, and equipment
- Accounting for accounts receivable
- Accounting for advances
- Reconciling intragovernmental transactions

This audit identified no instances of substantial noncompliance with requirements for federal financial management systems, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of the tests required by Section 803(a) of the Federal Financial Management Improvement Act of 1996, Public Law 104-208.

BACKGROUND

USAID was created in 1961 to advance U.S. foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has missions in more than 100 countries, 46 of which have full accounting operations with USAID controllers. For the fiscal year ended September 30, 2011, USAID reported total budgetary resources of approximately $24 billion.

Pursuant to the Government Management Reform Act of 1994 (GMRA), Public Law 103-356, USAID is required to submit audited financial statements to the Office of Management and Budget (OMB) annually. Accordingly, for fiscal year (FY) 2011, USAID has prepared the following:

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

AUDIT OBJECTIVE

The Office of Inspector General (OIG) performed these audits to determine whether USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for FYs 2011 and 2010.

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, 2011 and 2010, and for the years then ended.

In accordance with *Government Auditing Standards,*[1] OIG has also issued reports, dated November 15, 2011, on its consideration of USAID's internal control over financial reporting and on its tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report.

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

INDEPENDENT AUDITOR'S REPORT ON USAID'S FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2011, and 2010, and the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources of USAID for the years ended September 30, 2011, and 2010. These financial statements are the responsibility of USAID's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2011, and 2010, and for the years then ended.

As discussed in note 20 of the FY 2011 financial statements, the FY 2010 Statement of Budgetary Resources has been restated to reflect the correction of an error in Distributed Offsetting Receipts which is reported in Net Outlays.

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

In accordance with generally accepted *Government Auditing Standards*, we have also issued reports, dated November 15, 2011, on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

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

Office of Inspector General

USAID, Office of Inspector General
November 15, 2011

REPORT ON INTERNAL CONTROL

We have audited the consolidated balance sheets of USAID as of September 30, 2011 and 2010. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2011 and 2010, and have issued our report thereon dated November 15, 2011. 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,* as amended.

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2011 and 2010, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determined whether internal controls had been placed in operation, assessed control risk, and tested controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07–04, as amended. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on internal control.

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

A material weakness is a deficiency or a combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely manner. We identified one deficiency in internal control that we consider 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 is important enough to merit attention by those charged with governance. We identified six significant deficiencies in internal control related to USAID's financial management processes. Specifically, USAID's process to:

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

- Review and deobligate unliquidated obligations is not effective.

- Account for and accurately report property, plant, and equipment is not effective.

- Account for accounts receivable is not effective.
- Account for advances is not effective.
- Reconcile intragovernmental transactions remains a challenge.

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

We also noted other matters involving internal control over financial reporting which we reported to USAID's management in a separate letter dated November 15, 2011.

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 (FBWT) account recorded in the financial accounting system (Phoenix) and the Fund Balance reported by the Department of the Treasury (Treasury). As of September 30, 2011, the differences were $96 million net ($2.1 billion absolute value). These differences persist because USAID and its missions did not consistently perform monthly reconciliations of its FBWT account and research and resolve differences in a timely manner. Instead of investigating and resolving the differences, USAID adjusted its FBWT account by $125 million as of September 30, 2011. However, only $96 million was necessary to ensure that its FBWT account agreed with the balance reported on Treasury's Form 2108, Year End Closing Statement. Therefore, USAID will report the difference of $29 million as an unadjusted misstatement and make the correction in FY 2012.

Additionally, our audit revealed that USAID recorded transactions in the suspense accounts that could not be readily identified when USAID received notification of these transactions from Treasury. However, USAID did not research and resolve these items within the 60-day requirement established by Treasury and acknowledged that it did not meet this requirement in its annual certification to Treasury for the periods ending September 30, 2010 and 2011 but committed to do so by the end of FY 2012. As of September 30, 2011, the net value of the suspense items over 60 days old was $32 million, of which $28 million related to items that occurred between 2001 and 2007 and require an inordinate amount of resources for resolution.

Treasury Reconciliation Procedures, a Supplement to the Treasury Financial Manual, Volume I *Part 2-5100,* Section V, stipulates that federal agencies must reconcile their account and any related subaccounts at least monthly and must resolve all differences between the balances reported on their general ledger FBWT accounts and balances reported in the *Government-wide*

Accounting system. In addition, *Treasury Reconciliation Procedures* specifically states that an agency may not arbitrarily adjust its FBWT account and only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust the balance of its FBWT account.

Since USAID developed and implemented the Cash Reconciliation Tool (CART), some progress has been made to identify, track, and reconcile differences between Phoenix and Treasury and to research and properly record transactions that were previously recorded in its suspense accounts. USAID has strengthened the reconciliation process for payments made by third parties such as the Department of Health and Human Services, the National Finance Center and the Department of State and plans to implement a Web-based version of CART by the middle of FY 2012 that will aid in identifying specific missions' transactions that are part of the differences between Phoenix and Treasury and in seeing the list of reconciling items of every USAID accounting station in the world. This enhancement of CART will enable USAID to resolve reconciling items more effectively and significantly reduce the differences between Phoenix and Treasury.

Recommendation 1. *We recommend that the Chief Financial Officer accelerate the implementation of the Web-based CART, perform complete and timely fund balance reconciliations in accordance with the procedures established by the U.S. Department of the Treasury, and maintain documentation to adequately support all reconciliations performed.*

Significant Deficiencies

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

During our audit of the Loans Receivable account, we noted that USAID continues to have a large number of loan transactions that have not been reconciled. USAID contracted with PNC Financial Services Group Inc. (PNC) to service its loan portfolio and to maintain accurate loan balances. PNC processes USAID's loan transactions in its Enterprise Loan System (ELS) and generates a monthly report of loan transactions that is uploaded into USAID's accounting system (Phoenix) through an interface. This interface is necessary to transmit accounting information to Phoenix for the loans that are recorded and maintained in ELS. As of September 30, 2011, USAID's unreconciled differences between amounts recorded in Phoenix and amounts recorded in ELS totaled approximately $29 million net ($202 million absolute value).

Although USAID has made improvements in investigating and resolving these differences, a large unreconciled difference between the two systems remains. This difference results from unrecorded debt restructuring transactions that were not captured by the Phoenix accounting system during the interface and from some loan transactions recorded in ELS that were not designed to be included in the interface transmission process. According to USAID's management, these transactions are recorded with a supplemental journal entry following the interface. As a result, USAID recorded an adjustment of approximately $29 million to bring the loans receivable balance in Phoenix as of September 30, 2011, 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. Additionally, Statements of Federal Financial Accounting Standards, Technical Release No. 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act,* requires that agencies maintain an audit trail from individual transactions in the subsidiary ledger to the general ledger.

In our prior year's audit,[2] we recommended that USAID's CFO (a) intensify efforts to reconcile loan balances with PNC's ELS, (b) ensure that all transactions transmitted to Phoenix via the interface are properly posted to Phoenix, and (c) complete debt restructuring reconciliations within 90 days after PNC records debt restructurings in ELS. Because USAID continues to have large unreconciled differences between the amounts recorded in its Phoenix accounting system and the amounts recorded in ELS, we make the following recommendation.

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

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

USAID does not consistently review and analyze its unliquidated obligations (ULOs) to determine whether those without activity for 3 years or more are still required or should be deobligated. Although USAID headquarters and its missions performed annual reviews of ULOs, they did not complete the process for analyzing and deobligating excess or unneeded funds in a timely manner. When funds are deobligated, they are made available in the Phoenix accounting system for reprogramming. During our audit, we analyzed USAID's ULOs and determined that, as of September 30, 2011, USAID had approximately $70 million in unliquidated obligations with no disbursement activity for more than 3 years that should be evaluated for deobligation. Of the $70 million, we determined that approximately $17 million in unliquidated obligations (itemized in the table on the following page) had no disbursement activity since they were established).

[2] "The Audit of USAID's Financial Statements for Fiscal Years 2010 and 2009," November 12, 2010, p. 8, http://www.usaid.gov/oig/public/fy11rpts/0-000-11-001-c.pdf.

Table 1: Analysis of ULOs by Fiscal Years

FY Established	Obligation Amounts With No Activity Since Establishment ($)	Unliquidated Amounts With No Activity in 3 years ($)
2000	204,954	1,860,280
2001	3,151,508	22,931,438
2002	291,993	3,559,176
2003	844,349	3,112,673
2004	1,408,997	5,977,728
2005	2,286,048	9,461,686
2006	1,782,047	7,836,576
2007	3,178,966	8,706,829
2008	3,557,993	6,753,142
Total	**16,706,854**	**70,199,526**

In addition, our audit determined that USAID had 79,800 obligations valued at approximately $411 million in its Phoenix accounting system and its Global Acquisition and Assistance System (GLAAS) that lacked critical procurement information. Obligation details were lacking because contracting officers and obligation officials were not including all relevant information in the acquisition system when recording awards. Missing information included performance period start and end dates, which are necessary to facilitate an effective periodic review and evaluation of ULOs. In January 2011, management mandated that performance dates be included in all awards but our review identified several awards initiated after January 2011 that did not have this information.

These conditions occurred because USAID continues to have a large number of awards with unliquidated obligations that are pending closeout audits, and because obligation officials did not consistently include the period of performance in GLAAS for all awards so that performance dates could be recorded in the Phoenix accounting system.

USAID's Automated Directives System (ADS) Chapter 621.3.9, "Obligations," requires USAID and its missions to initiate and coordinate reviews of all ULOs at least annually to determine whether the unliquidated obligation balances should be retained or deobligated. In conducting reviews of unliquidated obligations to identify funds that must be deobligated, obligation officials and others involved in the review process must consider circumstances that could result in excessive or unneeded obligation balances.

By not evaluating ULOs, USAID risks losing program and operating expense funds that may expire before they are deobligated. Because USAID has approximately $70 million in ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

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

USAID's Process for Accounting for and Accurately Reporting Property, Plant, and Equipment Is Not Effective (Repeat Finding)

USAID does not maintain an accurate listing of property, plant, and equipment (PP&E) or adequate documentation to support the PP&E recorded in its general ledger. During our audit, we found that USAID's Financial Management Division did not periodically reconcile the PP&E account balances in its general ledger with those reported by the Overseas Management Division (OMD); the Office of Foreign Disaster Assistance (OFDA); and the Office of the Chief Information Officer (CIO), which monitors and approves requests for property and equipment. As a result, USAID did not report capitalized assets totaling $180,218 that were reported by the CIO.

Further, although USAID's Financial Management Division performed reconciliation of vehicles, it did not investigate and resolve differences totaling $11,524,615 among the general ledger, the Vehicle Management Information System[3], managed by OMD, and vehicle records reported by OFDA. As a result, the USAID Financial Management Division recorded a vehicle with book value of $50,772 as a disposition, although it was purchased on January 7, 2011.

These discrepancies and errors occurred because USAID's Financial Management Division does not (1) follow established policies and procedures outlined in ADS 629 to ensure that complete supporting documentation is maintained for PP&E items recorded in its general ledger, (2) completely reconcile the PP&E account balances annually to ensure that assets accounted for by its Financial Management Division correspond to the asset information maintained by OMD, OFDA, and CIO, and (3) review its PP&E listing to ensure that all additions and dispositions are accounted for accurately and in a timely manner.

