OFFICE OF INSPECTOR GENERAL

ANNUAL PLAN

FISCAL YEAR 2010
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MESSAGE FROM THE INSPECTOR GENERAL

The Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID) is pleased to present the Annual Plan for Fiscal Year 2010.

This comprehensive plan addresses requirements and challenges at all four organizations for which OIG has oversight responsibility—USAID, United States African Development Foundation (USADF), Inter-American Foundation (IAF), and Millennium Challenge Corporation (MCC). OIG has based the plan on the priority program areas that merit the most attention in our work and that recognize the similar purposes and missions—delivering foreign assistance—of USAID, USADF, IAF, and MCC.

OIG’s work contributes to the economy, effectiveness, and efficiency of foreign assistance programs; protects foreign assistance programs from fraud, waste, and abuse; strengthens the management systems and controls at USAID, USADF, IAF, and MCC, particularly in information technology and financial management; and optimizes OIG management programs and resources. When planning its work, OIG gives priority to programs that promote peace and security, just and democratic government, investment in people, economic growth and prosperity, and humanitarian assistance.

Critical USAID challenges to be addressed by OIG in fiscal year (FY) 2010 include the complex and vulnerable USAID programs in Afghanistan and Pakistan. In addition to our oversight work in those countries and Iraq, the U.S. Government’s efforts to stop extremism require support from the major oversight organizations to ensure accountability and transparency in multi-billion-dollar programs implemented in Southwest Asia. To avoid overlapping or redundant efforts and reduce the burden that the oversight process places on overseas staff, a subgroup of the Joint Planning Group for Southwest Asia was formed to coordinate multiagency work to guard against fraud, waste, and abuse in military and civilian programs implemented in Afghanistan and Pakistan. The Afghanistan-Pakistan Subgroup comprises representatives of the Offices of Inspector General for USAID, the Departments of State and Defense, the Special Inspector General for Afghanistan Reconstruction, and the Government Accountability Office. The subgroup will act as the central point for sharing information and coordinating planned and ongoing audits, reviews, and inspections. The subgroup is chaired by the representative from USAID/OIG.

Other important continuing work includes programs to combat HIV/AIDS, tuberculosis, and malaria, with funding reauthorized by legislation in 2008.1 OIG will also perform audits to ensure that its four client organizations meet the requirements of the Federal Information Security Management Act of 2002 (FISMA). In addition to FISMA audits, OIG will audit its clients’ FY 2010 financial statements.

MCC faces the challenge of managing existing programs as they mature from the planning and projection stage to that of producing measurable results. At the same time, MCC continues to

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implement new country programs. OIG will focus upon risks inherent in MCC’s project implementation as the programs develop and upon financial accountability for the compacts supporting country programs.

This is an ambitious plan, and we in OIG understand the need to remain flexible to address unanticipated or emerging priorities that may arise during the year. I believe that OIG’s skilled and dedicated staff members are ready for the challenge—in our headquarters office in Washington, DC, in our offices in Kabul, Islamabad, and Baghdad, and in our regional offices in Cairo, Dakar, Manila, Pretoria, and San Salvador. I look forward to reporting the results of this plan in future semiannual reports to the Congress.

Donald A. Gambatesa
INTRODUCTION

OIG’s mission is to protect and enhance the integrity of U.S. foreign assistance programs and operations administered by USAID, USADF, IAF, and MCC.

Authority and Responsibility

USAID’s OIG was established on December 16, 1980, by statutory amendment to the Foreign Assistance Act of 1961.\(^1\) On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981,\(^2\) bringing the USAID Inspector General under the purview of the Inspector General Act of 1978.\(^3\) OIG assumed audit and investigative oversight of USADF and IAF in 1999,\(^4\) and of MCC in 2004.\(^5\)

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. As a result of this work, OIG promotes economy, efficiency, and effectiveness and detects and prevents fraud, waste, and abuse in USAID, USADF, IAF, and MCC programs and operations.

Some OIG work is mandated by statute or other requirements, and other work is performed at the discretion of OIG. When identifying the audits and activities to undertake, and setting priorities in performing them, OIG considers stakeholder interests and needs, alignment with strategic goals, and anticipated results. Each decision to perform specific work is made after considering the risks associated with agency programs and assessing potential vulnerabilities in internal controls.

OIG established this plan of audits and activities to be performed during FY 2010 to support U.S. foreign assistance goals in the following program areas:

- Peace and security—Afghanistan, Pakistan, Iran, Iraq, and West Bank/Gaza
- Just and democratic government—human rights
- Economic growth and prosperity—economic security and the environment
- Investment in people—health and education
- Management capabilities—management accountability and financial management

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\(^2\) Public Law 97–113.
\(^3\) Public Law 95–452.
\(^4\) Admiral James W. Nance and Meg Donovan Foreign Relations Authorizations Act, Fiscal Years 2000 and 2001, Public Law 106–113, appendix G.
Areas of Responsibility

Audit. The Assistant Inspector General for Audit is responsible for supervising audit activities relating to worldwide foreign assistance programs and agency operations of USAID, USADF, and IAF. Audit activities include performance audits of programs and management systems, financial statement audits required under the Chief Financial Officers Act of 1990, and audits related to financial accountability of grantees and contractors. Audit is establishing a new division, the Evaluations and Inspections Division, that will conduct evaluations, inspections, and reviews to identify fraud in USAID’s programs and operations. Because the division is new, it is unlikely to issue reports of results during this fiscal year.

