OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013

AUDIT REPORT NO. 0-000-15-001-C
NOVEMBER 17, 2014

WASHINGTON, D.C.

Office of Inspector General

November 17, 2014

MEMORANDUM

TO: Reginald W. Mitchell, Chief Financial Officer

FROM: Nathan Lokos, AIG/A /s/

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013 (Report No. 0-000-15-001-C)

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013*. Pursuant to the Government Management Reform Act of 1994, Public Law 103–356, USAID is required to prepare consolidated financial statements for each fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by November 17, 2014. In accordance with the requirements of OMB Circular A–136, USAID has elected to prepare an alternative Agency Financial Report with an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG was engaged to audit the accompanying financial statements of USAID for fiscal years 2014 and 2013. We were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we did not express an opinion on those financial statements. 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 five deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) deobligating unliquidated obligations, (2) liquidating advances, (3) supporting payroll deductions, (4) reconciling intragovernmental transactions, and (5) complying with federal accounting standards for reimbursable agreements.

We found no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards, or the U.S. General Ledger at the transaction level as a result of our tests required under Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208. However, we reported one significant deficiency in our annual audit of the Agency's Compliance with the Federal Information Security Management Act, Report No. A-000-15-003-P, dated October 30, 2014, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

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

We have considered your response to the draft report and the recommendations included therein. Your comments appear in their entirety in Appendix II. We acknowledge your management decisions on the recommendations. Please forward all information to your Office of Audit Performance and Compliance for final action.

We appreciate the cooperation and courtesies extended to us during the audit and look forward to working with you on next year's audit.

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SUMMARY OF RESULTS

We did not express an opinion on USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources as of September 30, 2014 and 2013.

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

- Deobligating unliquidated obligations
- Liquidating advances
- Supporting payroll deductions
- Reconciling intragovernmental transactions
- Complying with federal accounting standards for reimbursable agreements.

This audit identified no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of the tests required by Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, Title VIII (31 U.S.C. 3512 note). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act (FISMA) audit report, which we classified as an instance of substantial noncompliance with FFMIA as required by Office of Management and Budget (OMB) Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

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, 40 of which have full accounting operations with USAID controllers. For the fiscal year ended September 30, 2014, USAID reported total budgetary resources of approximately $24 billion.

Statements

Pursuant to the Government Management Reform Act of 1994, Public Law 103-356, USAID is required to submit audited financial statements to the OMB annually. Accordingly, for fiscal year (FY) 2014, 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) was engaged to perform this audit to determine whether USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for FYs 2014 and 2013.

We did not express an opinion on USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources as of September 30, 2014 and 2013.

In accordance with *Government Auditing Standards,*[1] OIG has also issued reports, dated November 17, 2014, 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-12-331G (December 2011 Revision).

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements." Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

In an effort to reconcile its Fund Balance With Treasury general ledger account with the balance reported by the U.S. Treasury (Treasury), USAID recorded over 12,000 entries totaling $4.2 billion to bring its general ledger into agreement with its subsidiary ledger and submitted an amended SF-224, Statement of Transactions, to Treasury to agree its Fund Balance With Treasury general ledger account with Treasury's balance. Despite the adjustments, differences still exist between its general ledger and its subsidiary ledger and a difference of $158 million remained between USAID and Treasury. USAID was unable to provide sufficient support to validate the adjustments and we were not able to extend our audit procedures or perform alternative procedures to do so. These adjustments resulted in changes to the accounts and statements as indicated in Table 1.

Table 1. Net Effect of

General Ledger to Subsidiary Ledger Adjustments

Account Name	Net Adjustments ($ thousands)	Absolute Adjustments ($ thousands)	Statement (FY 2014)
Fund Balance with Treasury	352,834	352,834	Balance Sheet
Advances	36,187	36,187	Balance Sheet
Accounts Payable	(304,146)	304,146	Balance Sheet
Unapportioned Authority	(38,727)	38,727	Statement of Budgetary Resources
Undelivered Orders-Obligations Unpaid	(88,210)	88,210	Statement of Budgetary Resources
Undelivered Orders-Obligations Prepaid/Advance	(356,606)	356,606	Statement of Budgetary Resources
Delivered Orders-Obligations Unpaid	(233,384)	233,384	Statement of Budgetary Resources
Delivered Orders-Obligations Paid	716,563	716,563	Statement of Budgetary Resources
Prior Period Adjustment Due to Correction of Errors	(84,679)	84,679	Balance Sheet/Statement of Changes in Net Position
Total		**2,211,336**	

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

In our report dated December 16, 2013, we expressed an opinion that the 2013 financial statements presented fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources, in accordance with accounting principles generally accepted in the United States of America. As described in Note 19 to the financial statements, USAID restated its 2013 financial statements. Accordingly, our present opinion on the restated 2013 financial statements, as presented herein, is different from that expressed in our previous report.

Report on Other Legal and Regulatory Requirements

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 *Government Auditing Standards*, we have also issued our reports, dated November 17, 2014, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

Restriction on the Use of the Audit 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, Department of Treasury, Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
November 17, 2014

REPORT ON INTERNAL CONTROL

We were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of USAID’s financial statements for the fiscal years ended September 30, 2014 and 2013, we considered USAID’s internal control over financial reporting by obtaining an understanding of USAID’s system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 14-02. 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 one material weakness and five 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 Treasury account.

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 five significant deficiencies in internal control related to USAID’s financial management processes to:

- Deobligate unliquidated obligations
- Liquidate advances
- Support payroll deductions
- Reconcile intragovernmental transactions
- Comply with federal accounting standards for reimbursable agreements.

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. We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated November 17, 2014.

Material Weakness

USAID Did 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 or cash) account recorded in the financial accounting system and the fund balance reported by the Department of the Treasury. As of September 30, 2014, these differences totaled approximately $154 million net ($2.011 billion, absolute value). We have reported this finding for several years. Table 2 illustrates the differences for the past 6 fiscal years.

Table 2. USAID's Fund Balance Differences from Treasury ($ million)

Fiscal Year	Net Difference	Absolute Value
2009	45	711
2010	64	894
2011	96	2,100
2012	114	127
2013	121	1,915
2014	154	2,011

These differences persisted because USAID did not consistently perform monthly reconciliations of the FBWT account with Treasury's fund balance and promptly research and resolve those differences. Instead of investigating and resolving the differences, USAID adjusted its FBWT account to agree with Treasury's fund balance. According to management, they did not have the resources that are needed to perform timely reconciliations and to investigate and resolve differences.

Fund Balance With Treasury Reconciliation Procedures, a Supplement to the *Treasury Financial Manual*, Volume I, Part 2-5100, Section IV, stipulates that federal agencies must reconcile their accounts and any related subaccounts monthly, at a minimum, and "must resolve all differences between the balances reported on their general ledger FBWT accounts and balances reported on the GWA [Government-wide Accounting System] Account Statement." In addition, the supplement specifically states: "An agency may not arbitrarily adjust its FBWT account. Only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust its FBWT account balance." Treasury requires each agency to reconcile its FBWT account on a regular and recurring basis to ensure the accuracy and integrity of its financial data. Failure to implement effective reconciliation processes and perform timely reconciliations could increase the risks of fraud, waste, and mismanagement of funds; affect the Agency's ability to monitor the execution of its budget effectively; and hinder its ability to measure the full cost of its programs.

USAID made several efforts to bring its cash balances into agreement with Treasury's balances but was not successful. For example, in FY 2012 USAID adjusted its FBWT account to agree with its budget modules but reversed the adjusting entries in FY 2013 because USAID determined that the method used to tabulate the amount of the adjustments was incorrect or unsupported. However, in FY 2014 USAID determined that the account balances in the subsidiary ledgers were more accurate than the account balances in the general ledger and undertook a comprehensive reconciliation of the two records. During the reconciliation, USAID noted several differences, some of which were attributed to journal entries which should have self-reversed in subsequent periods but did not, and to the redistribution of appropriation balances from one fund account to several. As a result, USAID recorded over 12,000 adjusting journal entries to eliminate the differences. These entries amounted to $4.2 billion with a net effect of $352 million on the FBWT and affected several account balances. USAID then submitted an amended statement of transactions to Treasury to bring the cash balances of the U.S. Treasury into agreement with the cash balances in USAID's general ledger. As of September 2014, when the reconciliation effort ended, a difference of $2.4 million net ($123 million absolute value) remained between the general ledger and subsidiary ledgers, and a difference of $157 million net remained between the general ledger and Treasury, most of which was reported in the (No–Year) Development Assistance Fund. This difference has accumulated over time, and thus management claims that it cannot be reconciled. Therefore, USAID plans to research and resolve the difference reported in the (No-Year) Development Assistance Fund during FY 2015 but has not yet determined the best course of action to do so.

Because of the large differences that exist as of the ending of FY 2014, we make the following recommendations.

> ***Recommendation 1.*** *We recommend that USAID's Office of the Chief Financial Officer continue the reconciliation effort to investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement.*

> ***Recommendation 2.*** *We recommend that USAID's Office of the Chief Financial Officer consult with the U.S. Treasury to obtain advice and approval for resolving unreconciled funds.*

Significant Deficiencies

USAID's Process for Deobligating Unliquidated Obligations Was Ineffective (Repeat Finding)

USAID established a team dedicated to reviewing and closing out procurement obligations without activity for more than 3 years. During FY 2014, the team identified approximately $77 million in unliquidated obligations that it deobligated and made available in the accounting system for reprogramming. However, large amounts of outstanding obligations remain that should be reviewed to determine if they could be deobligated and the funds put to better use.

As of September 30, 2014, USAID's unliquidated obligations (ULOs) amounted to approximately $115 million, of which $45 million and $70 million were held by Washington offices and overseas missions respectively. This amount included approximately $16 million in obligations 10 years old or older (2004 and prior) and $47 million worth of obligations that had not been drawn on since they were established (Table 3).

Table 3. Analysis of ULOs by Fiscal Year

Fiscal Year Established	Obligations With No Activity Since Establishment ($)	Unliquidated Obligations With No Activity in More Than 3 Years ($)	Total Unliquidated Obligations ($)
2003 & Prior	1,614,849	11,749,157	13,364,006
2004	351,999	2,549,286	2,901,285
2005	1,315,654	5,559,647	6,875,301
2006	3,465,707	11,697,900	15,163,607
2007	1,498,739	7,730,884	9,229,623
2008	4,313,856	5,922,015	10,235,871
2009	3,480,617	6,519,926	10,000,543
2010	18,513,567	10,874,895	29,388,461
2011	12,907,080	4,988,119	17,895,199
Total	**47,462,067**	**67,591,830**	**115,053,897**

These obligations remained unliquidated because USAID does not have an effective process to identify and deobligate contracts, grants, and other obligation documents in a timely manner. As a result, there is an increased risk that the agency could lose funds due to expiration of appropriations. Timely deobligation of unexpired amounts would allow the Agency to use the appropriated funds for new programming. USAID's Automated Directives System Chapter 621.3.17, "Review of Unexpended Obligated Balances "Obligations," states that managers must monitor and review unexpended obligated balances annually and ask the obligating official to deobligate excess or unneeded funds.

Recognizing the need for improvement, in FY 2012, USAID contracted with an independent public accounting firm to conduct final audits of expired contracts. These audits help USAID determine whether funds are due to the contractors, after which the ULOs can be deobligated. In FY 2014, the Agency began the implementation of an automated Web-based tool to identify and process deobligations for nonprocurement obligations, which do not require a formal contract closeout audit. This tool allows authorized users to select and deobligate multiple items, thus removing a significant roadblock to better management. We recognize that USAID's efforts to investigate and deobligate ULOs will require more time, but because USAID has a significant number of ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

> ***Recommendation 3.*** *We recommend that USAID's Office of the Chief Financial Officer coordinate with the Director of the Office of Acquisition and Assistance to periodically investigate unliquidated obligations, especially those that make up the $47 million with no activity since they were established, and deobligate as necessary.*

USAID's Process for Identifying and Liquidating Outstanding Advances Was Ineffective (Repeat Finding)

USAID's process for identifying and liquidating outstanding advances should be strengthened to ensure that its financial records accurately reflect the status of cash advances to partners and that funds due to the agency are promptly recovered. Specifically, USAID:

- Continued to have unliquidated advances outstanding for more than 150 days that should be researched to determine if the outstanding balances should be recovered.

- Had not investigated approximately $14.4 million in negative unliquidated advances to determine if it represented funds owed to the Agency.[2]

As of September 30, 2014, USAID had approximately $53 million in advances that had been outstanding for more than 90 days. However, on September 19, 2014, USAID implemented a new policy extending the reporting period to 120 days and the period advances can be outstanding before being declared delinquent from 90 days to 150 days. Table 4 details advances that were outstanding under the old and new policies.

Table 4. Advances Outstanding for More Than 90 and 150 Days

Office	Number Outstanding (90 Days)	Amount ($ thousands)	Number Outstanding (150 Days)	Amount ($ thousands)
USAID/Washington	449	31,588	379	19,802
USAID/Missions	1,063	21,341	776	9,121
Total	**1,512**	**52,929**	**1,155**	**28,923**

These advances were outstanding because USAID and its missions permitted grantees 3-month rolling advance meaning they could take an additional 30 days to report expenses incurred in the prior quarter. USAID then took another 30 days to review and liquidate the advances. As a result, advances were outstanding for 150 days or more before they were even considered for liquidation. Failure to liquidate advances in a timely manner provides no assurance to USAID that the funds advanced are being used for the intended programs. USAID issued Automated Directives System (ADS) 636, "Program Funded Advances," which

[2] A negative unliquidated advance occurs when the recipient expends more than the amount advanced.

addresses accounting and reporting for advances and requires missions to communicate in writing with recipients at least every 30 days until the advance is collected. Where the Agency has made other provisions for uncollectible advances, ADS 625, “Accounts Receivable and Debt Collection,” applies.