OMB Circular A–123, *Management's Responsibility for Internal Controls,* December 31, 2004, states that the reliability of financial reporting requires management to provide the assertion that documentation exists for all transactions and other significant events and is readily available for examination. Additionally, OMB A–136, *Financial Reporting Requirements,* September 29, 2010, states that periodic analyses, reconciliations, or comparisons of data should be included as a part of the regular duties of financial management offices. Because of the internal control deficiencies noted above, we make the following recommendation.

> ***Recommendation 4.*** *We recommend that the Office of the Chief Financial Officer revise its policy and procedures to ensure that the Financial Management Division (a) reconciles property, plant, and equipment records with those of the Overseas Management Division, the Office of Foreign Disaster Assistance, and the Office of the Chief Information Officer, and researches and resolves discrepancies in a timely manner and (b) coordinates with the Overseas Management Division to obtain quarterly disposal reports when performing the mission data call and data validation.*

---

[3] This is the system that USAID uses to accumulate data on its fleet of vehicles.

USAID's Process for Accounting for Accounts Receivable Is Not Effective

During our testing of accounts receivable written off during the year, we found that USAID used the wrong posting model to write off delinquent accounts receivable. Our audit determined that in fiscal year 2011 USAID's Financial Management Division incorrectly wrote off 27 accounts receivable valued at approximately $7.3 million by using the wrong posting model–recording a debit to Allowance for Loss on Accounts Receivable and a credit to Advances & Prepayments. This occurred because USAID's financial management system provided several posting model options when initiating accounts receivable write-off transactions, and its Financial Management Division personnel chose the wrong posting model to process the write-offs. As a result, during fiscal year 2011, USAID understated its FY 2011 Advances & Prepayments balance and overstated accounts receivable by approximately $7.3 million.

Additionally, we found that USAID does not accrue interest and penalty costs for delinquent accounts receivable. During our review, we judgmentally selected a sample of 44 outstanding accounts receivable totaling approximately $9.6 million and found that interest and penalty costs were not consistently applied against 16 of the 44 delinquent accounts. As a result, USAID understated accounts receivable on its balance sheet by approximately $176,480. This understatement could easily have been prevented because USAID's financial accounting system has the capability to calculate interest. Section 2.1 of USAID's Phoenix Procedure Guide Version 4.3, "Accounts Receivable," states that Phoenix has a system setting that will automatically generate a due date for accounts receivable based on the date of entry of the billing document. The system will calculate interest and penalty charges daily on a 360-day calendar. However, USAID has opted not to use this functionality

Treasury Financial Manual Supplement S2-09-01 states that the proper transaction to record the write-off of accounts receivable consists of a debit to Allowance for Loss on Accounts Receivable and a credit to Accounts Receivable. Also, USAID's ADS 625.3.4.10, Accounts Receivable and Debt Collection, states that if USAID does not receive payment by the due date, the receivable becomes delinquent and interest is computed back to the date of the original demand. Penalty costs must also be accrued and added to the indebtedness as outlined in 22 CFR 213.12. During the course of the audit, the CFO took action to implement the functionality for applying interest and penalty costs in the Phoenix accounting system. Therefore, we are not including a recommendation to accrue interest and penalty costs for delinquent accounts receivable in this report.

> ***Recommendation 5.*** *We recommend that the Chief Financial Officer develop and implement procedures to ensure that the correct posting model is used when writing off accounts receivable.*

USAID's Process for Accounting for Advances Is Not Effective

USAID's process for accounting for pooled advances continues to be problematic. Our review of advances found that, as of September 30, 2011, 50 obligations recorded on the Department of Health and Human Services Payments Management System (PMS) Synchronization Report, valued at approximately $7.2 million, were deobligated twice by USAID. The obligations were deobligated once by USAID when the funds were removed manually from PMS after the Cash Management and Payments Division received notification that those grants were completed and that the grantees would no longer be incurring expenses against those obligations. The same obligations were deobligated from PMS a second time when the USAID Office of Acquisition and Assistance recorded a deobligation in the Phoenix accounting system after receiving notification that the period of performance had expired. This second deobligation took place when the daily Phoenix outbound interface with PMS occurred. Therefore, the obligations that were manually removed from PMS were removed a second time and the closed grants were reestablished in PMS. As a result, the obligations recorded for those grants in PMS were lower than the expenses that the grantees were supposed to report in their quarterly reports. The grantees were therefore forced to report expenses to the extent of the obligations available, and not all the expenses that were incurred could be reported. Therefore, the outstanding advances on the balance sheet were overstated by $7.2 million

Our tests of advances determined that as of September 30, 2011, 164 advance transactions totaling $26 million remained outstanding for over 90 days. Because the original advance payment document needed to perform the final deobligation was not referenced, the advance liquidation transactions were incorrectly recorded in the Phoenix accounting system. As a result, the wrong advances totaling $26 million were liquidated. ADS 636.3 states that the Cash Management and Payments Division is required to ensure that outstanding advances are reviewed periodically so that advanced funds are not in excess of immediate disbursement needs.

Statements of Federal Financial Accounting Standards No. 1, paragraph 59, states that advances should be recorded as assets and subsequently reduced when services are received or expenses are actually incurred. USAID did not comply with this requirement. The Cash Management and Payments Division coordinated with the Office of the Chief Information Officer during the course of the audit and implemented an enhancement to the Phoenix accounting system that would omit closed Letter of Credit transactions from the outbound interface process. This change to the Phoenix accounting system was implemented on October 19, 2011. Because USAID's CFO has taken action to ensure that the final deobligations of advances from the PMS interface are recorded correctly in USAID's accounting system, we are not including a recommendation in this report.

> ***Recommendation 6.*** *We recommend that the Office of the Chief Financial Officer develop and implement procedures to liquidate all outstanding advances in a timely manner.*

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, 2011, the U.S. Treasury (Treasury) reported a net difference of $3.5 billion in intragovernmental transactions between USAID and other federal agencies. Of this amount, USAID was required to reconcile and confirm $340 million in intragovernmental activity in accordance with OMB Circular A–136, *Financial Reporting Requirements*, and Treasury's *Federal Intragovernmental Transactions Accounting Policies Guide,* Section *17.1.* These differences, which Treasury reports each quarter in the Material Differences/Status of Disposition Certification Report,[4] represent differences identified by Treasury between USAID's records and those of its federal trading partners that exceed a $250 million assurance threshold

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

that is established by Treasury. In the fourth quarter report on material differences, Treasury reported only one difference of $340 million that was greater than the $250 million threshold. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist, including the $340 million that should have been reconciled with one federal agency. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different accounting methodologies.

USAID continuously researches intragovemmental activity to improve USAID's reconciliation process and eliminate the differences. Although some timing differences may ultimately be resolved, differences caused by accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The *Federal Intragovemmental 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 agree and that long-term accounting policy differences can be eliminated.

Although approximately $3.2 billion of the $3.5 billion in net differences reported between USAID and the Treasury general fund does not have 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 intragovemmental transactions in a previous audit[5] 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 intragovemmental differences in future audits.

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

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

Office of Inspector General

USAID, Office of Inspector General
November 15, 2011

[5] "Audit of USAID's Financial Statements for Fiscal Years 2010 and 2009," November 12, 2010, p. 9, http://www.usaid.gov/oig/public/fy11rpts/0-000-11-001-c.pdf.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the consolidated balance sheets of USAID as of September 30, 2011, and 2010. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2011, and 2010, 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 Office of Management and Budget (OMB) Bulletin No. 07–04, *Audit Requirements for Federal Financial Statements,* as amended.

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

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

OMB Circular A–123

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

In 2011, USAID monitored key business processes and followed up on recommendations made in prior years. For FY 2011, USAID, in its Management Assurance Report to the President and Congress, identified and reported one material weakness related to its process for reconciling Fund Balance with the U.S. Treasury and the following significant deficiencies:

- Loan Receivable Reconciliation
- Unliquidated Obligations
- Inaccurate Salary and Entitlement Payments
- Inconsistent FMFIA Certification Process

Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements. During our tests, nothing came to our attention to cause us to believe that USAID did not substantially comply with the 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 in several financial system processes, not affecting substantial compliance:

- Reconciliation of Fund Balance With the U.S. Treasury
- Reconciliation of Loans Receivable
- Accounting for Unliquidated Obligations
- Accounting for Property, Plant, and Equipment
- Accounting for Accounts Receivable
- Accounting for Advances
- Reconciliation of Intragovernmental Transactions

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

Office of Inspector General

USAID, Office of Inspector General
November 15, 2011

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 them.

USAID management agreed to implement recommendation 1 and stated that the Office of the Chief Financial Officer will continue to focus on strengthening its reconciliation procedures to identify the transactions that caused the differences with the Fund Balance with Treasury (FBWT). USAID management also noted that strengthening their reconciliation processes to significantly reduce differences will require the web-based Cash Reconciliation Tool (CART) as a means and, as noted by the OIG, the Agency will work to accelerate implementation and stabilization of the web-based CART. To address legacy differences, USAID and the OIG will reach agreement with Treasury on an acceptable approach to eliminate old FBWT differences and to resolve very old suspense items. USAID will clear current period suspense transactions within 60 days. The target completion date is February 29, 2012. We agree with the management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2012 GMRA audit.

USAID management agreed to implement recommendation 2 and noted that USAID will continue to work with the loan service provider to investigate and resolve differences between the Phoenix accounting system and balances maintained by their loan service provider. USAID management also stated that their progress in reconciling loan restructurings was limited in FY 2011 because of large turnover of staff in the Credit Program office. Management estimates that it will take 2½ more years to complete past debt restructuring reconciliations. The target completion date is June 30, 2014. We agree with the management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2012 GMRA audit.

USAID management agreed to implement recommendation 3 and stated that USAID will continue to identify and reduce the number of current contracts and obligations in closeout, and will look into the use of additional sources to expedite reviews. USAID management also noted that the Office of CFO will continue to target specific areas for batched processing, including low-dollar, miscellaneous, and travel-related obligations. USAID management committed to evaluating the use and functionality of requiring performance dates on all future procurement contracts. The target completion date is September 30, 2014. We agree with the management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2012 GMRA audit.

USAID management agreed to implement recommendation 4, stating that USAID will revise its procedures. USAID management also noted that during FY 2011 the Central Accounting and Reporting Division reconciled its records directly with the various missions. USAID management agreed to (a) institute additional processes to improve the reconciliation and coordination among the Overseas Management Division, the Office of Foreign Disaster

Assistance, and the Office of the Chief Information Officer to resolve reporting differences; and will (b) coordinate with the Overseas Management Division to obtain quarterly disposal reports when performing the mission data call and data validation. The target completion date is June 30, 2012. We agree with the management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2012 GMRA audit.

USAID management agreed to implement recommendation 5 and stated that the Office of the CFO will review and revise desktop procedures as necessary and provide training to system accountants on posting receivable write-off transactions correctly. USAID management also agreed to issue a memorandum to all users to reiterate the proper procedures when posting write-offs. The target completion date is September 30, 2012. We agree with the management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2012 GMRA audit.

USAID management agreed to implement recommendation 6 and stated that the Office of the CFO will (a) review and update advance liquidation procedures as applicable and (b) proactively monitor and liquidate advances through rigorous cyclical follow-up with Agency vendors to ensure that they submit their advance liquidation documents on time. USAID management also reported liquidating over $16 million of the $26 million identified by the OIG as outstanding advance transactions for FY 2011 and reported that the current outstanding advance balance is approximately $9.6 million. The target completion date is September 30, 2012. We agree with the management decision on this recommendation and will review USAID's implementation of this recommendation during our FY 2012 GMRA audit.