Investigations. The Assistant Inspector General for Investigations is responsible for supervising the performance of investigative activities relating to foreign assistance programs and agency operations of USAID, MCC, USADF, and IAF. OIG investigations of criminal, civil, and administrative violations cover all facets of worldwide operations for our client agencies. OIG will pursue ongoing proactive activities and work to identify new areas of focus within multimillion-dollar and high-risk programs, including those in Afghanistan, Pakistan, and Iraq. These activities could lead to criminal or civil action by prosecutorial authorities and administrative action by OIG’s client agencies. In addition to investigations, OIG provides fraud awareness training, develops and distributes fraud awareness literature and audiovisual aids, and offers advice on antifraud strategies.

Management. The Assistant Inspector General for Management is responsible for managing all administrative activities for OIG’s headquarters in Washington, DC, and its offices overseas. Administrative functions include human resources, budgeting, contracting, and information management.

Millennium Challenge Corporation. The Assistant Inspector General for the Millennium Challenge Corporation is responsible for oversight of the Corporation’s programs and operations worldwide. OIG’s MCC office has its own performance and financial audit divisions, but it also coordinates with the Assistant Inspector General for Investigations for investigative support and with the Assistant Inspector General for Audit for supplementary audit support.

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2 Public Law 101–576.
Peace and Security

Afghanistan and Pakistan

Audit of USAID/Afghanistan’s Construction of Health and Education Facilities Program. The Construction of Health and Education Facilities Program began on January 19, 2008, as a 3-year, $56.8 million program with the International Organization for Migration. The overall goal of this program is to construct hospitals, midwife training centers, and provincial teacher resource colleges to increase access to quality medical care and education for all Afghans, with a special emphasis on promoting equitable access for women and girls. As of March 2009, work had begun at many of the construction sites, including geotechnical testing, boundary or guard house construction, site leveling, and well drilling.

This audit will determine whether USAID/Afghanistan’s Construction of Health and Education Facilities Program is achieving its main goals, including building health and education facilities to increase access to health care and education.

Audit of USAID/Afghanistan’s Support for Increased Electoral Participation in Afghanistan Activity. USAID/Afghanistan has been supporting programs designed to strengthen democratic governance since 2003. For elections to be seen as credible and abiding by international standards, the Afghan Government’s Independent Election Commission (IEC) must administer a transparent elections process and increase its organizational capacity. The international community plans to support the Government of Afghanistan in designing institutions and implementing programs, as opposed to performing these tasks on the Government’s behalf. Support to civil society to monitor the entire electoral process will also be necessary, as will efforts to increase awareness and understanding of the voting rights and responsibilities of Afghan citizens. In September 2008, USAID/Afghanistan awarded a $40 million cooperative agreement to the Consortium for Elections and Political Process Strengthening (CEPPS).

This audit will determine whether USAID’s administration of the cooperative agreement with CEPPS has strengthened local institutions in their efforts to administer a transparent election process.

Audit of USAID/Afghanistan’s Support to the Electoral Process in Afghanistan Activity. The 2009–2010 elections are the first Afghan-administered elections since 1964. For elections to be seen as credible and abiding by international standards, the IEC must administer a transparent election process and increase its organizational capacity. It will be crucial to the future sustainability of the IEC to open and operate offices at the subnational level in Afghanistan. Without these offices, it will be nearly impossible for the Government to administer elections. To increase electoral capacity and improve electoral administration,
USAID/Afghanistan issued a $67 million task order to the International Foundation for Electoral Systems (IFES) in June 2008.

This audit will determine whether USAID, through its administration of a task order to IFES, has increased electoral capacity and improved electoral administration in Afghanistan.

**Audit of USAID/Afghanistan’s Water, Agriculture, and Technology Transfer Program.** USAID/Afghanistan awarded a $19.8 million cooperative agreement to New Mexico State University to implement the Afghanistan Water, Agriculture, and Technology Transfer Program. The program’s main objective is to increase the opportunity for Afghans to access information and knowledge on appropriate technology, provide the tools and mechanisms for policy and institutional changes that would enhance the management of the supply and demand of water resources, and develop a legislative framework for tenure and rights over private and common land in the rural areas. According to the mission, the creation of a water-basin model through a participatory, nationwide data-gathering effort is another aspect of the program that will have great impact on Afghanistan’s arid landscape.

This audit will determine whether USAID/Afghanistan’s Afghanistan Water, Agriculture, and Technology Transfer Program is improving the legal framework for property rights, strengthening local institutions, and building local capacity to undertake analysis of water, agriculture, and other rural development issues.