The synchronization report issued by the Department of Health and Human Services’ Payment Management System[3] for the quarter ending September 30, 2014, showed USAID had negative unliquidated advances of approximately $14.4 million. USAID did not investigate to determine whether this amount was accurate. If it is, it could represent money owed to the Agency and should be recovered. These negative unliquidated advances have been outstanding for more than 10 years. As a result, advances may be misstated by approximately $14.4 million. USAID has implemented new procedures to prevent this problem from recurring, but the transactions causing these differences are from prior years.

USAID’s ADS 636.2.d(2), “Program Funded Advances,” states that missions and Washington offices are required to ensure that outstanding advances are reviewed periodically so that funds advanced do not exceed immediate disbursement needs. Funds in excess of immediate disbursement needs shall be refunded to USAID.

The Agency has resolved or identified as recoverable approximately $38 million and is working with the missions to recover the remaining $3 million in outstanding advances reported in the FY 2013 audit. However, because USAID has approximately $29 million in advances that were outstanding for more than 150 days and negative unliquidated advances of $14.4 million, we make the following recommendations.

> ***Recommendation 4.*** *We recommend that USAID’s Office of the Chief Financial Officer establish procedures to periodically research and take appropriate action on advances outstanding for more than 150 days.*
>
> ***Recommendation 5****. We recommend that USAID’s Office of the Chief Financial Officer investigate the negative unliquidated advances and determine whether they should be refunded to USAID.*

USAID Could Not Provide Documentation Supporting Some Payroll Deductions

(Repeat Finding)

USAID could not provide documentation for some deductions noted on employees’ statements of earnings and leave. We randomly selected a sample of 77 employees from a population of 3,667 and obtained their electronic personnel files. Looking only at Pay Period 6 (March 23 to April 5), we validated those employees’ salaries and whether the employees had authorized deductions from their salaries for certain benefits—specifically, health and life insurance. Of 77 files, 16 were missing support for insurance deductions of $955. Also, 15 of the 77 files contained support for insurance deductions that did not match amounts reported on statements of earnings and leave, meaning there were errors in processing that lead to deductions being calculated incorrectly. Incorrect deductions totaled $1,768 as shown in Table 5.

[3] The Department of Health and Human Services’ Division of Payment Management serves as the fiscal intermediary between awarding agencies and grant or contract recipients.

Table 5. Problems With Payroll Deductions

Deduction Type	Missing Support	Amount ($)	Incorrect Deductions	Amount ($)
Federal Employees Health Benefits Act (FEHB)	14	871	6	406
Federal Employees Group Life Insurance Act (FEGLI)	2	83	8	727
FEHB + FEGLI	-	-	1	635
Total	**16**	**955**	**15**	**1,768**

Problems with the missing documentation and calculations could be caused by a number of factors, including processing errors, employee's entering information into NFC's Employee Personal Page (EPP) to elect or change their benefits during open season and the action not processing correctly, or electronic official personnel folder (eOPF) did not contain the supporting documents. The lack of work flow analysis and business processes makes it difficult to locate and assign accountability for missing documentation. USAID Human Capital and Talent Management (HCTM) is currently reviewing the entire work flow of FEHB and FEGLI process which is scheduled for completion in December 2014. HCTM has also implemented a process to review new hires' electronic personnel files 60 days after employment to ensure that records are current and annotated correctly.

GAO's *Standards for Internal Control in the Federal Government* states:

> Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Effective management oversight greatly increases USAID's ability to identify and resolve issues before they cause misstatements in financial accounting and reporting. By not performing monitoring, analysis, oversight, and reconciliations, USAID may not detect discrepancies that could cause financial burdens for employees (over-deduction) or gaps in insurance coverage (under-deduction or erroneous deduction).

Because USAID has not yet fully implemented the previous recommendation, to address this issue, we make the following recommendation.

> ***Recommendation 6.*** *We recommend that USAID's Chief Human Capital Officer perform periodic reviews of employees' eOPF to ensure that employee benefit elections are current and properly recorded.*

Intragovernmental Transactions Remained Unreconciled (Repeat Finding)

USAID continued to have a large number of unreconciled intragovernmental transactions. As of September 30, 2014, Treasury reported a net difference of $3.6 billion in intragovernmental transactions between USAID and other federal agencies. Treasury reports these differences quarterly in the Material Difference Report and the Intragovernmental Transactions Scorecard. They represent differences identified by Treasury between USAID's records and those of its federal trading partners. USAID was required to confirm and reconcile these differences in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's *Federal Intra-governmental Transactions Accounting Policies Guide*, Section 17.1. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different methodologies to classify and report them.

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

In FY 2013, because of the large number of differences between many agencies, Treasury implemented a new scorecard system for tracking and correcting these differences. These scorecards rank each agency according to its total contribution to unreconciled intragovernmental transactions. With $3.7 billion in unreconciled transactions as of the second quarter of FY 2013, USAID was ranked the sixth largest contributing agency. By the fourth quarter of FY 2014, USAID had reduced the total to $3.6 billion, and its rank to 22nd. The large differences that exist among the various government agencies is one of the major factors that prevents the Government Accountability Office from rendering an opinion on the U.S. Government's consolidated financial statements.

We reported a similar finding in previous audits[4] and recognize that resolution requires continuing coordination with other federal agencies. Therefore, we are not making a new recommendation, but we will continue to monitor USAID's progress in reducing intragovernmental differences.

USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements

The way USAID accounted for transactions under reimbursable agreements did not comply with Statements of Federal Financial Accounting Standards (Federal Generally Accepted Accounting Principles or FedGAAP) in three respects:

1. USAID received cash advances from trading partners and recorded them as receipts of cash and earned revenue although the revenue had not yet been earned. FedGAAP requires that a liability (deferred revenue) be recorded instead of earned revenue until the services required by the agreement have been rendered by USAID. A liability is a present obligation of the Agency to provide services to another entity at a later date.

[4] Most recently in *Audit of USAID's Financial Statements for Fiscal Years FY 2013 and 2012* (Report No. 0-000-14-001-C), December 16, 2013, pp. 12-13.

2. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements.

3. USAID could not track expenses incurred to individual specific reimbursable agreements and had to consult with trading partners to determine and record expenses incurred.

These types of noncompliance occurred because USAID did not configure its financial management system to account for reimbursable agreements in accordance with FedGAAP.

Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," paragraph 85, states: "Federal entities may receive advances and prepayments from other entities for goods to be delivered or services to be performed." Before entities earn revenues, they should record the current portion of the advances and any prepayments as other current liabilities. After the entities earn the revenue, they should "record the appropriate amount as a revenue or financing source and should reduce the liability accordingly."

USAID officials said they review agreements and transactions periodically and make appropriate adjusting entries to recognize liabilities for quarterly and annual financial statements. However, as a result of erroneous entries made in the past, USAID was forced to record journal entries for $3.2 billion to accurately reflect the financial status and results of its reimbursable agreements. Therefore, we make the following recommendation.

> ***Recommendation 7.*** *We recommend that* USAID's Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with Federal Generally Accepted Accounting Principles, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.

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

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

USAID Office of Inspector General
November 17, 2014

REPORT ON COMPLIANCE WITH APPLICABLE PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

We were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 14-02, including the requirements referred to in 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 FMFIA. Appendix A of OMB Circular A–123 contains a process that management should implement to assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

In FY 2014, USAID monitored key business processes and followed up on recommendations made in prior years.

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 each of the three FFMIA Section 803(a) requirements. We did not observe any exceptions that we considered substantial noncompliance with FFMIA.

However, we reported one significant deficiency in USAID's annual FISMA audit report dated October 30, 2014, and as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," we also report this deficiency as an instance of substantial noncompliance with FFMIA. Specifically, we reported that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended and that USAID's decentralized management of information technology and information security does not allow the Agency to implement a process to effectively assess, respond to, and monitor information security risk across the organization. The Office of the Chief Information Officer is responsible for the financial management system that was found not to comply with the requirements of the subsection. In response to the significant deficiency, USAID implemented a three-phase action plan to improve its information security and expected to complete remediation of this deficiency by June 2015.

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

- Reconciling Fund Balance With the U.S. Treasury
- Deobligating Unliquidated Obligations
- Liquidating Advances
- Supporting Payroll Deductions
- Reconciling Intragovernmental Transactions
- Complying with federal accounting standards for reimbursable agreements.

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

USAID Office of Inspector General
November 17, 2014

EVALUATION OF MANAGEMENT COMMENTS

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

Recommendations 1: USAID's management generally disagreed with the finding but accepted the recommendation. The target completion date is December 31, 2014. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 2: USAID's management accepted the recommendation and stated that it will consult with U.S. Treasury prior to any resolution. The target completion date is June 30, 2015. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 3: USAID's management accepted the recommendation. The target completion date is June 30, 2015. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 4: USAID's management accepted the recommendation. The target completion date is June 30, 2015. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 5: USAID's management accepted the recommendation. The target completion date is March 31, 2015. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 6: USAID's management accepted the recommendation. The target completion date is November 30, 2015. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Recommendations 7: USAID's management accepted the recommendation. The target completion date is March 31, 2016. We have reached management decision on this recommendation and will review USAID's progress on the implementation of this recommendation during our FY 2015 GMRA audit.

Although we did not include a recommendation for the intragovernmental transaction reconciliation finding in our report, USAID management commented that they will 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 the management decision and will review USAID's progress on its implementation during our FY 2015 GMRA audit.

SCOPE AND METHODOLOGY

We were engaged to audit the financial statements in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 14-02.

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

OIG is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. OIG is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USAID's financial management systems substantially comply with FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which 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:

- Obtained an understanding of USAID's design of internal control components related to financial reporting and compliance with laws and regulations (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.
- Statistically selected transactions, including adjusting entries, advances, accrued expenditures, disbursements, accounts receivables, loans, guarantees, and obligations.
- 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.
- Considered the process for evaluating and reporting on internal control and financial management systems under FMFIA.
- Tested USAID's compliance with FFMIA requirements.
- Selected a random sample of 77 personnel records and performed substantive testing.

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

- Antideficiency Act, July 12, 1870; codified at 31 U.S.C. 1341, 1342, 1349 to 1351, and 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 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, 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, 2014 and 2013. We caution that noncompliance may occur and may 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 $311 million for any individual statement to be material to the presentation of the overall financial statements.

Federal Financial Management Improvement Act of 1996

We assessed whether USAID was substantially compliant with Section 803(a) of the FFMIA, which requires agencies to implement and maintain financial management systems that substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) USSGL at the transaction level. We evaluated USAID's financial transactions recorded in Phoenix to determine whether they were compatible with federal accounting standards and USSGL at the transaction level, and we did not observe any exceptions. However, in another engagement, we reported one significant deficiency in the Agency's annual FISMA audit report and, as required by OMB Bulletin 14-02, we reported this deficiency as an instance of substantial noncompliance with FFMIA because it pertained to the financial management systems.

MANAGEMENT COMMENTS

MEMORANDUM November 15, 2014

TO: Nate Lokos, AIG/A

FROM: Reginald W. Mitchell, Chief Financial Officer (M/CFO)

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2014 and 2013

Thank you for the opportunity to review the draft report. Regarding your basis for disclaimer of opinion, we offer the following response:

In FY 2014, USAID initiated an expanded effort to comprehensively reconcile the general ledger (GL) with the subsidiary ledgers (SL) to fully address our Funds Balance with Treasury material weakness. Given the scope of the effort and our engagement with the Office of Inspector General, we are disappointed that this resulted in a disclaimed opinion for the FY 2014 Agency Financial Statements, as well as a reversal of the unmodified opinion for the FY 2013 Statements.

Throughout the process, we were confident that our fully documented methodology to reconcile the cash fund balance with Treasury (FBWT) was sound and set an appropriate direction to fully address the material weakness. The GL is the source for the financial statements and other external reports, while the SLs control obligational authority and spending. Also, fundamental accounting principles require reported GL balances to be supported by the underlying transactions recorded in the SL. We believe that our reconciliation methodology satisfies this fundamental requirement.

The OIG stated in the disclaimer of opinion that *"USAID was unable to provide sufficient support to validate the adjustments and we were not able to extend our audit procedures or perform alternative procedures to do so."* We provided workbooks that demonstrated the SL and GL comparisons and the subsequent GL adjustments. We also provided support for a subsample of adjustments as requested by the OIG.

Our adjusted GL balances met Treasury's Government-wide Treasury Accounting Symbol Adjusted Trial Balance System (GTAS) reporting requirements. While the sample analysis provided insight and affirmed the direction taken, the items identified by the OIG as lacking sufficient documentation were events that occurred beyond our records retention threshold. As a result, we understood from the OIG that they would augment the sample to include items within the records retention period. However, we were not asked to provide additional samples to replace those with documentation beyond the retention period.

Our comments and management decisions regarding the findings and proposed audit recommendations within your report on internal controls follow:

Material Weakness: USAID Did Not Reconcile Its Fund Balance With Treasury Account With the U.S. Treasury and Resolve Reconciling Items in a Timely Manner (Repeat Finding)

Management does not agree with some of your findings as written, with the following comments:

"USAID continues to have large unreconciled differences between the Fund Balance With Treasury (FBWT or cash) account recorded in the financial accounting system and the fund balance reported by the Department of the Treasury."