Although we did not include a recommendation for the intragovernmental transaction reconciliation finding in our report, USAID management committed to continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner. The target completion date is September 30, 2015. We agree with management's proposed action and will review USAID's progress on its implementation during our FY 2012 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 of 1982 (FMFIA) are met; (3) ensuring that USAID's financial management systems substantially comply with the requirements of the 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 accounting principles generally accepted in the United States of America. 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 (OMB) audit guidance requires testing; and (4) performing limited procedures with respect to certain other information appearing in the Agency Financial Report.

To fulfill these responsibilities, OIG:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Evaluated the overall presentation of the financial statements;
- Obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations, (including execution of transactions in accordance with budget authority);
- Tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal controls;
- Considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; 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, "July 12, 1870; codified at 31 U.S.C. 1341, 1342, 1349 to 1351, 1511 to 1519."

- Improper Payments Information Act of 2002, Public Law 107-300
- Prompt Payment Act, Public Law 97-177
- Debt Collection Improvement Act of 1996, Public Law 104-134
- Federal Credit Reform Act of 1990, Public Law 93-344
- OMB Circular A–136
- OMB Circular A–123

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

We did not test compliance with all laws and regulations applicable to USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2011, and 2010. 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 $312 million for any individual statement to be material to the presentation of the overall financial statements.

Federal Financial Management Improvement Act of 1996 (FFMIA)

We assessed whether USAID was substantially compliant with section 803(a) of the FFMIA, which requires agencies to implement and maintain financial management systems 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, of USAID's Phoenix financial management systems updates, its posting models effectiveness, and its budget module postings to the general ledger 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. We 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. Therefore, we concluded that our review found no instances of substantial noncompliance with any of the three FFMIA section 803(a) requirements.

MANAGEMENT COMMENTS

USAID
FROM THE AMERICAN PEOPLE

November 14, 2011

MEMORANDUM

TO: AIG/A, Timothy E. Cox

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

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2011 and 2010 (Report No. 0-000-12-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2011 and 2010* and for the professionalism and dedication exhibited by your staff throughout this entire process.

Fiscal Year (FY) 2011 was another significant year for federal financial management at USAID. 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 the Chief Financial Officer accelerate the implementation of the web-based CART and perform complete and timely fund balance reconciliations in accordance with the procedures established by the U.S. Department of the Treasury and maintain documentation to adequately support all reconciliations performed.

Management Decision: The CFO will continue to focus on strengthening its reconciliation procedures to identify the transactions that cause the Fund balance with Treasury (FBWT) differences. Strengthening our reconciliation processes to significantly reduce differences will require the web-based Cash Reconciliation Tool (CART) as a means and, as noted by OIG, the Agency will work to accelerate implementation and stabilization of the web-based CART. To address legacy differences, USAID and OIG will reach agreement with Treasury on an acceptable approach to eliminate old FBWT differences and to resolve very old suspense items. We will clear current period suspense transactions within 60 days.

Target completion date: February 29, 2012

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

Recommendation: No. 2: We recommend that the Office of the Chief Financial Officer (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with the balances maintained in the PNC Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

Management Decision: USAID will continue to work with the service provider to investigate and resolve differences between the Phoenix accounting system and balances maintained by our loan service provider. Our progress in reconciling loan restructurings was limited in FY 2011 due to large turnover of staff in the Credit Program and we estimate that it will take two and a half more years to complete past debt restructuring reconciliations.

Target completion date: June 30, 2014

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

Recommendation No. 3: We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and with Bureau Assistant Administrators to (a) initiate targeted reviews of non-GLAAS obligations and batch obligations for automatic deobligation for small-dollar obligation balances, travel, operating-expense funded obligations and program funded obligations that are older than five years; (b) utilize services of independent public accounting firms to expedite the close out audit process, and (c) ensure obligation officials include period of performance dates for all procurement type awards.

Management Decision: USAID will continue to identify and reduce the current contract and obligation closeout, and research the use of additional sources to expedite review. As noted, the Office of the CFO will also collaborate with the Office of Acquisition and Assistance to evaluate alternative service providers to expedite the close-out audit process. The Office of CFO will continue to target specific areas for batched processing, including low-dollar, miscellaneous and travel-related obligations. We will also evaluate the use and functionality of requiring performance date on all future procurement contracts.

Target completion date: September 30, 2014

Significant Deficiency: USAID's Process for Accounting for and Accurately Reporting Property, Plant, and Equipment Is Not Effective (Repeat Finding)

Recommendation No. 4: We recommend that the Chief Financial Officer revise its policy and procedures to ensure that the Financial Management Division (a) reconciles property, plant, and equipment records with those of the Overseas Management Division, the Office of Foreign Disaster Assistance, and the Office of the Chief Information Officer, and researches and resolves discrepancies in a timely manner and (b) coordinates with the Overseas Management Division to obtain quarterly disposal reports when performing the mission data call and data validation.

Management Decision: USAID will evaluate whether policy revisions are required. USAID will revise its procedures. During FY 2011, the Central Accounting Division reconciled its records directly with the various missions. USAID will (a) institute additional processes to improve the reconciliation and coordination between the Overseas Management Division, the Office of Foreign Disaster Assistance, and the Office of the Chief Information Officer to resolve reporting differences; and will (b) coordinate with the Overseas Management Division to obtain quarterly disposal reports when performing the mission data call and data validation.

Target completion date: June 30, 2012

Significant Deficiency: USAID's Process for Accounting for Accounts Receivable Is Not Effective

Recommendation No. 5: We recommend that the Chief Financial Officer develop and implement procedures to ensure that the correct posting model is used when writing off accounts receivable.

Management Decision: The Office of the CFO will review and revise desktop procedures as necessary and provide training to system accountants on posting receivable write-off transactions correctly. In addition, we will issue a memorandum to all relevant users to reiterate the proper procedures when posting write-offs.

Target completion date: September 30, 2012

Significant Deficiency: USAID's Process for Accounting for Advances Is Not Effective

Recommendation No. 6: We recommend that the Office of the Chief Financial Officer develop and implement procedures to liquidate all outstanding advances in a timely manner.

Management Decision: The Office of the CFO will review and update advance liquidation procedures where applicable; as well as, proactively monitor and liquidate advances through rigorous cyclical follow-up with Agency vendors to ensure that they submit their advance liquidation documents timely.

USAID liquidated over $16 million of the $26 million identified by the OIG as outstanding advance transactions for FY2011. Currently, the outstanding advance balance is approximately $9.6 million.

Target completion date: September 30, 2012

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

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

Target completion date: September 30, 2015

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 YEARS FINDINGS AND RECOMMENDATIONS

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

Status of 2010 Findings and Recommendations

Recommendation No 1: We recommend that the Chief Financial Officer (a) provide changes in its crosswalk to the Department of Health and Human Services in a timely manner to ensure that the Department of Health and Human Services charges all third-party transactions to appropriate appropriations; and (b) research and resolve all suspense items within the time stipulated by Treasury.

Status: This recommendation is still pending final action. The Chief Financial Officer noted that the auditor's acknowledged that progress has been made in the reconciliation of current transactions with the implementation of the fund balance reconciliation tool. The CFO will focus on eliminating legacy differences, correcting the Health and Human Services crosswalk, and clearing items from the suspense accounts within 60 days. Target completion date: February 29, 2012

Recommendation: No. 2: We recommend that the Chief Financial Officer (a) intensify efforts to reconcile loan balances with Midland's ELS; (b) ensure that all transactions transmitted to Phoenix via the interface are properly posted to Phoenix; and (c) complete debt restructuring reconciliations within 90 days after Midland records debt restructurings in ELS.

Status: This recommendation is still pending final action. The Chief Financial Officer agreed to implement the recommendation and will continue to work with the service provider to investigate and resolve differences. The CFO will complete new debt restructuring reconciliations within the timeframe described above by training additional personnel, but it will take an estimated 2½ more years to complete past debt restructuring reconciliations. Target completion date: June 30, 2014

Recommendation No. 3: We recommend that the Chief Financial Officer develop and implement procedures to ensure that: (a) adequate supporting documentation is maintained for all purchases, transfers, and disposals of property, plant and equipment; (b) communication between USAID's Overseas Management Division and Financial Management Division is maintained to ensure that all the equipment are reconciled annually; and (c) disposed property and equipment is removed from its financial records in a timely manner.

Status: This recommendation is still pending final action. The Chief Financial Officer agreed to implement the recommendation. The CFO will institute processes to improve the internal control procedures regarding property, plant and equipment. Target completion date: June 30, 2012

Status of 2009 Findings and Recommendations

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.

Status: This recommendation is still pending final action. The Chief Financial Officer noted that the auditor's acknowledged that progress has been made in the reconciliation of current transactions with the implementation of the fund balance reconciliation tool. The CFO will focus on eliminating legacy differences, correcting the Health and Human Services crosswalk, and clearing items from the suspense accounts within 60 days. Target completion date: February 29, 2012.

Status of 2005 Findings and Recommendations

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

Status: The IG has made no recommendations in the last few years. However, USAID is continuously researching intragovemmental activity and developing new tools in order to improve its reconciliation process and eliminate the differences.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2011 and 2010 (In Thousands)

	2011	2010
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 15)	$ 27,758,936	$ 27,221,485
Accounts Receivable (Note 3)	220	220
Other Assets (Note 4)	96,219	67,653
Total Intragovernmental	27,855,375	27,289,358
Cash and Other Monetary Assets (Note 5)	306,635	265,375
Accounts Receivable, Net (Note 3)	94,467	121,101
Direct Loans and Loan Guarantees, Net (Note 6)	3,392,381	3,472,065
Inventory and Related Property, Net (Note 7)	43,679	16,394
General Property, Plant, and Equipment, Net (Notes 8 and 9)	74,102	117,056
Advances (Note 4)	549,169	789,121
Total Assets	**$ 32,315,808**	**$ 32,070,470**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 15)	$ 15,597	$ 37,773
Debt (Note 11)	478,380	478,280
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	3,198,706	3,202,384
Other Liabilities (Note 12)	1,445,425	667,713
Total Intragovernmenta		4,386,150
Accounts Payable (Note 10)		2,075,047
Loan Guarantee Liability (Note 6)		2,265,591
Federal Employee and Veteran's Benefits (Note 13)		26,035
Other Liabilities (Notes 10, 12, and 13)		435,789
Total Liabilities		
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations		21,108,712
Cumulative Results of Operations		.773.146

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

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

OBJECTIVES	2011	2010
Peace and Security:		
Gross Costs	$ 941,773	$ 1,079,389
Less: Earned Revenue	(4,729)	(6,895)
Net Program Costs	937,044	1,072,494
Governing Justly and Democratically:		
Gross Costs	1,844,205	1,792,493
Less: Earned Revenue	(9,379)	(24,286)
Net Program Costs	1,834,826	1,768,207
Investing in People:		
Gross Costs	3,266,444	3,162,339
Less: Earned Revenue	(203,361)	(313,925)
Net Program Costs	3,063,083	2,848,414
Economic Growth:		
Gross Costs	4,137,161	2,913,573
Less: Earned Revenue	(887,933)	(203,394)
Net Program Costs	3,249,228	2,710,179
Humanitarian Assistance:		
Gross Costs	1,639,786	1,637,038
Less: Earned Revenue	(8,146)	(7,951)
Net Program Costs	1,631,640	1,629,087
Operating Unit Management:		
Gross Costs	530,837	381,361
Less: Earned Revenue	(2,965)	(3,446)
Net Program Costs	527,872	377,915
Net Cost of Operations (Notes 16 and 17)	**$ 11,243,693**	**$ 10,406,296**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