**Review of USAID/Afghanistan Contractors’ Compliance With the Trafficking Victims Protection Reauthorization Act of 2008.** Section 232a of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008\(^3\) requires OIGs for USAID, Department of State, and Department of Defense to investigate a sample of high-risk contracts\(^4\) in each of fiscal years (FY) 2010 through 2012. The types of contracts to be investigated include primary contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons. These acts would include the following:

- Confiscation of an employee’s passport
- Restriction on an employee’s mobility
- Abrupt or evasive repatriation of an employee
- Deception of an employee regarding the work destination
- Acts otherwise described in section 106(g) of the Trafficking Victims Protection Act of 2000\(^5\)

The acts “otherwise described” include severe forms of trafficking in persons or procuring a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect. They also include using forced labor in the performance of the grant,

\(^4\) OIG interprets “contracts” as including other types of awards.
\(^5\) 22 U.S.C. 7104.
contract, or cooperative agreement. OIG is required to submit annual reports to Congress on human trafficking, due on January 15 in 2010 and 2011.

The review will determine whether (1) USAID/Afghanistan and selected contractors established sufficient controls to prevent trafficking of persons and (2) selected USAID/Afghanistan contractors and subcontractors engaged in trafficking-of-persons practices.

Audit of USAID/Afghanistan’s Partnership for Community-Based Education in Afghanistan Program. According to the Afghanistan National Development Strategy, Afghanistan has the highest proportion of school-aged children (aged 7–12) in the world: about one in five Afghans is a school-aged child. However, half of all school-aged children remain out of school. Among Afghans aged 15–24, the most educated part of the population, only 34 percent are literate—about 50 percent for males and 18 percent for females. To expand the quality of learning and life opportunities for marginalized communities and their children in Afghanistan, by increasing access to community-based education, USAID/Afghanistan awarded a $24 million cooperative agreement in April 2006 to CARE International. The program’s objectives include conducting classes, training teachers, creating demand and awareness, building capacity of the community and local organizations, and establishing quality programs in remote areas.

This audit will determine whether USAID/Afghanistan’s Partnership for Community-Based Education in Afghanistan Program is increasing access to community-based quality education.

Audit of USAID/Afghanistan’s Support to the American University of Afghanistan Activity. The American University of Afghanistan’s mission is to provide a high-quality education, in comparison with international standards, that emphasizes a liberal arts curriculum and higher education for the professions. To accelerate the preparation of students for entry to a college program, USAID/Afghanistan awarded a $42 million cooperative agreement to the American University of Afghanistan in August 2008 to implement a community-based education program. The offering of a complete curriculum and course offerings in three undergraduate majors, including information technology and computer science, business administration, and liberal arts, will be accomplished during the first 2 years of the agreement. Additional undergraduate programs may be developed in fields such as public sector management, public health, international relations, engineering, and agriculture.

This audit will determine whether USAID/Afghanistan’s Support to the American University of Afghanistan Activity is improving access to quality tertiary education.

Audit of USAID/Pakistan’s Family Advancement for Life and Health Program. In June 2007, USAID/Pakistan launched the 5-year, $60 million Family Advancement for Life and Health Program. The program aims to increase the availability of information and family planning services for low-income Pakistani women and operates in all four provinces of Pakistan. A nationwide social marketing program for contraception is also a component of the program. The program promotes birth spacing as an essential health intervention to reduce maternal and child mortality. It also increases the use of contraceptive methods among families that want to space births. To remove barriers to contraceptive method use, the project works
to increase community understanding of the value of birth spacing for family health and well-being. The program also intends to improve access to quality reproductive health care in the public and private sectors.

This audit will determine whether USAID/Pakistan’s Family Advancement for Life and Health Program is providing access to family planning information and services.

**Audit of USAID/Pakistan’s Pre-Service Teacher Education Program.** The objective of the Pre-Service Teacher Education Program (Pre-STEP) is to improve the quality of basic qualifications. This $75 million, 5-year program will enable the nonprofit Education Development Center and the Pre-STEP team to partner with the Ministry of Education, the Higher Education Commission, selected universities, and the district-level colleges responsible for the training and certification of pre-service teachers. By providing intensive support and training in student-centered teaching practices, assistance with curriculum design, development and implementation of a measurable system of teaching standards, and appropriate incentives and accreditation policies, Pre-STEP will assist Pakistan in producing teachers prepared to meet the educational demands of the 21st century.

This audit will determine whether USAID/Pakistan’s Pre-Service Teachers Education Program is helping teachers improve their professional qualifications.

**Audit of USAID/Afghanistan’s Alternative Development Program Expansion, South and West.** USAID/Afghanistan awarded a $75 million contract to Associates in Rural Development to implement the Alternative Development Program Expansion, South and West. The objective of this program is to counter illegal poppy cultivation by providing alternative livelihoods programs, improved economic opportunities, and diverse regional economic growth in selected areas of Afghanistan. The program will help communities identify and seize opportunities to improve incomes through the legal economy, while reinforcing the social and economic infrastructure on which these opportunities depend.