USAID notes that the $154 million net and $2.011 billion absolute in Table 2 of the draft report are not differences between the cash amount in the financial statements and the cash amounts at Treasury, but are temporary adjustments we made in our GL totals to fairly present cash on the financial statements. Our goal is to know in complete detail what caused the differences and to eliminate all differences within 90 days. The differences noted by OIG are caused by known errors and timing differences that will be corrected in the normal course of events, except for:

(1) A shortage of approximately $158 million in one appropriation that must be further researched and resolved in FY 2015. The difference of approximately $158 million between USAID and Treasury was identified by the reconciliation that we performed in FY 2014.

(2) Fund balance differences of $1 million net and $9 million absolute. In the context of the impact on the financial statements, these amounts are small compared to USAID's total FBWT balance of $39.4 billion.

Except for items (1) and (2) above, the difference was fully accounted for by known individual in-transit items and other known differences, which was not the case in previous years.

"USAID made several efforts to bring its cash balances into agreement with Treasury's balances but was not successful."

We disagree that our efforts were not successful. During FY 2014, USAID successfully eliminated almost all of the differences with Treasury's balances in most of our appropriations. This happened in two stages. First, we reconciled the GLs to the SLs, and second, we reconciled Treasury cash to GL cash. As of October 2, 2014, the unreconciled difference between the GL cash and SL cash was approximately $3 million net and $130 million absolute, and the difference between GL cash and Treasury cash was $1 million net and $9 million absolute, except as noted in item (1) above. At these levels, the differences do not significantly affect the financial statements. Since the Agency was not apprised of any negative test results, Management   remains confident in the *effectiveness* of its efforts in recent years to strengthen existing controls and implement new or supplementary controls to ensure timely reconciliation of FBWT and to readily identify emerging unreconciled transactions.

"During the reconciliation, USAID noted several differences, some of which were attributed to

journal entries which should have self-reversed in subsequent periods but did not, and to the redistribution of appropriation balances from one fund account to several."

Journal entries and the redistribution of appropriation balances from one fund account to several did cause differences, but they did not cause most of the differences. The main causes of the differences between the GL and the SLs were related to the implementation of the financial management system phased in over a seven year period, payment of USAID vendors by third parties, and various business practices that have since been improved.

"As of September 2014, when the reconciliation effort ended, a difference of $2.4 million net ($123 million absolute value) remained between the general ledger and subsidiary ledgers, and a difference of ($157) million net remained between the general ledger and Treasury, most of which was reported in the (No–Year) Development Assistance Fund. This difference has accumulated over time, and management claims that it cannot be reconciled. Therefore, USAID plans to research and resolve the difference reported in the (No-Year) Development ssistance Fund during FY 2015 but has not yet determined the best course of action to do so."

USAID generally agrees with this portion of the finding. The absolute difference is almost equal to the net difference, because the differences in all of USAID's appropriations except one are very small. Because USAID increased its FY 2013 FBWT ending balance by approximately $353 million, USAID's FBWT GL FY 2014 ending balance was greater than Treasury's by approximately $158 million. This difference did not cause a misstatement in the financial reports because USAID made a temporary adjustment to its FY 2014 FBWT ending balance to bring its financial statement FBWT into agreement with Treasury's. USAID intends to further research and permanently resolve this difference in FY 2015.

Recommendation 1: We recommend that USAID's Office of the Chief Financial Officer continue its reconciliation efforts and investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement.

Management Decision: Management accepts the recommendation and will take the recommended actions. Target Completion Date: December 31, 2014.

Recommendation 2: We recommend that USAID's Office of the Chief Financial Officer consult with the U.S. Treasury to obtain advice and approval for resolving unreconciled funds.

Management Decision: Management accepts the recommendation and will consult with the U.S. Treasury prior to any resolution. Target Completion Date: June 30, 2015.

Significant Deficiency: USAID's Process for Deobligating Unliquidated Obligations Was Ineffective (Repeat Finding)

Recommendation 3: We recommend that USAID's Office of the Chief Financial Officer coordinate with the Director of the Office of Acquisition and Assistance to periodically investigate unliquidated obligations, especially those that make up the $47 million with no activity since they were established, and deobligate as necessary.

Management Decision: Management accepts Recommendation 3. Target Completion Date: June 30, 2015.

Significant Deficiency: USAID's Process for Identifying and Liquidating Outstanding Advances Was Ineffective (Repeat Finding)

Recommendation 4: We recommend that USAID's Office of the Chief Financial Officer establish procedures to periodically research and take appropriate action on advances outstanding for more than 150 days.

Management Decision: Management accepts Recommendation 4. Target Completion Date: June 30, 2015.

Recommendation 5: We recommend that the Office of the Chief Financial Officer investigate the negative unliquidated advances and determine whether they should be refunded to USAID.

Management Decision: Management accepts the recommendation. Target Completion Date: March 31, 2015.

Significant Deficiency: USAID Could Not Provide Documentation Supporting Some Payroll Deductions (Repeat Finding)

The Office of the Chief Human Capital Officer has indicated general agreement with the findings and has provided comments directly to OIG staff.

Recommendation 6: We recommend that USAID's Chief Human Capital Officer require the periodic review of employees' eOPF to ensure that employee benefit elections are current and properly recorded.

Management Decision: Management accepts Recommendation 6. Target Completion Date: November 30, 2015.

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management accepts the finding and notes that in FY 2014, USAID was able to successfully clear a $2.7 billion difference with the Treasury General Fund. However, several new variances arose in FY 2014 due to new reciprocal categories added by Treasury. We will research these new differences during FY 2015.

Significant Deficiency: USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements

Recommendation 7: We recommend that the Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with Federal Generally Accepted Accounting Principles, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.

Management Decision: Management accepts Recommendation 7. Target Completion Date: March 31, 2016.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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

Status of 2013 Findings and Recommendations

Recommendation 1. We recommend that USAID intensify its effort to expedite the completion of the reconciliation and make results available for periodic review.

Status: M/CFO/CAR completed the adjustments for virtually all appropriations by the end of July 2014. As of late August 2014 the cash differences with Treasury that were "unexplained" totaled approximately negative $12 million net and $140 million absolute value. The reconciliation was repeated for key GL categories in all appropriations on September 19, 2014, and found that the remaining GL/SL differences were insignificant. The target completion date is December 31, 2014.

Recommendation 2. We recommend that USAID intensify its efforts to investigate and deobligate outstanding obligations, especially those that make up the $55 million that had no activity since they were established.

Status: M/CFO/WFS obtained progress on contracting actions from M/OAA. Closeout contract has significantly reduced backlog, with $77 million in residual funds deobligated in FY 2014. Continued phased-in implementation of the web-based deobligation tool for non-procurement obligations with select Missions/Bureaus. The target completion date is September 30, 2015.

Recommendation 3. We recommend that the Office of the Chief Financial Officer (a) research all advances outstanding for more than 90 days to determine if they should be recovered, (b) implement policies and procedures for establishing accounts receivable to recover outstanding advances within a reasonable period, and (c) review and correct as necessary appropriations erroneously charged by the DHHS and recorded by the Department of the Treasury.

Status: This recommendation was closed on June 12, 2014.

Recommendation 4. We recommend that USAID’s Office of Human Resources implement applicable work flow or business processes that clearly delineate roles and responsibilities within the Office of Human Resources for processing different types of actions, whether they were first entered manually or electronically, to make sure that records that support deductions from employees’ salaries are easily retrievable.

Status: M/CFO/P - HCTM provided 81 out of the 83 documents requested. The remaining two will be provided by the target date. The contractor concluded workflow meetings with internal HCTM stakeholders. The target completion date is December 31, 2014.

Status of 2012 Findings and Recommendations

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

Status: This recommendation is still pending final action. The target completion date is December 31, 2014.

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

Status: This recommendation is still pending final action. The target completion date is September 30, 2015.

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

Status: Part (a) of this recommendation was closed on March 31, 2014. Part (b) of this recommendation is still pending final action. The Chief Financial Officer will coordinate with the Office of Human Resources to work with NFC to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap. The target completion date is September 30, 2015.

Status of 2011 Findings and Recommendations

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

Status: This recommendation was closed on April 30, 2013.

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, and operating-expense-funded obligations and program-funded obligations that are older than 5 years; (b) utilize the services of independent public accounting firms to expedite the closeout audit process; and (c) require obligation officials to include period-of-performance dates for all procurement type awards.

Status: This recommendation is still pending final action. The Office of the Chief Financial Officer, in coordination with the Office of Acquisition and Assistance, will continue to identify and reduce contracts and obligations in closeout, and research the use of additional sources to expedite review. As noted, the Office of the Chief Financial Officer will also collaborate with the Office of Acquisition and Assistance to evaluate alternative service providers to expedite audit closeout. The Office of the Chief Financial Officer will continue to target specific areas for batched processing, including low-dollar, miscellaneous, and travel-related obligations. The target completion date is September 30, 2015.

Status of 2010 Findings and Recommendations

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

Status: This recommendation is still pending final action. The target completion date is December 31, 2014.

Status of 2005 Findings and Recommendations

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

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

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2014 and 2013
(In Thousands)

	2014	2013 (Restated)
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	$ 30,862,134	$ 31,162,992
Accounts Receivable (Notes 3 and 19)	23	27
Other Assets (Notes 4 and 19)	72,031	76,977
Total Intragovernmental	30,934,188	31,239,996
Cash and Other Monetary Assets (Note 5)	394,188	343,296
Accounts Receivable, Net (Notes 3 and 19)	51,175	39,933
Direct Loans and Loan Guarantees, Net (Note 6)	2,266,825	2,574,346
Inventory and Related Property, Net (Note 7)	35,785	35,996
General Property, Plant, and Equipment, Net (Notes 8 and 9)	75,995	64,785
Advances (Notes 4 and 19)	573,968	477,574
Total Assets	**$ 34,332,124**	**$ 34,775,926**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 19)	$ 42,412	$ 42,534
Debt (Note 11)	481,272	481,000
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	2,059,883	2,391,590
Other Liabilities (Notes 10 and 12)	882,397	724,053
Total Intragovernmental	3,465,964	3,639,177
Accounts Payable (Notes 10 and 19)	1,732,737	1,874,488
Loan Guarantee Liability (Notes 6 and 10)	2,351,183	1,846,853
Federal Employee and Veteran's Benefits (Notes 13 and 19)	25,811	27,129
Other Liabilities (Notes 10, 12, and 13)	603,581	541,855
Total Liabilities	**8,179,276**	**7,929,502**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations (Note 19)	25,595,626	25,879,318
Cumulative Results of Operations (Note 19)	557,222	967,106
Total Net Position (Note 19)	**26,152,848**	**26,846,424**
Total Liabilities and Net Position	**$ 34,332,124**	**$ 34,775,926**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2014 and 2013

(In Thousands)