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

	2011 Consolidated Total	2010 Consolidated Total
Cumulative Results of Operations:		
Beginning Balances	$ 1,773,146	$ 1,005,741
Beginning Balances, as Adjusted	1,773,146	1,005,741
Budgetary Financing Sources:		
Appropriations Used	11,361,601	11,080,790
Donations and Forfeitures of Cash and Cash Equivalents	122,076	83,066
Transfers-in/out Without Reimbursement	–	10
Other Financing Sources (Non-Exchange):		
Imputed Financing	16,100	9,835
Total Financing Sources	11,499,777	11,173,701
Net Cost of Operations	(11,243,693)	(10,406,296)
Net Change	256,084	767,405
Cumulative Results of Operations	2,029,230	1,773,146
Unexpended Appropriations:		
Beginning Balance	21,108,712	16,464,124
Beginning Balance, as Adjusted	21,108,712	16,464,124
Budgetary Financing Sources:		
Appropriations Received	11,737,457	15,786,352
Appropriations Transferred in/out	(8,906)	94,900
Other Adjustments	(273,577)	(155,874)
Appropriations Used	(11,361,601)	(11,080,790)
Total Budgetary Financing Sources	93,373	4,644,588
Total Unexpended Appropriations	21,202,085	21,108,712
Net Position	**$ 23,231,315**	**$ 22,881,858**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

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

	2011		2010 (Restated)	
	Budgetary	**Non-Budgetary Credit Reform**	**Budgetary**	**Non-Budgetary Credit Reform**
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 6,897,561	$ 2,384,581	$ 5,360,402	$ 1,643,447
Changes to Beginning Balance Due to Adjustment from OMB	(7,718)	(2,592)	–	–
Unobligated Balance, Brought Forward, as Adjusted	6,889,843	2,381,989	5,360,402	1,643,447
Recoveries of Prior Year Unpaid Obligations	2,046,388	310	676,857	–
Budget Authority:				
Appropriations	11,874,718	–	15,855,309	–
Borrowing Authority (Note 11)	–	96	–	900
Spending Authority from Offsetting Collections:				
Earned:				
Collected	748,476	281,133	706,108	800,209
Change in Receivables from Federal Sources	(231)	–	(174)	–
Change in Unfilled Customer Orders:				
Unfilled Customer Orders With Advance	217,836	–	460,853	–
Without Advance from Federal Sources	9,718	–	(2,633)	–
Subtotal	12,850,517	281,229	17,019,463	801,109
Nonexpenditure Transfers, Net, Anticipated and Actual	11,557	(7)	(109,472)	(54)
Permanently Not Available	(669,907)	–	(434,727)	–
Total Budgetary Resources	**$ 21,128,398**	**$ 2,663,521**	**$ 22,512,523**	**$ 2,444,502**
Status of Budgetary Resources:				
Obligations Incurred (Note 18):				
Direct	$ 13,057,051	$ 242,156	$ 15,431,921	$ 59,921
Reimbursable	195,901	–	183,041	–
Subtotal	13,252,952	242,156	15,614,962	59,921
Unobligated Balance:				
Apportioned (Note 2)	7,265,534	310,302	6,013,474	30,939
Subtotal	7,265,534	310,302	6,013,474	30,939
Unobligated Balance Not Available (Note 2)	609,912	2,111,063	884,087	2,353,642
Total Status of Budgetary Resources (Note 18)	**$ 21,128,398**	**$ 2,663,521**	**$ 22,512,523**	**$ 2,444,502**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

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

	2011		2010 (Restated)	
	Budgetary	**Non-Budgetary Credit Reform**	**Budgetary**	**Non-Budgetary Credit Reform**
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	$ 17,924,611	$ (2,751)	$ 14,422,096	$ (640)
Changes to Beginning Balance Due to Adjustment from OMB	7,718	2,592	–	–
Unobligated Balance, Brought Forward, as Adjusted	17,932,329	(159)	14,422,096	(640)
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(24,908)	34	(27,714)	35
Total Unpaid Obligated Balance, Net (Note 18)	17,907,421	(125)	14,394,382	(605)
Obligations Incurred, Net (+/-)	13,252,952	242,156	15,614,962	59,921
Less: Gross Outlays	(11,633,785)	(241,968)	(11,435,590)	(62,033)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(2,046,388)	(310)	(676,857)	–
Change in Uncollected Customer Payments from Federal Sources (+/-)	(9,486)	–	2,806	–
Obligated Balance, Net, End of Period				
Unpaid Obligations	17,505,109	(282)	17,924,611	(2,751)
Less: Uncollected Customer Payments from Federal Sources	(34,395)	35	(24,908)	34
Total, Unpaid Obligated Balance, Net, End of Period	$ 17,470,714	$ (247)	$ 17,899,703	$ (2,717)
Net Outlays:				
Gross Outlays	11,633,785	241,968	11,435,590	62,033
Less: Offsetting Collections (Note 18)	(966,312)	(281,133)	(1,166,959)	(800,209)
Less: Distributed Offsetting Receipts (Note 18 and Note 20)	(377,859)	–	(96,395)	–
Net Outlays	**$ 10,289,614**	**$ (39,165)**	**$ 10,172,236**	**$ (738,176)**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

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

American Recovery and Reinvestment Act

Recovery Act funds are for information technology security and upgrades to support mission-critical operations. Due to Agency IT priorities and to maximize 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 Assistance for Europe, Eurasia, and Central Asia; Civilian Stabilization Initiative; Capital Investment Fund; Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; Complex Crisis Fund; Transition Initiatives; and Direct and Guaranteed Loan Programs. This classification is consistent with the Budget of the United States.

Assistance for Europe, Eurasia, and Central Asia

Funds appropriated under this heading are considered to be economic assistance under the Foreign Assistance Act of 1961. This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support the U.S. foreign policy goals of 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.

Economic Support Fund

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

Development Assistance

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

International Disaster Assistance

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

Global Health and Child Survival

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

Complex Crisis Fund

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

Transition Initiatives

This fund provides for humanitarian programs that provide post-conflict assistance to victims of both natural and man-made disasters. 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 the Foreign Assistance Acts, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" place the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- ***Urban and Environmental Program***

  The Urban and Environmental (UE) Program, formerly the Housing Guarantee Program, extends guarantees 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.

- ***Israel Loan Guarantee Program***

  Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under this program, the U.S. Government guaranteed the repayment of up to $10 billion in loans from commercial sources. Borrowing was completed under the program during FY 1999, with approximately $9.2 billion being guaranteed, of which $7.5 billion is currently outstanding. Guarantees were made by USAID on behalf of the U.S Government.

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

- ***Development Credit Authority***

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

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

  The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act of 2003. Under this program, the U.S. Government was authorized to issue an amount not to exceed $2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. New loan guarantees totaling $1.25 billion were issued in 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 a special fund, revolving funds, trust funds, deposit funds, a capital investment fund, receipt account, and budget clearing accounts.

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

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

Trust funds are credited with receipts generated by the terms of the trust agreement or statute. At the point of collection, these receipts are unavailable, depending upon statutory requirements, or available immediately.

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

Deposit funds are established for (1) amounts received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held waiting for 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.

The "Department of Defense and Full-Year Continuing Appropriations Act, 2011" signed into law as P.L. 112-10 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "511/517" authority, a name that is based on references to the previous appropriations acts. Under this authority, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

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

Amounts received from other Federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred.

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 are received by USAID from other agencies, other governments and the public. 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 based on historical analysis of collectability.

I. DIRECT LOANS AND LOAN GUARANTEES

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

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 United States 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, 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 can only make new loans or guarantees with 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 and Mission related expenses by objective are obtained directly from Phoenix, the Agency general ledger. A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

U. PARENT/CHILD REPORTING

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

- Department of Energy
- Department of 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, 2011 and 2010 consisted of the following:

FUND BALANCE WITH TREASURY
(In Thousands)

Fund Balance	2011	2010
Trust Funds	$ 142,393	$ 83,825
Revolving Funds	5,790,820	5,245,751
Appropriated Funds	21,825,809	21,936,849
Other Funds	(86)	(44,940)
Total	$ 27,758,936	$ 27,221,485
Status of Fund Balance with Treasury	**2011**	**2010**
Unobligated Balance		
Available	$ 7,575,836	$ 6,044,413
Unavailable	2,720,975	3,237,729
Obligated and Other Balances Not Yet Disbursed (Net)	17,462,125	17,939,343
Total	$ 27,758,936	$ 27,221,485

Unobligated balances become available when apportioned by the OMB for obligation in the current fiscal year. Obligated and other balances not yet disbursed (net) include balances for non-budgetary funds and unfilled customer orders without advances. The unobligated and obligated balances are reflected on the Combined Statement of Budgetary Resources.

The FY 2011 Fund Balance with Treasury in the "Other" category is reported as $86 thousand abnormal (credit balance). This abnormal balance is due to transactions posted into Suspense accounts that were not applied to the applicable appropriations as of the end of the accounting period.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2011 and 2010 are as follows:

ACCOUNTS RECEIVABLE, NET (In Thousands)	Receivable Gross	Allowance Accounts	Receivable Net 2011	Receivable Net 2010
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 356	N/A	$ 356	$ 587
Accounts Receivable from Federal Agencies	31,410	N/A	31,410	73,489
Less Intra-Agency Receivables	(31,546)	N/A	(31,546)	(73,856)
Total Intragovernmental Accounts Receivable	220	N/A	220	220
Accounts Receivable from the Public	104,179	(9,712)	94,467	121,101
Total Receivables	$ 104,399	$ (9,712)	$ 94,687	$ 121,321

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

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

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

NOTE 4. OTHER ASSETS

Advances as of September 30, 2011 and 2010 consisted of the following:

ADVANCES (In Thousands)	2011	2010
Intragovernmental		
Advances to Federal Agencies	$ 96,219	$ 67,653
Total Intragovernmental	96,219	67,653
Advances to Contractors/Grantees	433,078	555,135
Advances to Host Country Governments and Institutions	113,123	231,411
Advances, Other	2,968	2,575
Total with the Public	549,169	789,121
Total Other Assets	$ 645,388	$ 856,774

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

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2011 and 2010 are as follows:

Imprest Fund-Headquarters	5
UE and Micro and Small Enterprise Fund Cash w/Fiscal Agent	50
Foreign Currencies	265,320

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 thousand in FY 2011 and FY 2010.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

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

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

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)

	2011	2010
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 2,953,161	$ 3,007,169
Net Direct Loans Obligated After 1991 (Present Value Method)	232,992	255,287
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	206,228	209,609
Total Loans Receivable, Net as reported on the Balance Sheet	$ 3,392,381	$ 3,472,065

DIRECT LOANS

DIRECT LOANS

(In Thousands)

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2011:				
Direct Loans	$ 3,240,399	$ 330,519	$ (617,757)	$ 2,953,161
MSED	29	11	(40)	–
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2010:				
Direct Loans	$ 3,654,136	$ 321,079	$ (968,046)	$ 3,007,169
MSED	29	32	(61)	–
Total	$ 3,654,165	$ 321,111	$ (968,107)	$ 3,007,169