This audit will determine whether USAID/Afghanistan’s Alternative Development Program Expansion, South and West, is providing licit economic opportunities and helping to build a basis for diversified regional economic growth.

**Audit of USAID/Pakistan’s Federally Administered Tribal Areas Livelihood Development Program—Implemented by Academy for Educational Development and CHF International.** Pakistan’s Federally Administered Tribal Areas (FATA) are semiautonomous areas along the border with Afghanistan, where the Pakistani Government has minimal control. FATA are frequently used by the Taliban for incursions into Afghanistan and for a residence in exile. Citizens there have less access to education, health care, clean water, and sanitation compared with residents in other regions in Pakistan.

The most immediate need in FATA is improvement of livelihoods. The FATA Livelihood Development Program (FATA-LDP) will be a community-based program that will (1) create
jobs, increase incomes, and teach employable skills; (2) revitalize community infrastructure and essential services; and (3) support established businesses and develop sustainable new enterprises. The Governments of the United States and Pakistan have determined that this assistance is vital to achieving joint security, political, and development objectives.

USAID/Pakistan intends to provide up to $300 million over 5 years to meet the program’s objectives. The program will be implemented in two regions of the FATA by the Academy for Educational Development and by CHF International; each implementer will receive $150 million in funding.

OIG will conduct two separate audits of the program to determine whether the USAID/Pakistan’s Federally Administered Tribal Areas Livelihood Development Program, administered by the two implementers, is improving livelihoods in FATA.

**Audit of USAID/Afghanistan’s Afghanistan Vouchers for Increased Production in Agriculture Program.** The seed and fertilizer component of the Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) Program was initially implemented to distribute wheat seed and fertilizer to small farmers in nine provinces of northern and western Afghanistan. Food security is a serious problem in Afghanistan, due to high food prices, an ongoing conflict, and a severe drought. As a result of these conditions, the AVIPA agreement was modified to expand the program to include a larger geographical area. The program was originally funded at $90 million but is planned to increase to $360 million. The program will serve 285,000 farmers.

This audit will determine whether USAID/Afghanistan’s Afghanistan Vouchers for Increased Production in Agriculture Program is increasing food security through distribution of seed and fertilizer.

**Iran**

**Audit of USAID’s Iran Program.** The Iran Program, co-managed by the Department of State’s Bureau of Near Eastern Affairs and USAID, is part of a larger State Department effort to strengthen independent voices in Iran and expand ties between the people of Iran and the United States. Congressional appropriations for the program have grown from $1.4 million in 2004 to $66 million in FY 2008. Of the $66 million, approximately $20 million is made available to USAID for Iranian democracy activists.

This audit will determine whether USAID’s Iran Program is achieving its objectives to strengthen civil society organizations, advance the rule of law, and provide access to information.

**Iraq**

**Audit of the Sustainability of Selected USAID/Iraq Infrastructure Activities.** USAID’s infrastructure, health, and education programs in Iraq—amounting to $4.9 billion—were completed in 2006. Those programs included adding 1,292 megawatts of electrical
generation capacity to the national grid, refurbishing water treatment plants to improve the supply of potable water to more than 3.1 million Iraqis, and providing sewage treatment benefits to 5.1 million people. In addition, USAID’s installation of small water-treatment systems in rural communities improved the supply of clean water to 400,000 villagers. Upon completion, USAID transferred the infrastructure assets that it had installed or rehabilitated to the Government of Iraq and provided guidance for operations and maintenance.

This audit will determine whether USAID/Iraq’s completed infrastructure activities continue to provide electrical generation capacity, potable water, and sewage treatment benefits.

**Audit of USAID/Iraq’s Community Action Program III Activities.** USAID/Iraq’s Community Action Program III (CAP III) is a $140 million program that is scheduled to run from October 2008 through March 2010. The program facilitates the creation and training of community action groups responsible for identifying and prioritizing community needs, mobilizing community and other resources, and monitoring project implementation. The program also strengthens the capacity of the lowest levels of local government to draw on the Iraqi Government’s own resources to meet community-identified needs.

CAP III also carries on the work of assisting victims of military operations in Iraq through the congressionally mandated Marla Ruzicka Iraqi War Victims Fund. USAID’s partners may receive these funds to assist civilian victims of armed conflict, and USAID helps the families of victims establish a means of sustainable support.

This audit will determine whether USAID/Iraq’s Community Action Program III has been effective in supporting community organizations, community-level projects, and assistance to victims of armed conflict.

**Audit of USAID/Iraq’s Local Governance Program III Activities.** USAID/Iraq’s Local Governance Program III is a $145 million, 2-year program that represents the third phase of the mission’s Local Governance Program (LGP III). It is scheduled to run from January 2009 through December 2010. LGP III supports the implementation of Iraq’s new Law for Governorates Not Incorporated Into a Region (also known as the “Provincial Powers Act”). The program was designed to build the capacity and strengthen the performance of local government institutions and to create a more responsive public administration through planning for public investment in the provinces, executing the provincial budgets, and holding service providers accountable.