OBJECTIVES	2014	2013 (Restated)
Peace and Security:		
Gross Costs	$ 673,826	$ 695,091
Less: Earned Revenue	(2,562)	(3,296)
Net Program Costs	671,264	691,795
Governing Justly and Democratically:		
Gross Costs	1,425,842	928,047
Less: Earned Revenue	(5,550)	(3,037)
Net Program Costs	1,420,292	925,010
Investing in People:		
Gross Costs	2,667,134	2,886,314
Less: Earned Revenue	(27,054)	(43,439)
Net Program Costs	2,640,080	2,842,875
Economic Growth:		
Gross Costs	4,712,019	4,143,947
Less: Earned Revenue	(612,707)	(812,383)
Net Program Costs	4,099,312	3,331,564
Humanitarian Assistance:		
Gross Costs	2,127,092	1,603,059
Less: Earned Revenue	(5,901)	(7,674)
Net Program Costs	2,121,191	1,595,385
Operating Unit Management:		
Gross Costs	721,848	893,533
Less: Earned Revenue	(2,878)	(5,223)
Net Program Costs	718,970	888,310
Net Cost of Operations (Notes 15, 16, and 19)	**$ 11,671,109**	**$ 10,274,939**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014	2013 (Restated)
Cumulative Results of Operations:		
Beginning Balance	$ 4,017,092	$ 3,102,471
Adjustments – Correction of Errors	(3,049,986)	(1,880)
Beginning Balance, as Adjusted (Note 19)	967,106	3,100,591
Budgetary Financing Sources:		
Appropriations Used	11,222,555	7,770,918
Nonexchange Revenue	200	–
Donations and Forfeitures of Cash and Cash Equivalents	165,298	186,146
Transfers-in/out Without Reimbursement	–	163
Other Financing Sources (Non-Exchange):		
Donations and forfeitures of property	63	–
Transfers-in/out Without Reimbursement	(169,500)	142,254
Imputed Financing	42,609	41,973
Total Financing Sources	11,261,225	8,141,454
Net Cost of Operations (Note 19)	(11,671,109)	(10,274,939)
Net Change	(409,884)	(2,133,485)
Cumulative Results of Operations (Note 19)	557,222	967,106
Unexpended Appropriations:		–
Beginning Balance	22,745,711	21,631,982
Adjustments – Correction of Errors	3,133,607	(345,873)
Beginning Balance, as Adjusted (Note 19)	25,879,318	21,286,109
Budgetary Financing Sources:		
Appropriations Received	10,379,630	12,188,566
Appropriations Transferred in/out	637,423	284,516
Other Adjustments	(78,190)	(108,955)
Appropriations Used	(11,222,555)	(7,770,918)
Total Budgetary Financing Sources	(283,692)	4,593,209
Total Unexpended Appropriations (Note 19)	25,595,626	25,879,318
Net Position (Note 19)	**$ 26,152,848**	**$ 26,846,424**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014		2013 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 9,701,694	$ 1,862,105	$ 8,075,315	$ 1,878,293
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	36,835	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	9,738,529	1,862,105	8,075,315	1,878,293
Recoveries of Prior Year Unpaid Obligations	557,366	168	639,688	200
Other Changes in Unobligated Balance (+ or -)	82,472	(1)	(274,917)	–
Unobligated Balance from Prior Year Budget Authority, Net	10,378,367	1,862,272	8,440,086	1,878,493
Appropriations (Discretionary and Mandatory)	10,432,681	6	11,964,208	–
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	273	–	2,696
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory) (Note 19)	973,175	585,854	1,344,120	185,173
Total Budgetary Resources	**$ 21,784,223**	**$ 2,448,405**	**$ 21,748,414**	**$ 2,066,362**
Status of Budgetary Resources:				
Obligations Incurred (Note 19)	13,585,269	261,449	$ 12,009,885	$ 204,257
Unobligated Balance, End of Year:				
Apportioned	7,467,785	222,517	8,616,699	222,522
Exempt from Apportionment	–	–	–	–
Unapportioned (Note 19)	731,169	1,964,439	1,121,830	1,639,583
Total Unobligated Balance, End of Year	8,198,954	2,186,956	9,738,529	1,862,105
Total Budgetary Resources	**$ 21,784,223**	**$ 2,448,405**	**$ 21,748,414**	**$ 2,066,362**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014		2013 (Restated)	
	Budgetary	**Non-Budgetary Credit Reform**	**Budgetary**	**Non-Budgetary Credit Reform**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 18,597,614	$ 3,867	$ 18,338,078	$ 1,300
Adjustment to Unpaid Obligations, Start of Year (+ or -)	(398,320)	–	(64,892)	(704)
Obligations Incurred (Note 19)	13,585,269	261,449	12,009,885	204,257
Outlays (Gross) (-) (Note 19)	(10,639,527)	(261,086)	(11,476,209)	(200,786)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	(32,119)	–	32,120	–
Recoveries of Prior Year Unpaid Obligations (-)	(557,366)	(168)	(639,688)	(200)
Unpaid Obligations, End of Year	20,555,551	4,062	18,199,294	3,867
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(67,380)	–	(40,480)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	(12,053)	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -) (Note 19)	40,632	35	(38,953)	(35)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or-)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(38,801)	35	(79,433)	–
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 11,405,856	$ 586,133	$ 13,308,328	$ 187,868
Actual Offsetting Collections (Discretionary and Mandatory) (-) (Note 19)	(1,085,034)	(585,888)	(1,225,686)	(185,137)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	28,579	35	(26,900)	(35)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	$ 10,349,401	$ 280	$ 12,055,742	$ 2,696
Outlays, Gross (Discretionary and Mandatory) (Note 19)	$ 10,639,527	$ 261,086	$ 11,476,209	$ 200,786
Actual Offsetting Collections (Discretionary and Mandatory) (Note 19)	(1,085,034)	(585,888)	(1,225,686)	(185,137)
Outlays, Net (Discretionary and Mandatory)	9,554,493	(324,802)	10,250,523	15,649
Distributed Offsetting Receipts (-)	(241,127)	–	(381,293)	–
Agency Outlays, Net (Discretionary and Mandatory) (Note 19)	**$ 9,313,366**	**$ (324,802)**	**$ 9,869,230**	**$ 15,649**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

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

B. REPORTING ENTITY

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

PROGRAMS

The principal 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 mutual access to 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 unstable conditions.

Capital Investment Fund

This fund provides for the necessary expenses of overseas construction and related costs, and for procurement and enhancement of information technology and related capital investments. Specifically, this fund provides assistance in supporting the Global Acquisition and Assistance System (GLAAS).

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 and 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; and 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 in support of 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 ebola, polio, malaria or tuberculosis; and to expand access to quality basic education for girls and women.

Complex Crisis Fund

This fund provides for necessary expenses under of the Foreign Assistance Act of 1961 to support programs and activities around prevention of, or response to emerging or unforeseen complex crises overseas.

Transition Initiatives

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

Direct and Guaranteed Loans

- *Direct Loan Program*

  These loans are authorized under the Foreign Assistance Act, 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" places 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 extends guaranties to U.S. private investors who make loans to developing countries, to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- *Micro and Small Enterprise Development Program*

  The Micro and Small Enterprise Development (MSED) Program was established to support private sector activities in developing countries by providing direct loans and loan guarantees to local micro and small enterprises. Although the MSED program is still active, most of USAID's new loan guarantee activity is managed through the Development Credit Authority (DCA) Program.

- *Development Credit Authority*

  The first obligations for USAID's Development Credit Authority 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.

- *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. Approximately $9.2 billion was guaranteed, of which $6.8 billion remains outstanding.

  In FY 2003, Congress authorized a second Israel Loan Guarantee Program of up to $9.0 billion to support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. Four billion one hundred million dollars has been borrowed under this program, of which $3.7 billion remains outstanding.

- *Loan Guarantees to Egypt Program*

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

- *Loan Guarantees to Middle East Northern Africa (MENA) Program*

  The loan guarantee authority for this program was initially established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Pub. L. No. 112-74, to provide support for the Republic of Tunisia. In FY 2014, the program was expanded to include Jordan, and renamed the Middle East Northern Africa (MENA) Loan Guarantee Program. Under this program, the U.S. Government issues guarantees with respect to the payment obligations of MENA for notes. The budget cost associated with these notes, calculated in accordance with the Federal Credit Reform Act of 1990, is not to exceed $237 million. Using this budget cost as a basis for determining the loan guarantee, MENA issued notes totaling $2.75 billion in FY 2014.

FUND TYPES

The principal statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special funds, revolving funds, trust funds, deposit funds, a capital investment fund, receipt accounts, 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 underlying trust agreement or statute. At the point of collection, these receipts may be available or unavailable, depending upon statutory spending authority.

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

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 than allowed under the annual appropriation for operating expenses.

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 multiyear 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 or fund account) and adjustments (that is, recoveries of prior year obligations).

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

The "Consolidated Appropriations Act" signed into law as Pub. L. No. 113-76 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011 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, multiyear, 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).

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 Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

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

F. FUND BALANCE WITH TREASURY

Cash receipts and disbursements are processed by Treasury. The fund balance 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 maintains 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 Treasury. A gain or loss on currency conversion is recognized for any 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 from the public for non-loan or revenue generating sources based on a historical analysis of collectability.

I. DIRECT LOANS AND LOAN GUARANTEES

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

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). 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 that is 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 federal government agencies.

J. ADVANCES

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

K. INVENTORY AND RELATED PROPERTY

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

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

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that have an acquisition cost of $25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost, depending on when the asset was put into production and depreciated using the straight-line method (mid-year and mid-quarter). Real property is depreciated over 20 years, nonexpendable personal property is depreciated over three to five years, and capital leases are depreciated according to the terms of the lease. The Agency uses land, buildings, and equipment that are provided by the General Services Administration. Internal use software that has development costs of $300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements. In addition, certain USAID assets are held by government contractors. Under provisions of the Federal Acquisition Regulation (FAR), the contractors are responsible for the control and accountability of the assets in their possession, which are immaterial in nature. These government-owned, contractor-held assets are included within the balances reported in USAID's 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 nullified 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 finances the activities of loan programs. The main purpose of the 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 displays the unfunded amounts separate from the post-1991 liabilities. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to the OMB-prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

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

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of 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 calculate 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 System and the Federal Employees Retirement System 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 expenses and losses and financing sources, including appropriations, revenues and gains, since the inception of the activity.

S. NON-ENTITY ASSETS

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

T. AGENCY COSTS

USAID 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 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 also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. Exceptions to this general rule affecting USAID include the Executive Office of the President, for whom USAID is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in USAID's financial statements. In addition to these funds, USAID allocates funds as the parent to:

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

USAID receives allocation transfers as the child from:

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2014 and 2013 (Restated) consisted of the following *(in thousands)*:

Fund Balance	2014	2013 (Restated)
Trust Funds	$ 298,457	$ 258,885
Revolving Funds	2,718,595	2,423,613
General Funds	27,898,048	28,492,424
Other Funds	(52,966)	(11,930)
Total (Note 19)	$ 30,862,134	$ 31,162,992

Status of Fund Balance with Treasury	2014	2013 (Restated)
Unobligated Balance		
Available	$ 7,690,302	$ 8,839,220
Unavailable	2,695,608	2,761,411
Obligated and Other Balances Not Yet Disbursed (Net)	20,476,224	19,562,361
Total	$ 30,862,134	$ 31,162,992

Fund Balance with Treasury are the aggregate amounts of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the loan guarantee and other operating funds. See also Note 19 that contains additional disclosures related to Fund Balance with Treasury.

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

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a $353 million increase to Fund Balance with Treasury.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2014 and 2013 (Restated) are as follows *(in thousands)*:

	Receivable Gross	Allowance Accounts	Receivable Net 2014	Receivable Net 2013 (Restated)
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 10	N/A	$ 10	$ 10
Accounts Receivable from Federal Agencies	268,089	N/A	268,089	30,186
Less Intra-Agency Receivables	(268,076)	N/A	(268,076)	(30,169)
Total Intragovernmental Accounts Receivable	23	N/A	23	27
Accounts Receivable from the Public (Note 19)	100,411	(49,236)	51,175	39,933
Total Receivables	$ 100,434	$ (49,236)	$ 51,198	$ 39,960

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.

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a $173 thousand decrease to Accounts Receivable.

NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2014 and 2013 (Restated) consisted of Advances, as follows *(in thousands)*:

	2014	2013 (Restated)
Intragovernmental		
Advances to Federal Agencies	$ 72,031	$ 76,977
Total Intragovernmental (Note 19)	72,031	76,977
Advances to Contractors/Grantees	335,668	327,035
Advances to Host Country Governments and Institutions	158,744	115,239
Advances, Other	79,556	35,299
Total with the Public	573,968	477,573
Total Other Assets	$ 645,999	$ 554,550

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

Advances to Contractors/Grantees are amounts that USAID pays to cover immediate cash needs related to program implementation until Contractors/Grantees 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 volunteer organizations. Advances, Other consist primarily of amounts advanced for living quarters, travel, and home service.

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a $36 million increase to Advances with the Public.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2014 and 2013 are as follows *(in thousands)*:

	2014	2013 (Restated)
Foreign Currencies	$ 394,188	$ 343,296
Total Cash and Other Monetary Assets	$ 394,188	$ 343,296

Foreign Currencies are related to Foreign Currency Trust Funds and which totaled $395 million in FY 2014 and $344 million in FY 2013, as disclosed in Note 12. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

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

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Egypt Loan Guarantee Program
- Ukraine Loan Guarantee Program
- Middle East Northern Africa (MENA) 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 as of September 30, 2014 and 2013 are as follows *(in thousands)*:

	2014	2013
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 1,934,732	$ 2,218,674
Net Direct Loans Obligated After 1991 (Present Value Method)	200,374	221,342
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	131,719	134,330
Total Loans Receivable, Net as reported on the Balance Sheet	$ 2,266,825	$ 2,574,346

DIRECT LOANS

Direct Loans for loans obligated prior to 1992 and after 1991 as of September 30, 2014 and 2013 are as follows *(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, 2014:				
Direct Loans	$ 2,134,390	$ 299,659	$ (499,317)	$ 1,934,732
MSED	29	5	(34)	–
Total	$ 2,134,419	$ 299,664	$ (499,351)	$ 1,934,732
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2013:				
Direct Loans	$ 2,413,663	$ 287,076	$ (482,065)	$ 2,218,674
MSED	29	32	(61)	–
Total	$ 2,413,692	$ 287,108	$ (482,126)	$ 2,218,674

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, 2014:				
Direct Loans	$ 741,231	$ 2	$ (621,783)	$ 119,450
UE - Subrogated Claims	56,708	26,039	(1,640)	81,107
MSED	150	24	(357)	(183)
Total	$ 798,089	$ 26,065	$ (623,780)	$ 200,374
Direct Loans Obligated After 1991 as of September 30, 2013:				
Direct Loans	$ 777,100	$ 6,961	$ (641,807)	$ 142,254
UE - Subrogated Claims	52,356	22,083	4,832	79,271
MSED	150	24	(357)	(183)
Total	$ 829,606	$ 29,068	$ (637,332)	$ 221,342

Total Amount of Direct Loans Disbursed as of September 30, 2014 and 2013 are as follows *(in thousands)*:

Direct Loan Programs	2014	2013
Direct Loans	$ 2,875,621	$ 3,190,763
UE - Subrogated Claims	56,708	52,356
MSED	179	179
Total	$ 2,932,508	$ 3,243,298

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2014 and 2013 are as follows *(in thousands)*:

	2014				2013			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Subsidy Cost Allowance	$ 641,807	$ (4,832)	$ 357	$ 637,332	$ 622,091	$ (8,029)	$ 357	$ 614,419
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	55,659	-	-	55,659	(3,790)	–	–	(3,790)
(F) Other	(75,683)	6,472	-	(69,211)	23,506	3,197	–	26,703
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 621,783	$ 1,640	$ 357	$ 623,780	$ 641,807	$ (4,832)	$ 357	$ 637,332
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	–	–	–	–	–	–
Total of the Above Reestimate Components	–	–	–	–	–	–	–	–
Ending Balance of the Subsidy Cost Allowance	$ 621,783	$ 1,640	$ 357	$ 623,780	$ 641,807	$ (4,832)	$ 357	$ 637,332

Defaulted Guaranteed Loans as of September 30, 2014 and 2013 are as follows *(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): 2014				
UE	$ 141,126	$ 19,613	$ (29,020)	$ 131,719
Total	$ 141,126	$ 19,613	$ (29,020)	$ 131,719
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2013 (Restated)				
UE	$ 138,801	$ 23,433	$ (27,904)	$ 134,330
Total	$ 138,801	$ 23,433	$ (27,904)	$ 134,330

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2014, the UE Program experienced $5.9 million in defaults on payments.