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991 as of September 30, 2011:				
Direct Loans	$ 720,734	$ 14,251	$ (567,953)	$ 167,032
UE - Subrogated Claims	34,990	12,203	18,950	66,143
MSED	150	(150)	(183)	(183)
Total	$ 755,874	$ 26,304	$ (549,186)	$ 232,992
Direct Loans Obligated After 1991 as of September 30, 2010:				
Direct Loans	$ 985,163	$ 13,518	$ (798,927)	$ 199,754
UE - Subrogated Claims	38,580	5,124	12,012	55,716
MSED	150	(150)	(183)	(183)
Total	$ 1,023,893	$ 18,492	$ (787,098)	$ 255,287

[illegible]

Direct Loans	$ 4,639,299
UE - Subrogated Claims	38,580
MSED	179

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

(In Thousands)

					2010			
					Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Subsidy Cost Allowance					$ 800,470	$ (5,480)	$ 333	$ 795,323
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	–	–	–	–	–	–	–	–
Adjustments:								
(A) Loan Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–	–
(D) Loans Written Off	–	–	–	–	–	–	–	–
(E) Subsidy Allowance Amortization			-		(21,896)	–	–	(21,896)
(F) Other			-		20,353	(6,53)	(15)	13,671
Ending Balance of the Subsidy Cost Allowance Before Reestimates					$ 798,927	$ (12,012)	$ 183	$ 787,098
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	–	–	–	–	–	–
Total of the Above Reestimate Components	–	–	–	–	–	–	–	–
								$ 787,09

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): 2011				
UE	$ 222,020	$ 88,051	$ (103,843)	$ 206,228
Total	$ 222,020	$ 88,051	$ (103,843)	$ 206,228
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2010				
UE	$ 235,268	$ 84,719	$ (110,378)	$ 209,609
Total	$ 235,268	$ 84,719	$ (110,378)	$ 209,609

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

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

In 2010, the UE Program experienced $3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

GUARANTEED LOANS OUTSTANDING
(In Thousands)

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2011):		
UE	$ 817,179	$ 817,179
MSED	14,760	7,380
Israel	11,615,776	11,615,776
DCA	303,495	151,748
Egypt	1,250,000	1,250,000
Total	$ 14,001,210	$ 13,842,083
Guaranteed Loans Outstanding (2010):		
UE	$ 909,509	$ 909,509
MSED	14,760	7,380
Israel	11,928,719	11,928,719
DCA	243,313	102,399
Egypt	1,250,000	1,250,000
Total	$ 14,346,301	$ 14,198,007
New Guaranteed Loans Disbursed (2011):		
DCA	$ 111,894	$ 55,947
Total	$ 111,894	$ 55,947
New Guaranteed Loans Disbursed (2010):		
DCA	$ 37,676	$ 18,838
Total	$ 37,676	$ 18,838

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, 2011:			
UE	$ 54,977	$ 162,947	$ 217,924
MSED	–	(661)	(661)
Israel	–	1,314,845	1,314,845
DCA	–	30,206	30,206
Egypt	–	131,881	131,881
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1 992 guarantees) as of September 30, 2010:			
UE	$ 64,869	$ 137,074	$ 201,943
MSED	–	(649)	(649)
Israel	–	1,856,214	1,856,214
DCA	–	15,035	15,035
Egypt	–	193,048	193,048
Total	$ 64,869	$ 2,200,722	$ 2,265,591

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 (2011):					
DCA	$ -	$ 7,189	$ -	$ -	$ 7,189
Total	$ -	$ 7,189	$ -	$ -	$ 7,189
Subsidy Expense for New Loan Guarantees (2010):					
DCA	$ –	$ 1,728	$ –	$ –	$ 1,728
Total	$ –	$ 1,728	$ –	$ –	$ 1,728

(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 (2011):								
UE	$	–	$	–	$	230	$	230
Israel		–		–		5,769		5,769
Egypt		–		–		–		–
Total	$	–	$	–	$	5,999	$	5,999
Modifications and Reestimates (2010):								
UE	$	–	$	–	$	–	$	–
Israel		–		–		32,812		32,812
Egypt		–		–		5,737		5,737
Total	$	–	$	–	$	38,549	$	38,549

[illegible]

DCA		[illegible]
UE		–
MSED	–	–
Israel		32,812
Egypt	–	5.737

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

[illegible] (Per[illegible])

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	
	–		–	–	

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

(In Thousands)

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Total
2011						
Beginning Balance, Changes, and Ending Balance						
Beginning Balance of the Loan Guarantee Liability	$ 15,035	$ (649)	$ 137,074	$ 1,856,214	$ 193,048	$2,200,722
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:						
(A) Interest Supplement Costs	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–
(D) Other Subsidy Costs	7,189	–	–	–	–	7,189
Total of the Above Subsidy Expense Components	7,189	–	–	–	–	7,189
Adjustments:						
(A) Loan Guarantee Modifications	–	–	–	–	–	–
(B) Fees Received	1,164	–	1,153	–	–	2,317
(C) Interest Supplements Paid	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–
(E) Claim Payments to Lenders	(27,566)	(1,297)	(30,463)	(135,134)	–	(194,460)
(F) Interest Accumulation on the Liability Balance	1,464	–	3,706	115,750	8,282	129,202
(G) Other	29,892	1,285	65,993	135,135	(1)	232,304
Ending Balance of the Loan Guarantee Liability Before Reestimates	27,178	(661)	177,463	1,971,965	201,329	2,377,274
Add or Subtract Subsidy Reestimates by Component:						
(A) Interest Rate Reestimate	–	–	–	–	–	–
(B) Technical/Default Reestimate	3,028	–	(14,516)	(657,120)	(69,448)	(738,056)
Total of the Above Reestimate Components	3,028	–	(14,516)	(657,120)	(69,448)	(738,056)
Ending Balance of the Loan Guarantee Liability	$ 30,206	$ (661)	$ 162,947	$ 1,314,845	$ 131,881	$1,639,218
2010						
Beginning Balance, Changes, and Ending Balance						
Beginning Balance of the Loan Guarantee Liability	$ 34,071	$ 693	$ 154,794	$ 1,824,892	$ 178,029	$2,192,479
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	1,728	–	–	–	–	1,728
Total of the Above Subsidy Expense Components	1,728	–	–	–	–	1,728
Adjustments:						
(A) Loan Guarantee Modifications	–	–	–	–	–	–
(B) Fees Received	1,618	3	1,379	–	–	3,000
(C) Interest Supplements Paid	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–
(E) Claim Payments to Lenders	–	–	(2,169)	–	–	(2,169)
(F) Interest Accumulation on the Liability Balance	–	–	6,124	115,791	7,637	129,552
(G) Other	(13,884)	(1,345)	(12,460)	–	–	(27,689)
Ending Balance of the Loan Guarantee Liability Before Reestimates	23,533	(649)	147,668	1,940,683	185,666	2,296,901
Add or Subtract Subsidy Reestimates by Component:						
(A) Interest Rate Reestimate	–	–	–	–	–	–
(B) Technical/Default Reestimate	(8,498)	–	(10,594)	(84,469)	7,382	(96,179)
Total of the Above Reestimate Components	(8,498)	–	(10,594)	(84,469)	7,382	(96,179)
Ending Balance of the Loan Guarantee Liability	$ 15,035	$ (649)	$ 137,074	$ 1,856,214	$ 193,048	$2,200,722

ADMINISTRATIVE EXPENSE (In Thousands)		
Loan Programs	**2011**	**2010**
DCA	$ 18,262	$ 10,519
Total	$ 18,262	$ 10,519

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 $10.6 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 $56 million that is more than one year delinquent. Outstanding direct loans receivable for countries in violation of Section 620q totaled $10.6 million. Outstanding direct loans receivable for countries in violation of the Brooke Amendment totaled $56 million.

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

3. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in Fiscal Year 2012.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property, Net is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2011 and 2010 are as follows:

INVENTORY AND RELATED PROPERTY (In Thousands)		
	2011	**2010**
Items Held for Use		
Office Supplies	$ 6,046	$ 5,117
Items Held in Reserve for Future Use:		
Disaster Assistance Materials and Supplies	11,620	3,300
Birth Control Supplies	26,013	7,977
Total Inventory and Related Property	$ 43,679	$ 16,394

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

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant & Equipment (PP&E) as of September 30, 2011 and 2010 are as follows:

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

(In Thousands)

	Useful Life	Cost	Accumulated Depreciation		Net Book Value 2010
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 83,370	$ (72,465)		$ 11,572
Buildings, Improvements, and Renovations	20 years	71,928	(48,078)		53,356
Land and Land Rights	N/A	7,203	N/A		9,178
Assets Under Capital Lease (Note 9)		900	(900)	–	3,777
Construction in Progress	N/A	–	–	–	–
Internal Use Software	3 to 5 years	104,857	(72,713)		39,173
Total PP&E		**$ 268,258**	**$ (194,156)**	**$ 74,102**	**$ 117,056**

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

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

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

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

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

NOTE 9. LEASES

As of September 30, 2010 and 2011 Leases consisted of the following::

LEASES
(In Thousands)

Entity as Lessee

Capital Leases:		**2010**
Summary of Assets Under Capital Lease:		
Buildings		$ 13,442
Accumulated Depreciation		(9,665)
	–	

Description of Lease(s) Arrangements. Capital leases consist of rental agreements entered into by missions for warehouses, parking lots, residential space, and office buildings. These leases are one year or more in duration. During FY 2011, the majority of the capital lease agreements converted to International Cooperative Administrative Support Services agreements and no longer meet the criteria of capital lease.

Operating Leases:

Future Payments Due: **Fiscal Year**		**2010** **Future Costs**
2011	–	$ 82,567
2012		78,876
2013		67,254
2014		63,146
2015		67,823
2016		–
After 5 Years		167.99

Operating lease payments total $441 million in future lease payments of which $208 million is for the USAID headquarters in Washington, D.C. The current lease agreements are for approximately 802,417 sq. feet and with expiration dates of FY 2013, FY 2015, FY 2016 and FY 2020. The lessor, General Services Administration (GSA), charges commercial rates for USAID's occupancy. Lease payments for FY 2011 and FY 2010 amounted to $66.2 million and $48.2 million, respectively.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

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

Liabilities not covered by budgetary resources include accrued unfunded annual leave, workers' compensation benefits and separation pay. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided. 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, 2011 and 2010 liabilities covered and not covered by budgetary resources were as follows:

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
(In Thousands)

	2011	2010
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 15,597	$ 37,773
Debt (Note 11)	478,380	478,280
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	3,198,706	3,202,384
Other Liabilities (Note 12)	701,303	489,347
Total Intragovernmental		4,207,784
Accounts Payable		2,063,359
Disbursements in Transit		11.688
Total Accounts Payable with Public		2,075,047
Loan Guarantee Liability (Note 6)		2,200,721
Other Liabilities with Public		391.123
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	$ 4,968	$ (10,050)
Unfunded FECA Liability (Note 13)	8,073	10,005
Other Unfunded Employment Related Liability	107	109
Other Liabilities (Note 12)	730,974	178,302
Total Intragovernmental (Note 12)	$ 744,122	$ 178,366
Accrued Annual Leave	35,948	44,361
FSN Separation Pay Liability	–	305
Total Accrued Unfunded Annual Leave and Separation Pay	35,948	44,666
Future Workers' Compensation Benefits (Note 13)	22,175	26,035
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	54,977	64,870
Total Liabilities with Public Not Covered by Budgetary Resources	857,222	313,937
Total Liabilities	$ 9,084,493	$ 9,188,612

NOTE 11. DEBT

USAID Intragovernmental Debt as of September 30, 2011 and September 30, 2010 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	2010 Beginning Balance	Net Borrowing	2010 Ending Balance	Net Borrowing	2011 Ending Balance
Direct Loans	$ 477,295	$ 900	$ 478,195	$ –	$ 478,195
DCA	85	–	85	100	185
Total Treasury Debt	$ 477,380	$ 900	$ 478,280	$ 100	$ 478,380

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.