This audit will determine whether USAID/Iraq’s Local Governance Program III has been effective in supporting decentralization of government resources and capabilities.

**Review of USAID/Iraq Contractors’ Compliance With the Trafficking Victims Protection Reauthorization Act of 2008.** Section 232a of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 requires OIGs for USAID,

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Department of State, and Department of Defense to investigate a sample of high-risk contracts\textsuperscript{7} in each of fiscal years 2010 through 2012. The types of contracts to be investigated include primary contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons. These acts include the following:

- Confiscation of an employee’s passport
- Restriction on an employee’s mobility
- Abrupt or evasive repatriation of an employee
- Deception of an employee regarding the work destination
- Acts otherwise described in section 106(g) of the Trafficking Victims Protection Act of 2000\textsuperscript{8}

The acts as “otherwise described” include severe forms of trafficking in persons or procuring a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect. They also include using forced labor in the performance of the grant, contract, or cooperative agreement. OIG is required to submit annual reports to Congress on human trafficking, due on January 15 in 2010 and 2011.

The review will determine whether (1) USAID/Iraq and its contractors established sufficient controls to prevent trafficking of persons and (2) selected USAID/Iraq contractors and subcontractors engaged in trafficking-of-persons practices.

**Audit of USAID/Iraq’s Agriculture Private Sector Development—Agribusiness Program.** The agribusiness program is a $209 million, 3-year program with two 1-year option periods. If both option years are exercised, the estimated amount of the contract will be approximately $343 million. The agribusiness program promotes economic diversification and job generation, with an emphasis on the growth of the agriculture and agribusiness sectors in the provincial, regional, and subregional economies.

The program also advances the key foreign policy priority of promoting stability and economic opportunity throughout Iraq by building the capacity of and providing productivity tools to farmers, agribusinesses, and small- and medium-sized entrepreneurs to become more competitive and profitable in domestic and international markets. It is also anticipated that increased economic opportunity could improve social and political stability and reduce violence.

This audit will determine whether USAID/Iraq’s agribusiness program is providing effective support for economic diversification and job creation.

**Audit of USAID/Iraq’s Provincial Economic Growth Program.** USAID/Iraq’s Provincial Economic Growth Program is a $162 million program to provide business development and financial services to Iraqi beneficiaries in strategic locations across the country. In addition, it promotes economic diversification and employment, with an emphasis on the growth of the

\textsuperscript{7} OIG interprets “contracts” as including other types of awards.

\textsuperscript{8} 22 U.S.C. 7104.
manufacturing and service sectors throughout Iraq. The program is scheduled to run from January 2008 through March 2011.

The program supports nine new Iraqi-owned microfinance institutions and three international microfinance institutions. In addition to providing loan capital, the program conducts training, technical assistance, and other capacity-building activities. These institutions offer 1-year loans averaging $1,500 at 15–18 percent annual interest. According to the mission, the reported repayment rate is more than 98 percent, and demand continues to outstrip supply. The program also established eight new small-business development centers and provides training in business management, budgeting, strategic planning, and other professional skills.

This audit will determine whether USAID/Iraq’s Provincial Economic Growth Program is achieving economic diversification and job creation.


Staff members are normally assigned to USAID/Iraq for 1 year and rotate in and out of the mission on a recurring basis. Consequently, there is not only a constant turnover in the mission’s Foreign Service nationals, third-country nationals, and U.S. personal services contractors but also high turnover in the mission’s Office of Financial Management staff. The high turnover increases the risk of inaccurate salary payments, including improper payments to staff who are no longer employed by the mission.

This audit will determine whether USAID/Iraq properly calculated and disbursed payroll payments to its Foreign Service national, third-country national, and U.S. personal services contractor workforce in accordance with established regulations, policies, and procedures.

**Audit of USAID/Iraq’s Nonexpendable Property.** The USAID/Iraq Executive Office coordinates and manages all administrative and logistical needs for the mission. With an operating expense budget of $52 million in FY 2009, the Executive Office provides procedural and regulatory guidance; human resource management; computer systems management; management and maintenance of security equipment; travel and transportation services; motor pool operation and maintenance; shipment and customs clearance; procurement of goods and services; warehousing; and maintenance of office space. The extraordinarily high annual turnover rate for all USAID/Iraq personnel leaves nonexpendable property vulnerable to loss, mismanagement, neglect, fraud, or theft.

This audit will determine whether USAID/Iraq has managed its nonexpendable property effectively so that vulnerabilities to loss, mismanagement, neglect, fraud, and theft have been minimized.
**West Bank and Gaza**

**Audit of the USAID/West Bank and Gaza’s Infrastructure Needs Program.** Infrastructure in the West Bank and Gaza has suffered from decades of conflict and neglect. The purpose of the Infrastructure Needs Program is to improve the lives of Palestinians by repairing and constructing key roads, schools, and water systems. This program is one of the largest programs at USAID/West Bank and Gaza. In September 2008, USAID awarded five task orders, valued at more than $30 million, to build or rehabilitate five roads, three schools, and a water system.