In 2013, the UE Program experienced $3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2014 and 2013 are as follows *(in thousands)*:

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2014):		
UE	$ 576,273	$ 576,273
MSED	14,760	7,380
Israel	10,537,379	10,537,379
DCA	282,386	141,193
Ukraine	1,000,000	1,000,000
Egypt	1,250,000	1,250,000
MENA	2,745,911	2,745,911
Total	$ 16,406,709	$ 16,258,136
Guaranteed Loans Outstanding (2013):		
UE	$ 656,726	$ 656,726
MSED	14,760	7,380
Israel	10,921,749	10,921,749
DCA	276,315	138,157
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	$ 13,604,550	$ 13,459,012
New Guaranteed Loans Disbursed (2014):		
DCA	$ 9,863	$ 4,931
Ukraine	1,000,000	1,000,000
MENA	2,750,000	2,750,000
Total	$ 3,759,863	$ 3,754,931
New Guaranteed Loans Disbursed (2013):		
DCA	$ 95,546	$ 47,773
Tunisia	–	–
Total	$ 95,546	$ 47,773

Liability for Loan Guarantees as of September 30, 2014 and 2013 are as follows *(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, 2014:			
UE	$ 980	$ 147,263	$ 148,243
MSED	–	(3,956)	(3,956)
Israel	–	1,019,745	1,019,745
DCA	–	71,888	71,888
Ukraine	–	314,874	314,874
Egypt	–	533,619	533,619
MENA	–	266,770	266,770
Total	$ 980	$ 2,350,203	$ 2,351,183
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2013:			
UE	$ –	$ 147,863	$ 147,863
MSED	–	(661)	(661)
Israel	–	1,153,581	1,153,581
DCA	–	72,432	72,432
Egypt	–	460,855	460,855
Tunisia	–	12,783	12,783
Total	$ –	$ 1,846,853	$ 1,846,853

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2014 and 2013 are as follows *(in thousands)*:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2014):					
DCA	$ –	$ 8,349	$ –	$ –	$ 8,349
Ukraine	–	193,800		–	193,800
MENA	–	236,875	–	–	236,875
Total	$ –	$ 439,024	$ –	$ –	$ 439,024
Subsidy Expense for New Loan Guarantees (2013) (Restated):					
DCA	$ –	$ –	$ –	$ 6,655	$ 6,655
Tunisia	–	–	–	–	–
Total	$ –	$ –	$ –	$ 6,655	$ 6,655

(continued on next page)

(continued)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2014):				
UE	$ –	$ –	$ (7,914)	$ (7,914)
Israel	–	–	19,169	19,169
DCA	–	–	(9,268)	(9,268)
Ukraine	–	–	118,729	118,729
Egypt	–	–	53,759	53,759
MENA	–	–	12,812	12,812
Total	$ –	$ –	$ 187,287	$ 187,287
Modifications and Reestimates (2013):				
UE	$ –	$ –	$ (2,023)	$ (2,023)
Israel	–	–	(224,970)	(224,970)
DCA	–	–	7,496	7,496
Egypt	–	–	3,174	3,174
Tunisia	–	–	772	772
Total	$ –	$ –	$ (215,551)	$ (215,551)

Total Loan Guarantee Subsidy Expense as of September 30, 2014 and 2013 are as follows *(in thousands)*:

Loan Guarantee Programs	2014	2013
UE	$ (7,914)	$ (2,023)
Israel	19,169	(224,970)
DCA	(919)	14,150
Ukraine	312,529	–
Egypt	53,759	3,174
MENA (formerly Tunisia)	249,687	772
Total	$ 626,311	$ (208,897)

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts are as follows *(percent)*:

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	4.77%	(0.70)%	–	4.07%
Ukraine	–	19.80%	–	–	19.80%
MENA	–	9.75%	–	–	9.75%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2014 and 2013 are as follows *(in thousands)*:

2014: Post-1991 Loan Guarantees

	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	$ 72,432	$ (661)	$ 147,863	$ 1,153,581	$ 460,855	$ –	$ 12,783	$1,846,853
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	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Adjustments:								
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	1,830	1,136	940	–	–	–	–	3,906
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(5,199)	10	(8,341)	(224,970)	–	–	44	(238,456)
(F) Interest Accumulation on the Liability Balance	2,890	–	3,407	71,966	19,770	2,345	4,343	104,721
(G) Other	9,203	(4,441)	12,288	(1)	(765)	193,800	236,788	446,872
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 81,156	$ (3,956)	$ 156,157	$ 1,000,576	$ 479,860	$196,145	$253,958	$2,163,896
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Total of the Above Reestimate Components	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Ending Balance of the Loan Guarantee Liability	$ 71,888	$ (3,956)	$ 148,243	$ 1,019,745	$ 533,619	$314,874	$266,770	$2,351,183

2013: Post-1991 Loan Guarantees

	DCA	MSED	UE	Israel	Egypt	Tunisia	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Loan Guarantee Liability	$ 62,233	$ (661)	$ 155,921	$ 1,297,606	$ 438,855	$ 29,876	$1,983,830
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	6,655	–	–	–	–	–	6,655
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 6,655	$ –	$ –	$ –	$ –	$ –	$ 6,655
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	–	–	–	–	–	–	–
(F) Interest Accumulation on the Liability Balance	2,601	–	3,434	80,945	18,826	–	105,806
(G) Other	(6,552)	–	(9,469)	–	–	(17,865)	(33,886)
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 64,936	$ (661)	$ 149,886	$ 1,378,551	$ 457,681	$ 12,011	$2,062,404
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)
Total of the Above Reestimate Components	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)
Ending Balance of the Loan Guarantee Liability	$ 72,432	$ (661)	$ 147,863	$ 1,153,581	$ 460,855	$ 12,783	$1,846,853

Administrative Expense as of September 30, 2014 and 2013 are as follows *(in thousands)*:

Loan Programs	2014	2013
DCA	$ 16,222	$ 16,988
Total	$ 16,222	$ 16,988

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. One country is in violation of Section 620q of the Foreign Assistance Act (FAA), owing $347 thousand that is more than six months delinquent. Three countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $427.3 million that is more than one year delinquent.
2. The MSED Liquidating Account general ledger has a loan receivable balance of $29 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.
3. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in FY 2014.
4. In FY 2014, Jordan was added to the Tunisia Loan Guarantee Pogram. This resulted in a name change to the Middle East Northern Africa (MENA) Loan Guarantee Program.
5. In FY 2014, activity resumed in the dormant Ukraine Loan Guarantee Program.

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, 2014 and 2013 are as follows *(in thousands)*:

	2014	2013
Items Held for Use		
Office Supplies	$ 2,361	$ 3,854
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	8,594	13,136
Birth Control Supplies	24,830	19,006
Total Inventory and Related Property	$ 35,785	$ 35,996

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 obsolete or unserviceable items, and no restrictions on their use. Items costing less than $25,000 are expensed as incurred.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E), Net as of September 30, 2014 and 2013 are as follows *(in thousands)*:

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2014	Net Book Value 2013
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 75,255	$ (56,919)	$ 18,336	$ 19,721
Buildings, Improvements, and Renovations	20 years	89,358	(48,174)	41,184	23,071
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Assets Under Capital Lease (Note 9)		–	–	–	–
Construction in Progress	N/A	–	–	–	–
Internal Use Software	3 to 5 years	115,117	(105,845)	9,272	14,790
Total PP&E		$ 286,933	$ (210,938)	$ 75,995	$ 64,785

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 generally 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, 2014 and 2013 Leases consisted of the following *(in thousands)*:

Entity as Lessee	2014	2013
Capital Leases:		
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ –
Accumulated Depreciation	–	–
Net Assets under Capital Leases	$ –	$ –

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

Operating Leases:

Future Payments Due: Fiscal Year	2014 Future Costs
2015	$ 60,897
2016	60,904
2017	62,140
2018	5,875
2019	3,149
After 5 Years	3,436
Total Future Lease Payments	$ 196,401

Operating lease payments total $196 million in future lease payments of which $131 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 2015, FY 2016, FY 2017, FY 2020 and FY 2021. The lessor, General Services Administration (GSA), charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

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

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

As of September 30, 2014 and 2013 Liabilities Covered and Not Covered by Budgetary Resources were as follows *(in thousands)*:

	2014	2013 (Restated)
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable (Note 19)	$ 42,412	$ 42,534
Debt (Note 11)	481,272	481,000
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,059,883	2,391,590
Other Liabilities (Note 12)	660,643	538,086
Total Intragovernmental	3,244,210	3,453,210
Accounts Payable (Note 19)	1,712,240	1,868,920
Disbursements in Transit	20,497	5,568
Total Accounts Payable with Public	1,732,737	1,874,488
Loan Guarantee Liability (Note 6)	2,350,203	1,846,853
Other Liabilities with Public	551,667	492,341
Total Liabilities Covered by Budgetary Resources	$ 7,878,817	$ 7,666,892
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	$ (57,603)	$ (29,203)
Unfunded FECA Liability (Note 13)	7,626	8,229
Other Unfunded Employment Related Liability	143	197
Other Liabilities (Note 12)	271,588	206,744
Total Intragovernmental (Note 12)	$ 221,754	$ 185,967
Accrued Annual Leave	51,914	49,514
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	51,914	49,514
Future Workers' Compensation Benefits (Note 13)	25,811	27,129
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	980	–
Total Liabilities Not Covered by Budgetary Resources	300,459	262,610
Total Liabilities	$ 8,179,276	$ 7,929,502

NOTE 11. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2014 and 2013 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt *(in thousands)*:

Debt Due to Treasury	2013 Beginning Balance	Net Borrowing	2013 Ending Balance	Net Borrowing	2014 Ending Balance
Direct Loans	$ 478,195	$ 96	$ 478,291	$ –	$ 478,291
DCA	109	2,600	2,709	272	2,981
Total Treasury Debt	$ 478,304	$ 2,696	$ 481,000	$ 272	$ 481,272

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

In FY 2014, no interest was accrued for Development Credit Authority (DCA) and Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of $2.1 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, 2014 and 2013 Other Liabilities consisted of the following *(in thousands)*:

	2014	2013
Intragovernmental		
IPAC Suspense	$ (57,603)	$ (29,203)
Unfunded FECA Liability (Note 13)	7,626	8,229
Custodial Liability	5,836	6,034
Employer Contributions & Payroll Taxes Payable	3,941	2,975
Other Unfunded Employment Related Liability	143	197
Liability for Advances and Prepayments	650,866	529,077
Other Liabilities	271,588	206,744
Total Intragovernmental	$ 882,397	$ 724,053
Accrued Funded Payroll and Leave	24,032	21,905
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	51,914	49,514
Advances From Others	3,253	2,725
Deferred Credits	–	360
Foreign Currency Trust Fund	394,969	344,404
Capital Lease Liability (Note 9)	–	–
Other Liabilities	129,413	122,947
Total Liabilities With the Public	$ 603,581	$ 541,855
Total Other Liabilities	$ 1,485,978	$ 1,265,908

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, 2014 and 2013 are indicated in the table below *(in thousands)*.

Accrued Unfunded Workers' Compensation Benefits	2014	2013 (Restated)
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 25,811	$ 27,129
Unfunded FECA Liability	7,626	8,229
Total Accrued Unfunded Workers' Compensation Benefits	$ 33,437	$ 35,358

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 2014, USAID's total FECA liability was $33.4 million, comprised of unpaid FECA billings for $7.6 million and estimated future FECA costs of $25.8 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, 2014 a total of five cases were pending.

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against the United States (USAID and the Department of State). The court has dismissed the tort claims. The Agency denied reconsideration. An estimate of the amount or range of potential loss is $48 million. However, the possibility of an unfavorable outcome is remote.
- The second case is a contract claim that USAID wrongfully withheld payment for invoices submitted under the terms of a "Hurricane Mitch" host country contract. An estimate of the amount or range of potential loss is $2.2 million.
- The third case is a companion to the prior case, in which a contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract. An estimate of the amount or range of potential loss is $1.8 million.
- The fourth case is filed under the Federal Tort Claims Act, and alleges negligence on the part of USAID that resulted in arrest and incarceration of the claimants. Following the briefing, the court dismissed the complaint; thereafter the claimants appealed the dismissal. The case is currently pending before the appellate court. An estimate of the amount or range of potential loss is $60 million.
- The fifth case is a claim under the Contracts Dispute Act with an estimated loss of $6 million; USAID is currently reviewing the case.

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. 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 Responsibility Segments, as of June 30, 2014. These objectives are consistent with the new State/USAID Strategic Planning Framework.

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

Note 15 shows the value of exchange transactions between USAID and other Federal entities as well as non-Federal entities. These are also categorized within the Agency by Objectives, Responsibility Segments and Program Areas. Program Areas are defined in Note 16.