For FY 2011, $4 thousand accrued interest was included in DCA and no accrued interest was included for Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of $3.2 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, 2011 and 2010 Other Liabilities consisted of the following:

OTHER LIABILITIES
(In Thousands)

	2011	2010
Intragovernmental		
IPAC Suspense	$ 4,968	$ (10,050)
Unfunded FECA Liability	8,073	10,005
Custodial Liability	12,543	7,424
Employer Contributions & Payroll Taxes Payable	10,070	9,237
Other Unfunded Employment Related Liability	107	109
Liability for Advances and Prepayments	678,690	472,686
Other Liabilities	730,974	178,302
Total Intragovernmental	$ 1,445,425	$ 667,713
Accrued Funded Payroll and Leave	39,753	41,615
Unfunded Leave (Note 10)	35,948	44,666
Advances From Others	2,688	2,485
Deferred Credits	21,388	19,071
Foreign Currency Trust Fund	307,726	266,465
Capital Lease Liability (Note 9)	–	6,310
Other Liabilities	88,354	55,177
Total Liabilities With the Public	$ 495,857	$ 435,789
Total Other Liabilities	$ 1,941,282	$ 1,103,502

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

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2011 and 2010 are indicated in the table below.

ACCRUED UNFUNDED WORKERS' COMPENSATION BENEFITS
(In Thousands)

	2011	2010
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 22,175	$ 26,035
Unfunded FECA Liability	8,073	10,005
Total Accrued Unfunded Workers' Compensation Benefits	$ 30,248	$ 36,040

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 2011, USAID's total FECA liability was $30.2 million, comprised of unpaid FECA billings for $8.1 million and estimated future FECA costs of $22.2 million.

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

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

As of September 30, 2011 a total of eight cases were pending.

Seven cases have been designated as reasonably possible totaling $26.5 million:

- The first case is a retroactive price adjustment application. USAID is not a party to the case; however, Title II funds may be the source of funding if the plaintiff's claims are successful. The estimated loss is $10 million.
- The second case is a 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 third case is a contract claim that USAID wrongfully withheld payment for invoices submitted under the "Hurricane Mitch" host-country. The estimated loss is $2.2 million.
- The fourth case is a contract claim for approximately $2 million in damages sought.
- In the fifth case a contractor entered into a firm fixed-price contract for the construction of a road but contends that it discovered differing site conditions while constructing the road. In particular, it alleges that USAID instructed it to use swampy embankment fill in areas not included in a pre-bid document estimating areas of land covered by a swamp. The plaintiff claims that USAID owes it an equitable adjustment of $2 million.
- The sixth case is a companion to a prior case, in which a contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract with an estimated loss of $1.8 million.
- The seventh case is a claim for damages suffered allegedly as a result of USAID-caused delay in relation to the delivery and off-loading of grain. Filings to date with the Board of Contract Appeals have not quantified damages; however, in pre-litigation correspondence with the Agency the contractor identified $1.5 million in damages.

The remaining case has a remote likelihood of unfavorable outcome.

During FY 2011 there was one settlement and one dismissal.

- The first case was dismissed in the first quarter. The case was originally identified as a remote loss of $1.6 million, in which the plaintiff was suing on grounds of a breach of contract seeking relief.

- In the third quarter there was one settlement in which the Agency paid the contractor $0.50 million inclusive of interest. The case was then dismissed by the Court.

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 Treasur)		$
Unexpended Appropriations		10,
Cumulative Results of Operations	–	–
Total Net Positio		
Total Liabilities a		

	Status of Recovery Act Funds	
Total Budgetary Resources	**$ 8**	**$ 17,948**
Obligations Incurred	–	17,948
Unobligated Balance	8	–
Total Status of Budgetary Resources	**$ 8**	**$ 17,948**
Total, Unpaid Obligated Balance, Net, End of Period	968	15,854
Net Outlays	**$ 14,886**	**$ 18,517**

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

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

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

NOTE 16. INTRAGOVERNMENTAL COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by Objective and Program Area, as of September 30, 2011. These objectives are consistent with the State/USAID's Strategic Planning Framework.

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

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

Responsibility Segments are defined in Note 17.

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

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

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

Objective	Afghani-stan & Pakistan	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	2011 Total	2010 Total
Peace and Security											
Intragovernmental Costs	15,659	2,796	–	8,667	2,728	2,764	–	4,965	248	37,827 $	36,133
Public Costs	306,965	97,252	144,014	175,959	4,177	47,876	–	129,481	(1,778)	903,946	1,043,256
Total Program Costs	322,624	100,048	144,014	184,626	6,905	50,640	–	134,446	(1,530)	941,773	1,079,389
Intragovernmental Earned Revenue	(1,125)	(322)	(370)	(695)	(51)	(297)	–	(555)	1	(3,414)	(5,780)
Public Earned Revenue	(431)	(124)	(144)	(268)	(20)	(114)	–	(214)	–	(1,315)	(1,115)
Total Earned Revenue	(1,556)	(446)	(514)	(963)	(71)	(411)	–	(769)	1	(4,729)	(6,895)
Net Program Costs	**321,068**	**99,602**	**143,500**	**183,663**	**6,834**	**50,229**	**–**	**133,677**	**(1,529)**	**937,044**	**1,072,494**
Governing Justly and Democratically											
Intragovernmental Costs	22,657	9,672	–	4,405	4,477	12,554	–	9,380	8,840	71,985	59,680
Public Costs	512,971	245,334	245,680	90,988	5,180	179,974	–	184,121	307,972	1,772,220	1,732,813
Total Program Costs	535,628	255,006	245,680	95,393	9,657	192,528	–	193,501	316,812	1,844,205	1,792,493
Intragovernmental Earned Revenue	(1,680)	(945)	(602)	(444)	(70)	(1,158)	–	(923)	(951)	(6,773)	(22,445)
Public Earned Revenue	(655)	(364)	(222)	(171)	(27)	(446)	–	(355)	(366)	(2,606)	(1,841)
Total Earned Revenue	(2,335)	(1,309)	(824)	(615)	(97)	(1,604)	–	(1,278)	(1,317)	(9,379)	(24,286)
Net Program Costs	**533,293**	**253,697**	**244,856**	**94,778**	**9,560**	**190,924**	**–**	**192,223**	**315,495**	**1,834,826**	**1,768,207**
Investing in People									–	–	
Intragovernmental Costs	41,636	91,753	–	2,573	(25,591)	8,557	36,516	12,302	16,446	184,192	201,195
Public Costs	475,324	646,487	249,860	58,496	73,488	81,339	806,910	131,274	559,074	3,082,252	2,961,144
Total Program Costs	516,960	738,240	249,860	61,069	47,897	89,896	843,426	143,576	575,520	3,266,444	3,162,339
Intragovernmental Earned Revenue	(1,946)	(9,498)	(696)	(270)	(4,114)	(608)	(172,056)	(1,165)	(1,698)	(192,051)	(210,374)
Public Earned Revenue	(759)	9,919	(258)	(104)	(17,395)	(234)	(1,378)	(448)	(653)	(11,310)	(103,551)
Total Earned Revenue	(2,705)	421	(954)	(374)	(21,509)	(842)	(173,434)	(1,613)	(2,351)	(203,361)	(313,925)
Net Program Costs	**514,255**	**738,661**	**248,906**	**60,695**	**26,388**	**89,054**	**669,992**	**141,963**	**573,169**	**3,063,083**	**2,848,414**

(continued on next page)

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

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

Objective	Afghani-stan & Pakistan	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	2011 Total	2010 Total
Economic Growth											
Intragovernmental Costs	65,177	50,456	–	10	91,167	12,836	–	50,564	18,867	289,077	155,945
Public Costs	818,316	550,365	421,708	503	1,105,863	183,029	–	231,371	536,929	3,848,084	2,757,628
Total Program Costs	883,493	600,821	421,708	513	1,197,030	195,865	–	281,935	555,796	4,137,161	2,913,573
Intragovernmental Earned Revenue	(7,545)	(1,929)	2,462	(1)	(158,705)	(1,097)	–	(1,064)	(1,788)	(169,667)	(108,929)
Public Earned Revenue	(1,466)	(742)	(489)	–	(714,050)	(422)	–	(409)	(688)	(718,266)	(94,465)
Total Earned Revenue	(9,011)	(2,671)	1,973	(1)	(872,755)	(1,519)	–	(1,473)	(2,476)	(887,933)	(203,394)
Net Program Costs	**874,482**	**598,150**	**423,681**	**512**	**324,275**	**194,346**	**–**	**280,462**	**553,320**	**3,249,228**	**2,710,179**
Humanitarian Assistance											
Intragovernmental Costs	5,609	729	464	139,284	–	154	–	911	4,699	151,850	120,415
Public Costs	93,525	256	42,322	1,254,364	5,980	2,361	–	24,332	64,796	1,487,936	1,516,623
Total Program Costs	99,134	985	42,786	1,393,648	5,980	2,515	–	25,243	69,495	1,639,786	1,637,038
Intragovernmental Earned Revenue	(264)	(1)	(95)	(5,250)	–	(17)	–	(98)	(157)	(5,882)	(6,664)
Public Earned Revenue	(103)	(1)	(35)	(2,020)	–	(7)	–	(38)	(60)	(2,264)	(1,287)
Total Earned Revenue	(367)	(2)	(130)	(7,270)	–	(24)	–	(136)	(217)	(8,146)	(7,951)
Net Program Costs	**98,767**	**983**	**42,656**	**1,386,378**	**5,980**	**2,491**	**–**	**25,107**	**69,278**	**1,631,640**	**1,629,087**
Operating Unit Management											
Intragovernmental Costs	34,270	11,061	–	40,781	27,585	19,232	–	13,019	2,647	148,595	106,684
Public Costs	73,505	82,326	4	75,628	35,931	38,597	–	49,055	27,196	382,242	274,677
Total Program Costs	107,775	93,387	4	116,409	63,516	57,829	–	62,074	29,843	530,837	381,361
Intragovernmental Earned Revenue	(118)	(682)	(42)	(345)	(461)	(261)	–	(241)	(73)	(2,223)	(2,888)
Public Earned Revenue	(45)	(151)	(16)	(133)	(176)	(100)	–	(93)	(28)	(742)	(558)
Total Earned Revenue	(163)	(833)	(58)	(478)	(637)	(361)	–	(334)	(101)	(2,965)	(3,446)
Net Program Costs	**107,612**	**92,554**	**(54)**	**115,931**	**62,879**	**57,468**	**–**	**61,740**	**29,742**	**527,872**	**377,915**
Net Cost of Operations	**$2,449,477**	**$1,783,647**	**$1,103,545**	**$1,841,957**	**$435,916**	**$584,512**	**$669,992**	**$835,172**	**$1,539,475**	**$11,243,693**	**$10,406,296**

NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

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

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

The FY 2011 Consolidated Statement of Net Cost major responsibility segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The Geographic Bureaus include: Africa; Asia; Middle East; Latin America and the Caribbean; and Europe and Eurasia; and Afghanistan and Pakistan (OAPA). Prior to FY 2011 OAPA was included in the Asia Bureau. Technical Bureaus consist of: 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, 2011
(In Thousands)

Objective	Afghanistan & Pakistan	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Peace and Security										
Counter-Terrorism										
Gross Costs	$ 264	$ 25,362	$ 88	$ –	$ –	$ –	$ –	$ –	$ 3,630	$ 29,344
Less: Earned Revenues	(1)	(96)	–	–	–	–	–	–	(10)	(107)
Net Program Costs	263	25,266	88	–	–	–	–	–	3,620	29,237
Combating Weapons of Mass Destruction (WMD)										
Gross Costs	–	–	1	–	–	13,789	–	–	–	13,790
Less: Earned Revenues	–	–	–	–	–	(165)	–	–	–	(165)
Net Program Costs	–	–	1	–	–	13,624	–	–	–	13,625
Stabilization Operations and Security Sector Reform										
Gross Costs	12,392	4,883	5,089	–	–	2,894	–	17,533	(6,393)	36,398
Less: Earned Revenues	(4)	(22)	(2)	–	–	(20)	–	(100)	9	(139)
Net Program Costs	12,388	4,861	5,087	–	–	2,874	–	17,433	(6,384)	36,259
Counter-Narcotics										
Gross Costs	124,715	18	66,325	–	–	175	–	112,095	(2)	303,326
Less: Earned Revenues	(987)	–	(311)	–	–	(1)	–	(644)	–	(1,943)
Net Program Costs	123,728	18	66,014	–	–	174	–	111,451	(2)	301,383
Transnational Crime										
Gross Costs	5,339	176	1,731	–	852	5,001	–	340	2,044	15,483
Less: Earned Revenues	(7)	(1)	(2)	–	(9)	(38)	–	(3)	(7)	(67)
Net Program Costs	5,332	175	1,729	–	843	4,963	–	337	2,037	15,416
Conflict Mitigation and Reconciliation										
Gross Costs	179,913	69,609	70,777	184,627	6,054	28,782	–	4,478	(808)	543,432
Less: Earned Revenues	(556)	(327)	(196)	(964)	(63)	(188)	–	(22)	8	(2,308)
Net Program Costs	179,357	69,282	70,581	183,663	5,991	28,594	–	4,456	(800)	541,124
Total Peace & Security	**321,068**	**99,602**	**143,500**	**183,663**	**6,834**	**50,229**	**-**	**133,677**	**(1,529)**	**937,044**

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

For the Year Ended September 30, 2011

(In Thousands)

Objective	Afghanistan & Pakistan	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Governing Justly and Democratically										
Rule of Law and Human Rights										
Gross Costs	44,406	32,757	19,659	2,487	3,234	36,292	–	62,375	31,888	233,098
Less: Earned Revenues	(161)	(183)	(57)	(41)	(45)	(299)	–	(352)	(107)	(1,245)
Net Program Costs	44,245	32,574	19,602	2,446	3,189	35,993	–	62,023	31,781	231,853
Good Governance										
Gross Costs	396,888	86,092	179,565	69,131	5,675	45,976	–	76,636	160,196	1,020,159
Less: Earned Revenues	(1,727)	(418)	(609)	(345)	(43)	(383)	–	(574)	(688)	(4,787)
Net Program Costs	395,161	85,674	178,956	68,786	5,632	45,593	–	76,062	159,508	1,015,372
Political Competition and Consensus-Building										
Gross Costs	50,895	95,041	29,072	8,105	–	27,457	–	37,305	9,937	257,812
Less: Earned Revenues	(345)	(494)	(122)	(108)	–	(247)	–	(253)	(71)	(1,640)
Net Program Costs	50,550	94,547	28,950	7,997	–	27,210	–	37,052	9,866	256,172
Civil Society										
Gross Costs	43,438	41,116	17,384	15,670	748	82,803	–	17,185	114,792	333,136
Less: Earned Revenues	(101)	(214)	(36)	(121)	(9)	(675)	–	(99)	(452)	(1,707)
Net Program Costs	43,337	40,902	17,348	15,549	739	82,128	–	17,086	114,340	331,429
Total Governing Justly and Democratically	**533,293**	**253,697**	**244,856**	**94,778**	**9,560**	**190,924**	**–**	**192,223**	**315,495**	**1,834,826**
Investing in People										
Health										
Gross Costs	113,819	462,833	63,955	10,547	12,184	51,507	843,426	40,946	160,610	1,759,827
Less: Earned Revenues	(1,145)	1,724	(404)	(65)	(147)	(536)	(173,434)	(1,044)	(577)	(175,628)
Net Program Costs	112,674	464,557	63,551	10,482	12,037	50,971	669,992	39,902	160,033	1,584,199
Education										
Gross Costs	165,809	231,305	84,344	14,678	9,998	22,740	–	61,387	155,781	746,042
Less: Earned Revenues	(984)	(1,047)	(347)	(88)	(97)	(170)	–	(297)	(525)	(3,555)
Net Program Costs	164,825	230,258	83,997	14,590	9,901	22,570	–	61,090	155,256	742,487
Social and Economic Services and Protection for Vulnerable Populations										
Gross Costs	237,332	44,102	101,561	35,843	25,715	15,650	–	41,243	259,129	760,575
Less: Earned Revenues	(576)	(256)	(203)	(220)	(21,265)	(137)	–	(272)	(1,249)	(24,178)
Net Program Costs	236,756	43,846	101,358	35,623	4,450	15,513	–	40,971	257,880	736,397
Total Investing in People	**514,255**	**738,661**	**248,906**	**60,695**	**26,388**	**89,054**	**669,992**	**141,963**	**573,169**	**3,063,083**
Economic Growth										
Macroeconomic Foundation for Growth										
Gross Costs	6,460	11,587	37,105	3	412,358	13,609	–	3,405	236,316	720,843
Less: Earned Revenues	(741)	(16)	(256)	–	(396,765)	(83)	–	(4)	(1,249)	(399,114)
Net Program Costs	5,719	11,571	36,849	3	15,593	13,526	–	3,401	235,067	321,729
Trade and Investment										
Gross Costs	40,115	27,747	14,802	1	4,308	11,352	–	22,936	15,932	137,193
Less: Earned Revenues	(204)	(132)	(64)	–	(67)	(76)	–	(113)	(58)	(714)
Net Program Costs	39,911	27,615	14,738	1	4,241	11,276	–	22,823	15,874	136,479
Financial Sector										
Gross Costs	16,522	13,671	8,310	1	480,255	16,942	–	53	30,787	566,541
Less: Earned Revenues	(78)	(64)	(27)	–	(471,959)	(139)	–	–	(131)	(472,398)
Net Program Costs	16,444	13,607	8,283	1	8,296	16,803	–	53	30,656	94,143
Infrastructure										
Gross Costs	409,622	125,896	198,014	1	14,315	45,590	–	12,601	64,756	870,795
Less: Earned Revenues	(6,310)	(623)	2,901	–	(151)	(382)	–	(93)	(257)	(4,915)
Net Program Costs	403,312	125,273	200,915	1	14,164	45,208	–	12,508	64,499	865,880

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

For the Year Ended September 30, 2011

(In Thousands)

Objective	Afghanistan & Pakistan	Africa	Asia	DCHA	EGAT	Europe & Eurasia	Global Health	Latin America & Caribbean	Middle East	Consolidated Total
Agriculture										
Gross Costs	255,321	290,990	96,050	1	161,346	26,979	–	61,148	43,431	935,266
Less: Earned Revenues	(1,144)	(1,259)	(399)	–	(2,417)	(202)	–	(335)	(155)	(5,911)
Net Program Costs	254,177	289,731	95,651	1	158,929	26,777	–	60,813	43,276	929,355
Private Sector Competitiveness										
Gross Costs	69,086	30,192	31,055	393	5,170	69,999	–	45,133	50,440	301,468
Less: Earned Revenues	(296)	(133)	(98)	(1)	(72)	(562)	–	(249)	(189)	(1,600)
Net Program Costs	68,790	30,059	30,957	392	5,098	69,437	–	44,884	50,251	299,868
Economic Opportunity										
Gross Costs	41,614	18,782	18,986	1	27,483	6,867	–	14,607	60,583	188,923
Less: Earned Revenues	(175)	(72)	(60)	–	(332)	(47)	–	(100)	(214)	(1,000)
Net Program Costs	41,439	18,710	18,926	1	27,151	6,820	–	14,507	60,369	187,923
Environment										
Gross Costs	44,752	81,958	17,384	113	91,795	4,528	–	122,051	53,551	416,132
Less: Earned Revenues	(62)	(374)	(22)	(1)	(992)	(29)	–	(578)	(223)	(2,281)
Net Program Costs	44,690	81,584	17,362	112	90,803	4,499	–	121,473	[illegible]	
Total Economic Growth	**874,482**	**598,150**	**423,681**	**512**	**324,275**	**194,346**	**–**	**280,462**	**553,320**	**3,249,228**
Humanitarian Assistance										
Protection, Assistance and Solutions										
Gross Costs	96,661	(10)	40,286	1,271,456	–	2,398	–	23,435	69,497	1,503,723
Less: Earned Revenues	(348)	1	(124)	(6,730)	–	(22)	–	(125)	(217)	(7,565)
Net Program Costs	96,313	(9)	40,162	1,264,726	–		–			1,496,158
Disaster Readiness										
Gross Costs	1,434	994	1,280	122,192	5,980	86	–	1,808	(2)	133,772
Less: Earned Revenues	(1)	(2)	(1)	(541)	–	(1)	–	(11)	–	(557)
Net Program Costs	1,433	992	1,279	121,651	5,980	85	–	1,797	(2)	133,215
Migration Management										
Gross Costs	1,039	–	1,221	1	–	30	–	–	–	2,291
Less: Earned Revenues	(18)	–	(6)	–	–	–	–	–	–	(24)
Program		–		1	–		–	–	–	
Total Humanitarian Assistance	**98,767**	**983**	**42,656**	**1,386,378**	**5,980**	**2,491**	**–**	**25,107**	**69,278**	**1,631,640**
Operating Unit Management										
Cross-cutting Management and Staffing										
Gross Costs	17,072	4,901		1,026	(711)	2,851	–	499	1,126	26,764
Less: Earned Revenues	(48)	(45)	(17)	(3)	7	(15)	–	–	(3)	(124)
Net Program Costs	17,024	4,856	(17)	1,023	(704)	2,836	–	499	1,123	26,640
Program Design and Learning										
Gross Costs	21,884	28,490		5,321	16,225	5,376	–	6,574	9,485	93,355
Less: Earned Revenues	(27)	(139)	(9)	(25)	(203)	(45)	–	(29)	(38)	(515)
Net Program Costs	21,857	28,351	(9)	5,296	16,022	5,331	–	6,545	9,447	92,840
Administration and Oversight										
Gross Costs	68,819	59,996	4	110,061	48,003	49,602	–	55,000	19,233	410,718
Less: Earned Revenues	(88)	(649)	(32)	(449)	(442)	(301)	–	(304)	(61)	(2,326)
Program			(28)				–			
			(54)				**–**			

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2011 and 2010.