This audit will determine whether USAID/West Bank and Gaza’s Infrastructure Needs Program has been effective in addressing infrastructure needs through its repair and construction program.

**Audit of USAID/West Bank and Gaza’s Emergency Jobs Program.** According to the mission, the Emergency Jobs Program is designed to provide targeted emergency employment opportunities for skilled and unskilled workers by designing and directing responsive, labor-intensive, small-scale infrastructure projects across a wide range of sectors. USAID/West Bank and Gaza awarded a 3-year cooperative agreement valued at $20 million that began in October 2007. The program is intended to improve the quality of life for at least 1 million Palestinians in a minimum of 100 vulnerable communities in the West Bank.

This audit will determine whether USAID/West Bank and Gaza’s Emergency Jobs Program is providing skilled and unskilled employment opportunities.

**Just and Democratic Government**

**Human Rights**

**Audit of USAID/Lebanon’s Rule of Law Program.** According to USAID, the legitimacy of the Lebanese judicial system has been undermined by the overwhelming number of cases in the judicial system and a pressing need for more and better trained judges. To help the Lebanese Government increase the effectiveness and independence of the judicial system, USAID/Lebanon designed a program to better educate judges and provide for more efficient and transparent courts and legal processes. In December 2007, the mission awarded a 3-year contract, valued at $6.7 million, to the National Center for State Courts to implement this program.

This audit will determine whether USAID/Lebanon’s Rule of Law Program is supporting judicial education and improving the efficiency of the court system.

**Audit of USAID/East Africa’s Conflict Mitigation Activities.** Significant parts of East and Central Africa are characterized by persistent instability, with high levels of poverty, weak
governance, and dysfunctional institutions. In the Horn of Africa, minimal income opportunities and the lack of a political voice in these largely ungoverned areas foster the conditions that allow extremism to take root. These problems are especially acute in Somalia and have contributed to threats to international peace and security, such as maritime piracy, refugee migrations into Kenya, and possible safe havens for terrorist organizations. To address these threats, USAID/East Africa supports the development of conflict mitigation strategies that build political will and institutional capacity to respond to and prevent violence in East African border regions. The FY 2009 requests for conflict mitigation activities are $3.6 million in East Africa and $3.1 million in Somalia.

This audit will examine the effectiveness of USAID/East Africa’s conflict mitigation activities.

Audit of USAID/Mexico’s Rule of Law and Human Rights Program. The Merida Initiative, signed in October 2007, attempts to combat the threats of drug trafficking, transnational crime, and terrorism in the Western Hemisphere. USAID supports Mexican efforts to raise professional standards among personnel in the criminal justice system, increase public confidence in the law enforcement system, and increase the responsiveness of political parties.

This audit will determine whether USAID/Mexico’s Rule of Law and Human Rights Program is reinforcing the rule of law and helping political parties channel constituent demands to the government. It will also determine whether USAID/Mexico’s reporting on its Rule of Law and Human Rights Program provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

Audit of Assistance to Internally Displaced Persons and Vulnerable Groups Financed by USAID/Colombia. USAID/Colombia provides access to health care, shelter, education, water and sanitation, and income generation opportunities to approximately 3 million Colombians who have been displaced by conflict. Funding for this program has been about $35 million a year.

This audit will determine whether USAID/Colombia’s assistance to internally displaced persons and vulnerable groups has increased access to government services and provided new employment opportunities. It will also determine whether mission reporting provided stakeholders with complete and accurate information on the progress of the program and its results.

Audit of USAID’s Initiatives in Anti-Trafficking in Persons Activities. For nearly a decade, USAID has worked to combat trafficking and has provided $123 million for activities in more than 70 countries. USAID’s direct assistance works to prevent trafficking, protect and assist victims, and strengthen the capacity of governments to prosecute and convict traffickers. Moreover, this assistance is reinforced by USAID programs that support economic development, good governance, education, health, and human rights.

USAID’s Women in Development Office serves as the coordinator for all USAID anti-trafficking efforts and provides two types of assistance to support the efforts of USAID missions and
bureaus: technical assistance for anti-trafficking activities and research and incentive funding for
activities in the field.

This audit will determine (1) what USAID has done to assist countries to combat human
trafficking and (2) whether USAID’s activities have helped prevent trafficking in persons, helped
victims, and helped apply legal sanctions to traffickers.

Economic Growth and Prosperity

Economic Security

Audit of USAID/Dominican Republic’s Agriculture Program. Through its agriculture
program, USAID aims to help potential exporters from the Dominican Republic diversify crops,
increase rural value-chain productivity, identify new markets, and develop marketing strategies
that take advantage of increased opportunities for local and international trade. Funding for
agriculture activities is about $6 million a year.

This audit will determine whether USAID/Dominican Republic’s agriculture program was
effective in assisting agricultural exporters and whether the mission’s reporting provided
stakeholders with complete and accurate information on the program’s progress and results.