Intragovernmental costs and earned revenue sources relate to transactions between USAID and other federal entities. Public costs and earned revenues on the other hand relate to transactions between USAID and non-federal entities. Intragovernmental Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2014 and 2013 are indicated in the table below *(in thousands)*:

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Total	2013 Restated Total
Peace and Security												
Intragovernmental Costs	$ 1,863	$ 841	$ 7,143	$ 895	$ 3,149	$ –	$ –	$ 4,446	$ –	$ 3,910	$ 22,247	$ 33,828
Public Costs	79,117	21,660	187,953	4,036	48,716	–	–	127,626	28,634	153,837	651,579	661,263
Total Program Costs	80,980	22,501	195,096	4,931	51,865	–	–	132,072	28,634	157,747	673,826	695,091
Intragovernmental Earned Revenue	(198)	(20)	(515)	(82)	(358)			(477)	(204)	(411)	(2,265)	(3,270)
Public Earned Revenue	(27)	–	(70)	(11)	(49)	–	–	(65)	(22)	(53)	(297)	(26)
Total Earned Revenue	(225)	(20)	(585)	(93)	(407)	–	–	(542)	(226)	(464)	(2,562)	(3,296)
Net Program Costs	**80,755**	**22,481**	**194,511**	**4,838**	**51,458**	**–**	**–**	**131,530**	**28,408**	**157,283**	**671,264**	**691,795**
Governing Justly and Democratically												
Intragovernmental Costs	4,011	5,125	2,300	174	6,965	–	962	7,102	8,804	16,206	51,649	49,605
Public Costs	165,449	120,005	51,123	3,907	145,776	–	5,418	187,826	252,574	442,115	1,374,193	878,442
Total Program Costs	169,460	125,130	53,423	4,081	152,741	–	6,380	194,928	261,378	458,321	1,425,842	928,047
Intragovernmental Earned Revenue	(461)	(484)	(254)	(18)	(680)	–	(109)	(784)	(994)	(1,136)	(4,920)	(3,010)
Public Earned Revenue	(55)	(15)	(35)	(2)	(92)	–	(15)	(129)	(133)	(154)	(630)	(27)
Total Earned Revenue	(516)	(499)	(289)	(20)	(772)	–	(124)	(913)	(1,127)	(1,290)	(5,550)	(3,037)
Net Program Costs	**168,944**	**124,631**	**53,134**	**4,061**	**151,969**	**–**	**6,256**	**194,015**	**260,251**	**457,031**	**1,420,292**	**925,010**
Investing in People												
Intragovernmental Costs	81,962	18,064	2,763	14,380	1,857	15,137	3,145	7,676	12,563	11,480	169,027	163,582
Public Costs	586,436	185,190	79,373	123,627	25,837	580,004	17,002	124,213	358,004	418,421	2,498,107	2,722,732
Total Program Costs	668,398	203,254	82,136	138,007	27,694	595,141	20,147	131,889	370,567	429,901	2,667,134	2,886,314
Intragovernmental Earned Revenue	(9,087)	(2,026)	(314)	(4,163)	(193)	(1,719)	(357)	(798)	(1,289)	(1,129)	(21,075)	(29,745)
Public Earned Revenue	(1,229)	(275)	(43)	(3,709)	(26)	(233)	(49)	(108)	(175)	(132)	(5,979)	(13,694)
Total Earned Revenue	(10,316)	(2,301)	(357)	(7,872)	(219)	(1,952)	(406)	(906)	(1,464)	(1,261)	(27,054)	(43,439)
Net Program Costs	**658,082**	**200,953**	**81,779**	**130,135**	**27,475**	**593,189**	**19,741**	**130,983**	**369,103**	**428,640**	**2,640,080**	**2,842,875**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Total	2013 Restated Total
Economic Growth												
Intragovernmental Costs	30,390	28,095	65	317,087	7,677	–	12,731	33,282	16,607	27,699	473,633	313,254
Public Costs	651,430	375,925	6,359	1,049,393	483,108	–	75,163	256,401	706,234	634,373	4,238,386	3,830,692
Total Program Costs	681,820	404,020	6,424	1,366,480	490,785	–	87,894	289,683	722,841	662,072	4,712,019	4,143,947
Intragovernmental Earned Revenue	(1,744)	(1,596)	(7)	(579,176)	(735)	–	(1,412)	(1,199)	(4,348)	(21,106)	(611,323)	(665,080)
Public Earned Revenue	(237)	(217)	(1)	–	(100)	–	(192)	(163)	(214)	(260)	(1,384)	(147,303)
Total Earned Revenue	(1,981)	(1,813)	(8)	(579,176)	(835)	–	(1,604)	(1,362)	(4,562)	(21,366)	(612,707)	(812,383)
Net Program Costs	**679,839**	**402,207**	**6,416**	**787,304**	**489,950**	**–**	**86,290**	**288,321**	**718,279**	**640,706**	**4,099,312**	**3,331,564**
Humanitarian Assistance									–			
Intragovernmental Costs	115	12,141	65,300	–	898	–	–	1,454	1,094	651	81,653	107,207
Public Costs	2,192	27,676	1,812,809	93,781	26,776	–	–	20,932	39,218	22,055	2,045,439	1,495,852
Total Program Costs	2,307	39,817	1,878,109	93,781	27,674	–	–	22,386	40,312	22,706	2,127,092	1,603,059
Intragovernmental Earned Revenue	(12)	(145)	(4,662)		(102)	–	–	(74)	(124)	(74)	(5,193)	(7,617)
Public Earned Revenue	(2)	(20)	(635)		(14)	–	–	(10)	(17)	(10)	(708)	(57)
Total Earned Revenue	(14)	(165)	(5,297)	–	(116)	–	–	(84)	(141)	(84)	(5,901)	(7,674)
Net Program Costs	**2,293**	**39,652**	**1,872,812**	**93,781**	**27,558**	**–**	**–**	**22,302**	**40,171**	**22,622**	**2,121,191**	**1,595,385**
Operating Unit Management												
Intragovernmental Costs	24,781	7,503	28,423	52,605	4,968	–	7,152	9,322	4,116	19,535	158,405	305,893
Public Costs	106,374	51,996	99,171	87,556	25,597	–	27,112	58,114	37,034	70,489	563,443	587,640
Total Program Costs	131,155	59,499	127,594	140,161	30,565	–	34,264	67,436	41,150	90,024	721,848	893,533
Intragovernmental Earned Revenue	(447)	(287)	–	(397)	(128)	–	(545)	(267)	(135)	(212)	(2,418)	(5,174)
Public Earned Revenue	(61)	(39)	(43)	(140)	(17)	–	(74)	(39)	(18)	(29)	(460)	(49)
Total Earned Revenue	(508)	(326)	(43)	(537)	(145)	–	(619)	(306)	(153)	(241)	(2,878)	(5,223)
Net Program Costs	**130,647**	**59,173**	**127,551**	**139,624**	**30,420**	**–**	**33,645**	**67,130**	**40,997**	**89,783**	**718,970**	**888,310**
Net Cost of Operations (Note 19)	**$1,720,560**	**$ 849,097**	**$ 2,336,203**	**$1,159,743**	**$ 778,830**	**$ 593,189**	**$145,932**	**$ 834,281**	**$ 1,457,209**	**$ 1,796,065**	**$ 11,671,109**	**$ 10,274,939**

NOTE 16. 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 for responsibility segments. 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.

In the FY 2014 Consolidated Statement of Net Cost, major responsiblity segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The six Geographic Bureaus are: Africa; Asia; Europe and Eurasia; Latin America and the Caribbean; the Middle East; and the Office of Afghanistan and Pakistan Affairs (OAPA). The four Technical Bureaus are Democracy, Conflict and Humanitarian Assistance (DCHA); Economic Growth, Education, and the Environment (E3); Global Health; and Innovation and Development Alliances (IDEA).

Effective in FY 2013 the former Economic Growth, Agriculture and Trade (EGAT) Bureau was reclassified as E3. Schedule of Costs by Responsibility Segment as of September 30, 2014 and 2013 are indicated in the table below *(in thousands)*:

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Peace and Security												
Counterterrorism												
Gross Costs	$ 28,345	$ 485	$ 2,093	$ –	$ –	$ –	$ –	$ –	$ 2,926	$ –	$ 33,849	$ 37,706
Less: Earned Revenues	(86)	(1)	(7)	–	–	–	–	–	(13)	–	(107)	(112)
Net Program Costs	28,259	484	2,086	–	–	–	–	–	2,913	–	33,742	37,594
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	518	–	30,107	–	–	–	–	–	30,625	28,441
Less: Earned Revenues	–	–	(1)	–	(296)	–	–	–	–	–	(297)	(277)
Net Program Costs	–	–	517	–	29,811	–	–	–	–	–	30,328	28,164
Stabilization Operations and Security Sector Reform												
Gross Costs	122	792	1	–	2,463	–	–	5,668	53	1,928	11,027	34,094
Less: Earned Revenues	(1)	(4)	–	–	(11)	–	–	–	–	(2)	(18)	(195)
Net Program Costs	121	788	1	–	2,452	–	–	5,668	53	1,926	11,009	33,899
Counternarcotics												
Gross Costs	2	–	2	–	–	–	–	126,388	–	29,145	155,537	174,119
Less: Earned Revenues	–	–	–	–	–	–	–	(541)	–	(132)	(673)	(668)
Net Program Costs	2	–	2	–	–	–	–	125,847	–	29,013	154,864	173,451
Transnational Crime												
Gross Costs	7	7,788	785	15	1,815	–	–	–	–	–	10,410	10,514
Less: Earned Revenues	–	–	(3)	–	(11)	–	–	–	–	–	(14)	(59)
Net Program Costs	7	7,788	782	15	1,804	–	–	–	–	–	10,396	10,455
Conflict Mitigation and Reconciliation												
Gross Costs	52,504	13,435	191,697	4,916	17,479	–	–	15	25,655	126,677	432,378	410,217
Less: Earned Revenues	(138)	(14)	(574)	(93)	(88)	–	–	–	(213)	(333)	(1,453)	(1,985)
Net Program Costs	52,366	13,421	191,123	4,823	17,391	–	–	15	25,442	126,344	430,925	408,232
Total Peace and Security	**80,755**	**22,481**	**194,511**	**4,838**	**51,458**	**–**	**–**	**131,530**	**28,408**	**157,283**	**671,264**	**691,795**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Governing Justly and Democratically												
Rule of Law and Human Rights												
Gross Costs	13,818	29,158	1,144	236	34,815	–	2,243	71,279	32,810	17,534	203,037	278,308
Less: Earned Revenues	(41)	(113)	(10)	(6)	(190)	–	(44)	(317)	(137)	(45)	(903)	(1,086)
Net Program Costs	13,777	29,045	1,134	230	34,625	–	2,199	70,962	32,673	17,489	202,134	277,222
Good Governance												
Gross Costs	74,068	50,812	29,014	1,537	35,781	–	–	84,358	103,036	314,795	693,401	18,422
Less: Earned Revenues	(226)	(216)	(94)	(15)	(178)	–	–	(384)	(504)	(970)	(2,587)	(526)
Net Program Costs	73,842	50,596	28,920	1,522	35,603	–	–	83,974	102,532	313,825	690,814	187,896
Political Competition and Consensus-Building												
Gross Costs	41,181	15,296	8,271	1,537	21,885	–	–	12,266	40,166	93,661	234,263	153,080
Less: Earned Revenues	(154)	(60)	(89)		(115)	–	–	(65)	(165)	(138)	(786)	(965)
Net Program Costs	41,027	15,236	8,182	1,537	21,770	–	–	12,201	40,001	93,523	233,477	152,115
Civil Society												
Gross Costs	40,395	29,864	14,994	772	60,259	–	4,137	27,024	85,366	32,330	295,141	308,237
Less: Earned Revenues	(97)	(110)	(96)		(288)	–	(80)	(146)	(321)	(136)	(1,274)	(460)
Net Program Costs	40,298	29,754	14,898	772	59,971	–	4,057	26,878	85,045	32,194	293,867	307,777
Total Governing Justly and Democratically	**168,944**	**124,631**	**53,134**	**4,061**	**151,969**	**–**	**6,256**	**194,015**	**260,251**	**457,031**	**1,420,292**	**925,010**
Investing in People												
Health												
Gross Costs	441,940	103,812	21,440	27,026	18,077	595,107	20,147	53,724	190,717	170,422	1,642,412	1,511,628
Less: Earned Revenues	(9,658)	(1,882)	(80)	(447)	(178)	(1,952)	(406)	(712)	(688)	(549)	(16,552)	(18,821)
Net Program Costs	432,282	101,930	21,360	26,579	17,899	593,155	19,741	53,012	190,029	169,873	1,625,860	1,492,807
Education												
Gross Costs	209,299	92,049	14,414	98,565	6,186	–	–	59,699	132,500	219,030	831,742	741,702
Less: Earned Revenues	(595)	(394)	(54)	(965)	(27)	–	–	(194)	(659)	(543)	(3,431)	(3,739)
Net Program Costs	208,704	91,655	14,360	97,600	6,159	–	–	59,505	131,841	218,487	828,311	737,963
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	17,159	7,393	46,281	12,417	3,430	35	–	18,466	47,350	40,449	192,980	632,984
Less: Earned Revenues	(63)	(25)	(222)	(6,461)	(13)	(1)	–		(117)	(169)	(7,071)	(20,879)
Net Program Costs	17,096	7,368	46,059	5,956	3,417	34	–	18,466	47,233	40,280	185,909	612,105
Total Investing in People	**658,082**	**200,953**	**81,779**	**130,135**	**27,475**	**593,189**	**19,741**	**130,983**	**369,103**	**428,640**	**2,640,080**	**2,842,875**
Economic Growth												
Macroeconomic Foundation for Growth												
Gross Costs	15,758	8,736	–	815,035	316,634	–	–	8,847	482,146	10,028	1,657,184	784,222
Less: Earned Revenues	(57)	(29)	–	(523,187)	(9)	–	–	(24)	(782)	(11)	(524,099)	(32,690)
Net Program Costs	15,701	8,707	–	291,848	316,625	–	–	8,823	481,364	10,017	1,133,085	751,532
Trade and Investment												
Gross Costs	22,809	17,059	–	8,609	5,696	–	6,910	14,905	12,838	29,422	118,248	160,635
Less: Earned Revenues	(58)	(66)	–	(96)	(29)	–	(129)	(104)	(55)	(101)	(638)	(949)
Net Program Costs	22,751	16,993	–	8,513	5,667	–	6,781	14,801	12,783	29,321	117,610	159,686
Financial Sector												
Gross Costs	5,972	1,401	–	53,133	9,147	–	3,908	2,814	12,168	11,529	100,072	367,311
Less: Earned Revenues	(18)	(5)	–	(52,210)	(60)	–	(68)	(20)	(76)	(16)	(52,473)	(241,709)
Net Program Costs	5,954	1,396	–	923	9,087	–	3,840	2,794	12,092	11,513	47,599	125,602
Infrastructure												
Gross Costs	73,883	18,437	–	10,770	65,103	–	10,514	8,544	59,372	398,475	645,098	773,192
Less: Earned Revenues	(235)	(82)	–	(199)	(287)	–	(197)	(30)	(247)	(20,573)	(21,850)	(3,068)
Net Program Costs	73,648	18,355	–	10,571	64,816	–	10,317	8,514	59,125	377,902	623,248	770,124
Agriculture												
Gross Costs	412,822	120,737	–	256,347	9,983	–	1,170	70,901	27,731	117,290	1,016,981	886,818
Less: Earned Revenues	(1,203)	(565)	–	(142)	(68)	–	(16)	(343)	(137)	(307)	(2,781)	(3,617)
Net Program Costs	411,619	120,172	–	256,205	9,915	–	1,154	70,558	27,594	116,983	1,014,200	883,201