USAID's total budgetary resources were $23.8 and $24.9 billion for the years ended September 30, 2011 and 2010, respectively.

A. Apportionment Categories of Obligations Incurred:

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED (In Thousands)	2011	2010
Category A, Direct	$ 1,430,019	$ 1,335,392
Category B, Direct	11,869,188	14,156,447
Category A, Reimbursable	38,866	56,747
Category B, Reimbursable	157,035	126,297
Total	$ 13,495,108	$ 15,674,883

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

The Agency had $96 thousand in borrowing authority in FY 2011 and $900 thousand in borrowing authority in FY 2010. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, P.L. 101-508), and is used to finance obligations during the current year, as needed.

C. Permanent Indefinite Appropriations:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2011, there is $2.7 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. Legal Arrangements Affecting the Use of Unobligated Balances:

The "Department of Defense and Full-Year Continuing Appropriations Act, 2011" signed into law as Public Law 112-10 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. Unpaid Obligations:

Unpaid Obligations for the periods ended September 30, 2011 and 2010 were $17.5 and $17.9 billion, respectively.

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

There are no material differences between the Statement of Budgetary Resources for FY 2011 and the President's Budget submission for FY 2011. 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 2011 reported results when the budget becomes available in February 2012.

DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT
(In Thousands)

2011	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 23,791,919	$ 13,495,108	$ (377,859)	$ 10,628,308
Difference #1: Funds Reported by Other Federal Entities	(1,020,246)	(697,997)	–	(586,931)
Difference #2: Child Activity Reported in FACTS II by USAID	7,154,622	5,924,994	–	5,512,644
Difference #3: Reported in the SBR but Excluded from SF-133s	9,475	137	–	–
Difference #4: Parent/Child Reporting Differences	–	–	–	–
Difference #5: Reporting Difference between the SBR and SF-133s	133,278	165,956	–	(3,936)
Difference #6: Credit Financing and Suspense	(417,939)	(73,360)	–	49,169

NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

RECONCILIATION OF OBLIGATIONS INCURRED TO NET COST OF OPERATIONS

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

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 13,495,108	$ 15,674,883
Spending Authority From Offsetting Collections	(1,029,378)	(1,506,143)
Change in Unfilled Customer Orders	(227,554)	(458,220)
Downward Adjustments of Obligations	(2,046,698)	(676,857)
Offsetting Receipts	(377,859)	(96,395)
Net Obligations	9,813,619	12,937,268
Other Resources Used to Finance Activities	16,100	9,845
Resources Used to Finance Activities	9,829,719	12,947,113
Resources Used to Finance Items Not Part of Net Cost of Operations	1,813,777	(1,890,335)
Total Resources Used to Finance Net Cost of Operations	11,643,496	11,056,778
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(34,054)	(593,889)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(365,749)	(56,593)
Net Cost of Operations	$ 11,243,693	$ 10,406,296

NOTE 20. RESTATEMENT OF THE STATEMENT OF BUDGETARY RESOURCES FOR FY 2010

The Statement of Budgetary Resources for 2010 has been restated to reflect the correction of an error in Net Outlays. In 2010, Distributed Offsetting Receipts was reported as $71.7 million when it should have been $(96.4) million a reporting difference of $(168.1) million. The correction does not impact any of the other principal statements and has no impact on Assets, Liabilities, Net Position or Net Cost of Operations for FY 2010 of the Agency.

RESTATEMENT OF FY 2010 NET OUTLAYS *(In Thousands)*

	Reported in 2010		Reporting Difference	Reported in 2011	
	2010			2010	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Budgetary	Non-Budgetary Credit Reform
Net Outlays:					
Gross Outlays	$ 11,435,590	$ 62,033	$ –	$ 11,435,590	$ 62,033
Less: Offsetting Collections	(1,166,959)	(800,209)	–	(1,166,959)	(800,209)
Less: Distributed Offsetting Receipts	71,742	–	(168,137)	(96,395)	–

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2011

(In Thousands)

	Recovery Act	Operating	Program							Credit-Financing	Other	Parent Fund	Combined Total
	302	1000	305	1010	1021	1035	1037	1093	1095				
Budgetary Resources:													
Unobligated Balance, Brought Forward, October 1	$ 8	$ 442,238	$ 8,535	$ 24,921	$ 677,892	$ 407,115	$ 3,838,036	$ 22,663	$ 20,312	$2,384,581	$ 905,861	$ 549,980	
Changes to Beginning Balance Due to Adjustment from OMB	–	(8,057)	–	–	(1,423)	(295)	–	(1,759)	–	(2,592)	3,816	–	
Unobligated Balance, Brought Forward, as Adjusted	8	434,181	8,535	24,921	676,469	406,820	3,838,036	20,904	20,312	2,381,989	909,677	549,980	
Recoveries of Prior Year Unpaid Obligations	–	51,547	2,281	22,730	255,508	193,983	390,140	189,391	93,329	310	766,486	80,993	
Budget Authority:													
Appropriations	–	1,350,000	5,000	–	2,525,000	865,000	5,958,101	–	–	–	1,171,617	–	
Borrowing Authority	–	–	–	–	–	–	–	–	–	96	–	–	
Spending Authority from Offsetting Collections:													
Earned:													
Collected	–	32,182	1,280	–	4,675	47	(81,781)	–	–	281,133	789,330	2,743	
Change in Receivables from Federal Sources	–	(215)	–	–	–	–	–	–	–	–	–	(16)	
Change in Unfilled Customer Orders:													
Unfilled Customer Orders With Advance	–	–	–	–	–	–	–	–	–	–	217,836	–	
Without Advance from Federal Sources	–	(287)	–	–	(117)	(2)	(4,318)	–	–	–	14,442	–	
Subtotal	–	1,381,680	6,280	–	2,529,558	865,045	5,872,002	–	–	281,229	2,193,225		
Nonexpenditure Transfers, Net, Anticipated and Actual	–	6,500	(1,016)	–	(5,435)	–	(541,164)	–	–	(7)	166,125	386,547	
Permanently Not Available	–	(5,442)	(10)	(1,170)	(6,102)	(5,9[illegible])	(137,424)	(14,9[illegible])	(74[illegible]	–	(498,116)	–	
				$ 46,481	$ 3,449,998								
Status of Budgetary Resources:													
Obligations Incurred:													
Direct	$ –	$1,399,558	$ 7,220	$ 42,779	$ 2,352,955	$1,222,565	$ 4,864,994	$ 181,000	$ 81,126	$ 242,156	$2,206,857	$ 697,997	
Reimbursible	–	31,895	1,280	–	4,558	44	(86,098)	–	–	–	244,222	–	
Subtotal	–	1,431,453	8,500	42,779	2,357,513	1,222,609	4,778,896	181,000	81,126	242,156	2,451,079	697,997	
Unobligated Balance:													
Apportioned	–	299,031	7,396	2,511	1,032,694	236,656	4,620,300	11,716	30,195	310,302	772,991	252,044	
Subtotal	–	299,031	7,396	2,511	1,032,694	236,656	4,620,300	11,716	30,195	310,302	772,991	252,044	
Unobligated Balance Not Available	8	137,982	174	1,191	59,791	620	22,394	2,646	1,573	2,111,063	313,327	70,206	
Total Status of Budgetary Resources	**$ 8**	**$1,868,466**	**$ 16,070**	**$ 46,481**	**$ 3,449,998**	**$1,459,885**	**$ 9,421,590**	**$ 195,362**	**$ 112,894**	**$2,663,521**	**$3,537,397**		

(continued on next page)

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

For the Year Ended September 30, 2011

(In Thousands)

	Recovery Act	Operating	Program							Credit-Financing	Other	Parent Fund	Combined Total
	302	1000	305	1010	1021	1035	1037	1093	1095				
Change in Obligated Balance:													
Obligated Balance, Net													
Unpaid Obligations, Brought Forward, October 1	$ 15,854	$ 649,225	$ 13,640	$ 5,728	$ 3,627,510	$1,107,946	$ 9,605,177	$ 109,517	$ 240,039	$ (2,751)	$1,882,161	$ 667,814	$ 17,921,860
Changes to Beginning Balance Due to Adjustment from OMB	–	8,057	–	–	1,425	294	–	1,758	–	2,592	(3,816)	–	10,310
Unobligated Balanee, Brought Forward, as Adjusted	15,854	657,282	13,640	5,728	3,628,935	1,108,240	9,605,177	111,275	240,039	(159)	1,878,345	667,814	17,932,170
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	–	(10,386)	–	(35)	(2,389)	(205)	(4,316)	(38)	(1,006)	34	(6,171)	(362)	(24,874)
Total Unpaid Obligated Balance, Net	15,854	646,896	13,640	5,693	3,626,546	1,108,035	9,600,861	111,237	239,033	(125)	1,872,174	667,452	17,907,296
Obligations Incurred, Net (+/-)	–	1,431,453	8,499	42,779	2,357,514	1,222,610	4,778,895	181,000	81,126	242,156	2,451,079	697,997	13,495,108
Less: Gross Outlays	(14,886)	(1,245,354)	(14,312)	19,269	(1,613,918)	(1,223,087)	(5,089,305)	(32,135)	(150,503)	(241,968)	(1,679,880)	(589,674)	(11,875,753)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	–	(51,547)	(2,281)	(22,730)	(255,508)	(193,983)	(390,140)	(189,391)	(93,329)	(310)	(766,486)	(80,993)	(2,046,698)
Change in Uncollected Customer Payments from Federal Sources (+/-)	–	502	–	–	117	2	4,318	–	–	–	(14,441)	16	(9,486)
Obligated Balance, Net, End of Period													
Unpaid Obligations	968	791,833	5,546	45,046	4,117,023	913,780	8,904,627	70,750	77,333	(282)	1,883,059	695,144	17,504,827
Less: Uncollected Customer Payments from Federal Sources	–	(9,883)	–	(35)	(2,272)	(203)	2	(39)	(1,006)	35	(20,613)	(346)	(34,360)
Total, Unpaid Obligated Balance, Net, End of Period	968	781,950	5,546	45,011	4,114,751	913,577	8,904,629	70,711	76,327	(247)	1,862,446	694,798	17,470,467
Net Outlays:													
Gross Outlays	14,886	1,245,354	14,312	(19,269)	1,613,918	1,223,087	5,089,305	32,135	150,503	241,968	1,679,880	589,674	11,875,753
Less: Offsetting Collections	–	(32,182)	(1,280)	–	(4,675)	(47)	81,781	–	–	(281,133)	(1,007,166)	(2,743)	(1,247,445)
Less: Distributed Offsetting Receipts	–	–	–	–	–	–	–	–	–	–	(377,859)	–	(377,859)
Net Outlays	$ 14,886	$1,213,172	$ 13,032	$ (19,269)	$ 1,609,243	$1,223,040	$ 5,171,086	$ 32,135	$ 150,503	$ (39,165)	$ 294,855	$ 586,931	$ 10,250,449

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

Trust Funds

8342 Foreign Natl. Employees Separation Liability Fund
8502 Tech.Assist. - U.S. Dollars Advance from Foreign
8824 Gifts and Donations

Credit Program Funds

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

Revolving Funds

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

ALLOCATIONS TO OTHER AGENCIES

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

ALLOCATIONS FROM OTHER AGENCIES

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