Audit of USAID/Kosovo’s Activities for Economic Growth. USAID/Kosovo has focused
its economic growth activities on promoting government-level reforms aimed at fiscal policy
and legislation, expanding trade and investment opportunities and capacity, developing the
energy sector and other infrastructure needed to support economic development, improving
private sector competitiveness, strengthening financial markets, and providing direct support to
private businesses to generate income and employment.

In recent years, the country has experienced a sharp increase in assistance, with USAID
requesting more than $127 million in the FY 2009 Congressional Budget Justification. Actual
funding in FY 2008 to Kosovo surpassed $266 million.

This audit will determine whether USAID/Kosovo’s activities for economic growth are
providing support for government reforms and direct support to the private sector.

Audit of USAID/Sudan’s Modern Energy Services Program. Historical
underdevelopment and decades of war and neglect have left southern Sudan with severe
deficiencies in essential infrastructure. The Yei Electricity Program was launched in southern
Sudan in 2005 and graduated from U.S. Government assistance during FY 2008. The Yei
Electric Company now serves more than 325 accounts, benefiting more than 16,183 people.
Physical infrastructure completed includes a powerhouse foundation and substation with lines
to connect the city center. In 2009, electrification was planned to extend to two other towns.
The U.S. Government plans to include renewable energy components in future electrification
programs in order to mitigate unpredictable diesel fuel prices. Funding was $4 million for FY 2008 and $6.6 million for FY 2009.

This audit will determine whether USAID/Sudan’s Modern Energy Services Program is effectively delivering support for electrification in southern Sudan.

**Audit of USAID/Georgia’s Investments in Energy Infrastructure.** Since 1999, USAID has spent $71 million in Georgia’s energy sector to support legal and regulatory reform, more efficient distribution, and better watershed management. The importance of this aid is the achievement of a dependable energy infrastructure—the foundation of a developing country’s stability, increased economic growth, and security. The joint U.S. Department of State and USAID Strategic Plan for FY 2007–2012 highlights this priority, stating that, for countries like Georgia in Eurasia, “energy reform and independence . . . are essential steps required for former socialist countries to attract foreign direct investment.” USAID has worked closely with partner organizations to implement these activities.

This audit will determine whether USAID/Georgia’s investments in the energy sector infrastructure have helped to achieve more dependable energy infrastructure.

**Audit of USAID’s African Growth Competitiveness Initiative.** The African Growth and Opportunity Act was signed into law as title 1 of the Trade and Development Act of 2000, offering incentives for African countries to open their economies and build free markets. Supporting the African Growth and Opportunity Act, the African Global Competitiveness Initiative (AGCI) was launched in 2006 as a $200 million, 5-year Presidential initiative aimed at promoting the export competitiveness of enterprises in sub-Saharan Africa to expand African trade regionally and with the United States and other international trading partners. To achieve this objective, AGCI has two main strategies: (1) providing technical assistance that advances export competitiveness and (2) supporting complementary activities that contribute to the objectives of AGCI.

This audit will determine whether the African Global Competitiveness Initiative has increased the export competitiveness of business enterprises in sub-Saharan Africa.

**Environment**

**Audit of USAID/Panama’s Environmental Activities.** USAID/Panama’s environmental activities focus on biodiversity conservation, natural resource stewardship, and the creation of sustainable and environmentally compatible income and employment generation in the Panama Canal Watershed and in the Darien Region. Funding for natural resources management and biodiversity is about $2 million annually.

This audit will determine whether USAID/Panama’s environmental activities contributed to sustainable management of the Panama Canal watershed. It will also assess whether USAID/Panama’s reporting on its environmental activities provided stakeholders with complete and accurate program information.
Followup Audit of USAID/Brazil’s Environmental Activities. USAID/Brazil’s environmental program seeks to increase environmentally sustainable benefits and economic opportunities to poor forest and river dwellers, reduce the rate of deforestation in the Amazon rainforest, help indigenous populations protect their traditional lands from environmental degradation, and shape the environmental impact of future land use trends over large areas of the Amazon while continuing to address global concerns of biodiversity conservation and climate change mitigation. A January 2009 OIG audit report on USAID/Brazil’s environmental program stated that reported program results were not substantiated and could not be causally linked to USAID assistance. The report further stated that reporting on the program did not provide stakeholders with complete and accurate information on the progress of the activities and results achieved. Funding for these activities has varied from $5 million to $6 million annually.

This audit will determine whether the actions taken by USAID/Brazil in response to recommendations in Audit Report 1-512-09-005-P were effective and whether current program activities are accomplishing the expected results outlined above.

Survey and Pilot Audit of USAID’s Environmental Safeguards When Implementing HIV/AIDS Activities. HIV/AIDS activities help procure testing kits, laboratory supplies, and medicines. In part, HIV/AIDS activities are carried out in hospitals, clinics, and drug distribution warehouses/storage areas. These activities have produced medical waste materials that, if disposed of improperly, can have a negative effect upon the environment and local population. These materials include but are not limited to expired drugs and contaminated testing kits and syringes.

Two different HIV/AIDS country audits by USAID/IG staff were conducted in FY 2009. The audits raised concerns of possible problems related to the disposal of medical waste materials generated by HIV/AIDS activities.