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Private Sector Competitiveness												
Gross Costs	29,317	40,423	–	2,539	63,152	–	3,845	36,109	84,929	63,290	323,604	374,674
Less: Earned Revenues	(92)	(229)	–	(10)	(291)	–	(54)	(176)	(342)	(223)	(1,417)	(1,721)
Net Program Costs	29,225	40,194	–	2,529	62,861	–	3,791	35,933	84,587	63,067	322,187	372,953
Economic Opportunity												
Gross Costs	16,096	5,920	–	22,486	9,587	–	61,547	12,573	25,376	29,946	183,531	175,300
Less: Earned Revenues	(58)	(34)	–	(332)	(38)	–	(1,140)	(58)	(2,834)	(130)	(4,624)	(524,025)
Net Program Costs	16,038	5,886	–	22,154	9,549	–	60,407	12,515	22,542	29,816	178,907	(348,725)
Environment												
Gross Costs	105,164	191,307	6,424	197,561	11,483	–	–	134,991	18,280	2,091	667,301	621,795
Less: Earned Revenues	(261)	(803)	(8)	(3,000)	(53)	–	–	(608)	(88)	(4)	(4,825)	(4,604)
Net Program Costs	104,903	190,504	6,416	194,561	11,430	–	–	134,383	18,192	2,087	662,476	617,191
Total Economic Growth	**679,839**	**402,207**	**6,416**	**787,304**	**489,950**	**–**	**86,290**	**288,321**	**718,279**	**640,706**	**4,099,312**	**3,331,564**
Humanitarian Assistance												
Protection, Assistance and Solutions												
Gross Costs	–	24,791	1,752,475	–	27,652	–	–	21,516	40,312	22,672	1,889,418	1,430,191
Less: Earned Revenues	–	(94)	(4,910)	–	(116)	–	–	(82)	(141)	(84)	(5,427)	(6,890)
Net Program Costs	–	24,697	1,747,565	–	27,536	–	–	21,434	40,171	22,588	1,883,991	1,423,301
Disaster Readiness												
Gross Costs	2,307	15,026	125,634	93,781	–	–	–	870	–	–	237,618	172,713
Less: Earned Revenues	(14)	(71)	(387)	–	–	–	–	(2)	–	–	(474)	(783)
Net Program Costs	2,293	14,955	125,247	93,781	–	–	–	868	–	–	237,144	171,930
Migration Management												
Gross Costs	–	–	–	–	22	–	–	–	–	34	56	156
Less: Earned Revenues	–	–	–	–	–	–	–	–	–	–	–	(1)
Net Program Costs	–	–	–	–	22	–	–	–	–	34	56	155
Total Humanitarian Assistance	**2,293**	**39,652**	**1,872,812**	**93,781**	**27,558**	**–**	**–**	**22,302**	**40,171**	**22,622**	**2,121,191**	**1,595,385**
Operating Unit Management												
Crosscutting Management and Staffing												
Gross Costs	794	7	–	–	898	–	–	–	4	413	2,116	3,580
Less: Earned Revenues	(10)	–	–	–	(7)	–	–	–	–	–	(17)	(29)
Net Program Costs	784	7	–	–	891	–	–	–	4	413	2,099	3,551
Program Design and Learning												
Gross Costs	41,002	9,869	10,765	39,825	5,023	–	18,787	11,216	17,916	30,996	185,399	173,017
Less: Earned Revenues	(132)	(57)	(27)	(247)	(30)	–	(400)	(52)	(73)	(83)	(1,101)	(1,132)
Net Program Costs	40,870	9,812	10,738	39,578	4,993	–	18,387	11,164	17,843	30,913	184,298	171,885
Administration and Oversight												
Gross Costs	89,359	49,624	116,829	100,336	24,644	–	15,477	56,218	23,231	58,615	534,333	716,936
Less: Earned Revenues	(366)	(270)	(16)	(290)	(108)	–	(219)	(252)	(81)	(158)	(1,760)	(4,062)
Net Program Costs	88,993	49,354	116,813	100,046	24,536	–	15,258	55,966	23,150	58,457	532,573	712,874
Total Operating Unit Management	**130,647**	**59,173**	**127,551**	**139,624**	**30,420**	**–**	**33,645**	**67,130**	**40,997**	**89,783**	**718,970**	**888,310**
Net Cost of Operations (Note 19)	**$ 1,720,560**	**$ 849,097**	**$ 2,336,203**	**$ 1,159,743**	**$ 778,830**	**$ 593,189**	**$ 145,932**	**$ 834,281**	**$ 1,457,209**	**$ 1,796,065**	**$ 11,671,109**	**$ 10,274,939**

NOTE 17. COMBINED 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, 2014 and 2013. USAID's total budgetary resources were $24.2 billion and $23.8 billion for the years ended September 30, 2014 and 2013, respectively.

A. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED *(in thousands)*:

	2014	2013
Category A, Direct	$ 1,469,266	$ 1,607,893
Category B, Direct	11,854,936	10,042,276
Category A, Reimbursable	35,635	39,356
Category B, Reimbursable	486,881	524,617
Total	$ 13,846,718	$ 12,214,142

B. BORROWING AUTHORITY, END OF PERIOD AND TERMS OF BORROWING AUTHORITY USED:

The Agency had $0.3 million and $2.7 million in borrowing authority in FY 2014 and FY 2013, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. 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 2014, there is $2.2 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES:

The "Consolidated Appropriations Act" signed into law as Pub. L. 113-76 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now known as "7011 authority". Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

E. UNPAID OBLIGATIONS:

Unpaid Obligations for the periods ended September 30, 2014 and 2013 were $20.6 billion and $18.2 billion, respectively.

F. DIFFERENCE BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT *(in thousands)*:

The reconciliation between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is as of September 30, 2013 because submission of the Budget for FY 2015, which presents the execution of the FY 2014 Budget, occurs after publication of these financial statements. The USAID Budget Appendix can be found on the OMB website (*http:www.whitehouse.gov/omb/budget*) and will be available in early February 2015.

Differences between the SBR and Budget of the U.S. Government are caused mainly by the fact that certain funds are reported in the SBR but not included in the USAID section of the "Department of State and Other International Programs" Appendix of the Budget of the U.S. Government. This is largely reflected in the Economic Support Fund, which is approximately $11.9 billion. This fact is corroborated by the State Department Budget Office, which confirms the aforementioned funds being warranted/allocated to State, and included in State's section of the President's budget as a transfer of funds to USAID.

The amounts in the line "Other Differences" in the table below cannot be further defined because appropriation level detail is not provided in the Budget of the U.S. Government.

2013	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 23,814,776	$ 12,214,142	$ (381,293)	$ 10,266,172
Funds Reported in SBR, Not Attributed to USAID in the President's Budget	(11,902,000)	(6,582,000)	–	(4,825,000)
Other Differences	369,224	767,858	381,293	679,828
Budget of the U.S. Government	$ 12,282,000	$ 6,400,000	$ –	$ 6,121,000

NOTE 18. 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, 2014 and 2013 are indicated in the table below *(in thousands)*:

	2014	2013 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred (Note 19)	$ 13,846,718	$ 12,214,142
Spending Authority From Offsetting Collections (Note 19)	(1,559,029)	(1,529,293)
Downward Adjustments of Obligations	(557,534)	(639,888)
Offsetting Receipts	(241,127)	(381,293)
Net Obligations	11,489,028	9,663,668
Other Resources Used to Finance Activities	67,380	40,445
Resources Used to Finance Activities	11,556,408	9,704,113
Resources Used to Finance Items Not Part of Net Cost of Operations	661,803	996,691
Total Resources Used to Finance Net Cost of Operations	12,218,211	10,700,804
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(217,951)	(221,236)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(329,151)	(204,629)
Net Cost of Operations (Note 19)	$ 11,671,109	$ 10,274,939

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a $38 million decrease to Obligations Incurred, a $4 million increase in Spending Authority from Offsetting Collections, and an $85 million decrease in Net Cost of Operations.

NOTE 19. RESTATEMENT OF FY 2013 PRINCIPAL FINANCIAL STATEMENTS (IN THOUSANDS)

During FY 2014, M/CFO conducted an extensive reconciliation to bring the cumulative general ledger into agreement with the underlying detailed transactions that are summarized in the subsidiary ledgers. The CFO determined that the reconciliation was necessary to correct differences caused by the historical use of accounting systems that lacked full integration and legacy systems that were non-USSGL-compliant. The reconciliation methodology successfully aligned with the underlying transactions the general ledger balances that represent the Agency's obligations, expenditures, and fund availability reported to Congress, OMB, Treasury, and other external parties. USAID also used a comprehensive Web-based cash reconciliation process implemented in FY 2013 to bring Treasury cash balances into agreement with its general ledger cash balances.

As required by FASAB SFFAS 21, the Agency has restated the FY 2013 reported balances to reflect the impact of the reconciliation adjustments. Because USAID increased its FY 2013 Fund Balance with Treasury ending balance by $352.8 million, USAID's Fund Balance with Treasury general ledger FY 2014 ending balance was greater than Treasury's by approximately $158 million. USAID made a temporary adjustment to its FY 2014 Fund Balance with Treasury ending balance to bring its financial statement Fund Balance with Treasury into agreement with Treasury. USAID intends to further research and permanently resolve this difference in FY 2015. The effect of the restatement on each of the four principal statements is detailed in the following illustrative Schedule of Summary of Changes. Pro Forma Balances as of September 30, 2013 *(in thousands)*:

	2013 As Stated	Effect: Increase/(Decrease)	2013 Restated
BALANCE SHEET			
ASSETS:			
Fund Balance with Treasury (Note 2)	$ 30,810,158	$ 352,834	$31,162,992
Accounts Receivable (Note 3)	40,133	(173)	39,960
Advances (Note 4)	518,363	36,188	554,551
Total Change in Assets	**$31,368,654**	**$388,849**	**$31,757,503**
LIABILITIES:			
Accounts Payable (Note 10)	1,612,876	304,146	1,917,022
Federal Employees and Veteran's Benefits (Note 13)	26,047	1,082	27,129
Other Liabilities (Notes 10, 12 and 13)			
NET POSITION:			
Unexpended Appropriations	22,745,711	3,133,607	25,879,318
Cumulative Results of Operations	4,017,092	(3,049,986)	967,106
Total Change in Net Position	**$26,762,803**	**$ 83,621**	**$26,846,424**
STATEMENT OF NET COST/ CHANGES IN NET POSITION			
Net Cost of Operations:	10,359,618	(84,679)	10,274,939
Total Change in Net Cost Operations (Notes 15 and 16)	**$10,359,618**	**$(84,679)**	**$10,274,939**
Total Change in Liabilities and Net Position	**$28,401,726**	**$388,849**	**$28,790,575**

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	2013 As Stated	Effect: Increase/(Decrease)	2013 Restated
STATEMENT OF BUDGETARY RESOURCES			
Budgetary Resources:			
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,524,943	4,350	1,529,293
Total Resources	**$1,524,943**	**$4,350**	**$1,529,293**
Status of Budgetary Resources:			
Obligations Incurred	12,252,505	(38,363)	12,214,142
Unapportioned	2,718,700	42,713	2,761,413
Total Budgetary Resources	**$14,971,205**	**$4,350**	**$14,975,555**
Change in Obligated Balance:			
Obligations Incurred	12,252,505	(38,363)	12,214,142
Outlays (Gross) (-)	(11,317,038)	(359,957)	(11,676,995)
Obligated Balance, End of Year			
Unpaid Obligations, End of Year (Gross)	18,601,481	(398,320)	18,203,161
Total Change in Unpaid Obligations, End of Year	**$18,601,481**	**$ (398,320)**	**$18,203,161**
Change in Uncollected Payments, Federal Sources (+ or -)	(26,935)	(12,053)	(38,988)
Change in Obligated Balance:			
Outlays (Gross) (-)	11,317,038	359,957	11,676,995
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,421,422)	10,599	(1,410,823)
Outlays, Net (Discretionary and Mandatory)	**$9,895,616**	**$370,556**	**$10,266,172**

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

(Preceding page) **A woman charges a mobile device in Kenya. The company M-KOPA SOLAR sells such products, as well as solar panels and lighting designed for underserved consumers.**

PHOTO: GEORGINA GOODWIN / M-KOPA SOLAR

(Above) **Solar Sister, a USAID-supported venture, recruits, trains, and supports female entrepreneurs in Africa to sell affordable solar lighting and other green products such as mobile phone chargers and fuel-efficient cookstoves.**

PHOTO: JAMES AKENA FOR SOLAR SISTER

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2014
(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:													
Unobligated Balance Brought Forward, October 1	$ 485,142	$ 7,959	$ 9,512	$ 3,433	$ 2,310,995	$ 410,161	$ 5,127,175	$ 8,713	$ 45,912	$ 1,862,105	$ 1,036,386	$ 256,306	$ 11,563,799
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(1,169)	–	–	331	–	–	–	–	(7,460)	–	45,133	–	36,835
Unobligated Balance Brought Forward, October 1, as Adjusted	483,973	7,959	9,512	3,764	2,310,995	410,161	5,127,175	8,713	38,452	1,862,105	1,081,519	256,306	11,600,634
Recoveries of Prior Year Unpaid Obligations	97,053	268	16,187	1,507	55,247	45,353	281,572	3,551	2,884	168	27,015	26,729	557,534
Other Changes in Unobligated Balance (+ or -)	(2,418)	–	(320)	382	(91,301)	(5,000)	(184,771)	681	(9)	(1)	33,027	332,201	82,471
Unobligated Balance from Prior Year Budget Authority, Net	578,608	8,227	25,379	5,653	2,274,941	450,514	5,223,976	12,945	41,327	1,862,272	1,141,561	615,236	12,240,639
Appropriations (Discretionary and Mandatory)	1,133,721	–	–	(4,498)	2,490,003	1,800,965	4,610,676	(6,127)	(17,339)	6	425,280	–	10,432,687
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	273	–	–	273
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	28,152	–	–	(541)	(38,157)	331	(298,661)	–	5,071	585,854	1,061,134	215,846	1,559,029
Total Budgetary Resources	**$ 1,740,481**	**$ 8,227**	**$ 25,379**	**$ 614**	**$ 4,726,787**	**$ 2,251,810**	**$ 9,535,991**	**$ 6,818**	**$ 29,059**	**$2,448,405**	**$2,627,975**	**$ 831,082**	**$ 24,232,628**
Status of Budgetary Resources:													
Obligations Incurred:	1,458,997	1,678	7,316	(5,949)	2,755,248	2,021,666	5,440,007	(3,484)	130	261,449	1,296,798	612,862	13,846,718
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	244,679	6,549	18,655	3,531	1,950,607	227,767	4,099,209	7,503	8,769	222,517	736,121	164,395	7,690,302
Exempt from Apportionment	–	–	–	–	–	–	–	–	–	–	–	–	–
Unapportioned	36,805	–	(592)	3,032	20,932	2,377	(3,225)	2,799	20,160	1,964,439	595,056	53,825	2,695,608
Total Unobligated Balance, End of Year	**281,484**	**6,549**	**18,063**	**6,563**	**1,971,539**	**230,144**	**4,095,984**	**10,302**	**28,929**	**2,186,956**	**1,331,177**	**218,220**	**10,385,910**
Total Budgetary Resources	**$ 1,740,481**	**$ 8,227**	**$ 25,379**	**$ 614**	**$ 4,726,787**	**$ 2,251,810**	**$ 9,535,991**	**$ 6,818**	**$ 29,059**	**$2,448,405**	**$2,627,975**	**$ 831,082**	**$ 24,232,628**

(continued on next page)

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

For the Year Ended September 30, 2014

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Change in Obligated Balance:													
Unpaid Obligations, Brought Forward, October 1	$ 578,519	$ 1,465	$ 548,267	$ 5,121	$ 4,003,023	$ 1,322,020	$ 10,377,157	$ 34,429	$ 113,132	$ 3,867	$ 887,965	$ 726,516	$ 18,601,481
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	–	–	–	–	–	–	–	–	(398,320)	–	(398,320)
Obligations Incurred	1,458,997	1,678	7,316	(5,949)	2,755,248	2,021,666	5,440,007	(3,484)	130	261,449	1,296,798	612,862	13,846,718
Outlays (Gross) (-)	(1,253,455)	(2,011)	(356,197)	12,337	(2,090,807)	(1,527,338)	(3,815,901)	(8,774)	(79,439)	(261,086)	(1,028,459)	(489,483)	(10,900,613)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	(32,119)	–	–	–	–	–	(32,119)
Recoveries of Prior Year Unpaid Obligations (-)	(97,053)	(268)	(16,187)	(1,507)	(55,247)	(45,353)	(281,572)	(3,551)	(2,884)	(168)	(27,015)	(26,729)	(557,534)
Unpaid Obligations, End of Year	687,008	864	183,199	10,002	4,612,217	1,770,995	11,687,572	18,620	30,939	4,062	730,969	823,166	20,559,613
Uncollected Payments:					–	–	–	–	–	–	–	–	–
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(8,011)	–	–	(35)	38	(202)	(2,156)	(39)	(1,006)	–	(55,969)	–	(67,380)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	(12,053)	–	(12,053)
Change in Uncollected Payments from Federal Sources (+ or -)	(14,491)	–	–	–	(136)	(157)	2,141	–	–	35	53,275	–	40,667
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(22,502)	–	–	(35)	(98)	(359)	(15)	(39)	(1,006)	35	(14,747)	–	(38,766)
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	1,161,873	–	–	(5,039)	2,451,846	1,801,296	4,312,015	(6,127)	(12,268)	586,133	1,486,414	215,846	11,991,989
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(13,661)	–	–	(372)	(16,738)	(176)	(6,634)	(52)	(5,071)	(585,888)	(1,034,450)	(7,880)	(1,670,922)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(14,491)	–	–	–	(136)	(157)	2,141	–	–	35	41,222	–	28,614
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	1,133,721	–	–	(5,411)	2,434,972	1,800,963	4,307,522	(6,179)	(17,339)	280	493,186	207,966	10,349,681
Outlays, Gross (Discretionary and Mandatory)	1,253,455	2,011	356,197	(12,337)	2,090,807	1,527,338	3,815,901	8,774	79,439	261,086	1,028,459	489,483	10,900,613
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(13,661)	–	–	(372)	(16,738)	(176)	(6,634)	(52)	(5,071)	(585,888)	(1,034,450)	(7,880)	(1,670,922)
Outlays, Net (Discretionary and Mandatory)	1,239,794	2,011	356,197	(12,709)	2,074,069	1,527,162	3,809,267	8,722	74,368	(324,802)	(5,991)	481,603	9,229,691
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(241,127)	–	(241,127)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,239,794**	**$ 2,011**	**$ 356,197**	**$(12,709)**	**$ 2,074,069**	**$ 1,527,162**	**$ 3,809,267**	**$ 8,722**	**$ 74,368**	**$ (324,802)**	**$ (247,118)**	**$ 481,603**	**$ 8,988,564**

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

1010 Special Assistance Initiative
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
4343 MSED Guarantee Financing Fund
4344 UE Financing Fund
4345 Ukraine Guarantees Financing Fund
4491 Egypt Guarantee Financing Fund
4493 Loan Guarantees to Middle East Northern Africa (MENA) – Financing Account

CREDIT PROGRAM FUNDS

0301 Israel Program Fund
0304 Egypt Program Fund
0401 UE Program Fund
0409 Loan Guarantees to Middle East Northern Africa (MENA) Program Account
1264 DCA Program Fund

CREDIT LIQUIDATING FUNDS

4103 Economic Assistance Loans – Liquidating Fund
4340 UE Guarantee Liquidating Fund
4341 MSED Direct Loan Liquidating Fund

OTHER FUNDS

Operating Funds

0300 Capital Investment Fund (CIF)
0306 Assistance for Europe, Eurasia, and Central Asia
0535 Acquisition and Maintenance of Buildings Abroad
1007 Operating Expenses of USAID Inspector General
1036 Foreign Service Retirement and Disability Fund
1099 Fines, Penalties and Forfeitures – N.O.E.
1435 Miscellaneous Interest Collections
3220 Miscellaneous Recoveries

OTHER FUNDS *(continued)*

Program Funds

0305 Civilian Stabilization Initiative
1012 Sahel Development Program
1014 Africa Development Assistance
1015 Complex Crisis Fund
1023 Food and Nutrition Development Assistance
1024 Population and Planning & Health Development Assistance
1025 Education and Human Resources, Development Assistance
1027 Transition Initiatives
1028 Global Fund to Fight HIV/AIDS
1029 Tsunami Relief and Reconstruction Fund
1033 HIV / AIDS Working Capital
1038 Central American Reconciliation Assistance
1040 Sub-Saharan Africa Disaster Assistance
1096 Latin America / Caribbean Disaster Recovery
1500 Demobilization and Transition Fund

Trust Funds

8342 Foreign National Employees Separation Liability Fund
8502 Technical Assistance – U.S. Dollars Advance from Foreign Governments
8824 Gifts and Donations

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
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 Program Funds

ALLOCATIONS FROM OTHER AGENCIES

0113 Diplomatic and Consular Programs, State
1030 Global HIV / AIDS Initiative - Carryover
1031 Global Health and Child Survival
1121 Democracy Fund
1154 Andean Counterdrug Initiative (ACI)
2278 Commodity Credit Corporation
2750 Millennium Challenge Corporation

OTHER INFORMATION

(Preceding page) **Pakistani students attend class at a school in Mingora, the capital of Swat Valley. USAID works to increase girls' access to education in countries throughout the world.**

PHOTO: AAMIR QURESHI / AFP

(Above) **Students in Kenya walk past a mural illustrating how to report gender-based violence. USAID supports these kinds of efforts to help change attitudes about such violence.**

PHOTO: COSMAS KAVINDA / USAID

SCHEDULE OF SPENDING

The **Schedule of Spending** (SOS) is an annual statement designed to present an overview of agency spending and the public's desire for a transparent view of how federal money is being spent. Specifically, it outlines the total amount of federal funds available to spend by the agency and how the funds were spent. The SOS enables the reader to clearly review USAID's spending and provide the public with a high level view of who benefits from federal funds. The SOS presents a detailed view of the underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS and SBR are required to be in agreement.

The public can access USASpending.gov to obtain a more detailed view of USAID's partners and obtain some general information about individual awards. The SOS and USASpending.gov will not be in agreement because of the different reporting requirements associated with the report and website. All information entered on the SOS is not necessarily a requirement for the website. For instance, obligations under $3 thousand are not required to be entered in USASpending.gov however, there are no monetary limitations placed on obligations for the SOS and SBR. Consequently, a percentage of USAID obligations will not be reported on the website.

SCHEDULE OF SPENDING

For the Years Ended September 30, 2014 and 2013
(in thousands)

	2014	2013 (Restated)
What Money is Available to Spend?		
Total Resources	$ 24,232,628	$ 23,814,776
Less Amount Available but Not Agreed to be Spent	(7,690,302)	(8,839,221)
Less Amount Not Available to be Spent	(2,695,608)	(2,761,413)
Total Amounts Agreed to be Spent	**$ 13,846,718**	**$ 12,214,142**
How was the Money Spent/Issued?		
Category:		
Personnel Compensation and Benefits		
Benefits for Former Personnel	$ 6,169	$ 5,347
Other Personnel Compensation	73,153	84,597
Personnel Benefits	226,298	214,618
Personnel Compensation, Full-Time Permanent	412,346	395,944
Personnel Compensation, Other Than Full-Time Permanent	174,101	161,541
Special Personal Services Payments	10,169	(2,645)
Total Personnel Compensation and Benefits	**$ 902,236**	**$ 859,402**
Contractual Services and Supplies		
Advisory and Assistance Services	$ 413,375	$ 273,974
Communication, Utilities, and Miscellaneous Charges	24,187	24,547
Medical Care	4,519	570
Operation and Maintenance of Equipment and Storage of Goods	18,559	23,178
Operation and Maintenance of Facilities	9,053	9,670
Other Services	56,586	88,834
Printing and Reproduction	3,479	1,678
Purchase of Goods and Services from Government Accounts	278,239	256,932
Rental Payments to GSA	54,070	37,992
Rental Payments to Others	67,608	60,560
Research and Development Contracts	20,154	4,027
Subsistence and Support of Persons	16	–
Supplies and Materials	11,470	13,792
Transportation of Things	18,041	17,138
Travel and Transportation of Persons	109,939	81,663
Total Contractual Services and Supplies	**$ 1,089,295**	**$ 894,555**
Acquisition of Assets		
Equipment	$ 59,055	$ 55,934
Investments and Loans	7,934	12,364
Land and Structures	145,612	169,678
Total Acquisition of Assets	**$ 212,601**	**$ 237,976**
Grants and Fixed Charges		
Claims and Indemnities	$ 7,891	$ 11,253
Grants, Subsidies, and Contributions	10,174,833	8,813,819
Interest and Dividends	3	24,673
Refunds	(1,523)	(5,153)
Total Grants and Fixed Charges	**$ 10,181,204**	**$ 8,844,592**
Other Funds		
Other Funds	1,461,382	1,377,617
Total Other Funds	**$ 1,461,382**	**$ 1,377,617**
Total Amounts Agreed to be Spent	**$ 13,846,718**	**$ 12,214,142**
Who did the Money go to?		
Category:		
Educational Institutions	$ 212,409	$ 167,525
For Profit	2,504,212	2,648,959
Government	3,907,681	1,783,366
Individuals	840,357	795,431
Non Profit	5,197,169	4,604,718
Other	1,184,890	2,214,143
Total Amounts Agreed to be Spent	**$ 13,846,718**	**$ 12,214,142**