This audit will determine whether USAID’s HIV/AIDS activities have been implemented in a manner that will minimize the detrimental impact of medical waste materials to the environment.

Worldwide Audit of USAID’s Efforts To Protect the Environmental Considerations in Its Project Portfolio. Environmental damage stemming from economic development is a fundamental concern in the developing world. As USAID-funded programs are implemented across the globe, the environmental effects of those programs must be carefully considered and mitigated to the extent possible. The Code of Federal Regulations, “Environmental Procedures” (22 CFR 216), ensures that environmental considerations are integrated into the decision-making process for all USAID funded projects, programs, and activities. Among its provisions, Regulation 216 requires that environmental safeguards be incorporated into program planning and design and directs that programs be continually monitored and modified when necessary to mitigate environmental damage. USAID’s Automated Directives System provides policy and procedures on how to apply 22 CFR 216. Additionally, it is USAID’s policy
to assist host countries with strengthening their capability to evaluate potential environmental effects of proposed projects and to develop effective environmental programs.

This audit will determine whether USAID has integrated environmental considerations in its project portfolio.

**Investment in People**

**Health**

**Audit of USAID/Jordan’s Private Sector for Women’s Health Project.** According to the mission, Jordan has one of the fastest growing populations in the world. Jordan’s scarce resources, high fertility rates, and young population (70 percent under age 30) demand attention to reduce population growth, improve health service delivery, and address emerging challenges such as breast cancer. USAID/Jordan awarded approximately $18.9 million in a 5-year task order for its Private Sector for Women’s Health Project to be completed by January 2012. The program goal is to help reduce fertility and improve women’s health through interventions and private and public sector collaboration with the Jordanian Ministry and nongovernmental sectors. Although the program activity was originally a 5-year contract, the mission modified the contract for 2 additional years to allow the program to focus on sustainability and expanding the accomplishments achieved.

This audit will determine whether USAID/Jordan’s Private Sector for Women’s Health Project is increasing women’s access to family planning and health services.

**Audit of USAID/Lebanon’s Small Village Wastewater Treatment Systems Project—Phase II.** The Litani River is one of Lebanon’s most important sources of drinking water for 350,000 persons in more than 161 communities. However, the Litani watershed suffers from serious water pollution, caused primarily by agrochemical contamination and a lack of domestic wastewater treatment. The water pollution affects public health, the environment, and socioeconomic development. In 1996, through the National Waste Water Management Strategic Plan, the Lebanese Government updated a master plan for the Upper Litani River Basin. The plan identified 11 wastewater treatment plants that could be used for treating domestic wastewater in the region.

The purpose of the Small Village Wastewater Treatment Systems Project is to design and construct wastewater treatment plants, develop management services, commission plants, and train operators and maintenance crews in three locations in Lebanon. USAID/Lebanon awarded two contracts that would run from September 2005 to September 2007, at a cost of almost $10 million. After two extensions, the ending date was changed to June 2011, and the cost increased to more than $18 million.

This audit will determine whether these construction activities are on target to help address water pollution in the Litani watershed.
Audit of USAID/Guinea's Health Activities. USAID's health activities in Guinea seek to stem the spread of HIV/AIDS, promote child and maternal health, and improve access to family planning. Improving health governance contributes to a nation's prosperity and stability. However, adequate health care in Guinea continues to be a serious problem. Obligated funding for the program was $8.3 million in FY 2007 and $7.7 million in FY 2008, and USAID has requested $6.6 million for FY 2009.

This audit will determine whether USAID/Guinea's health activities are helping to increase access to quality health services.

Audit of USAID/Ghana's HIV/AIDS Program. Ghana's estimated adult HIV/AIDS prevalence was 2.3 percent in 2005. Currently, the country's epidemic is stable, and prevalence data from prenatal care clinics has ranged from 2.3 in 2000 to 3.6 percent in 2006. In FY 2008 Ghana received $6.9 million for essential HIV/AIDS programs and services. USAID/Ghana will receive $5.5 million in FY 2009.

USAID/Ghana's HIV/AIDS activities focus on HIV prevention and treatment of sexually transmitted diseases among groups that are most at risk. Its key strategic priorities are reducing HIV transmission from high-risk individuals to the general population, addressing stigma and discrimination, and providing comprehensive prevention and care as well as access to treatment for people living with HIV/AIDS.

This audit will determine whether USAID/Ghana’s HIV/AIDS program is accomplishing its prevention, treatment, and palliative care goals.

Audit of USAID's Commodities for Malaria Prevention and Treatment. On June 30, 2005, the President launched the President’s Malaria Initiative (PMI)—a 5-year, $1.2 billion initiative to rapidly scale-up malaria prevention and treatment interventions in 15 target countries in sub-Saharan Africa. Malaria is the primary killer of children in the region, causing the death of at least 1 million infants and children under age 5 every year. The goal of PMI is to reduce malaria mortality by 50 percent by achieving 85 percent coverage of the most vulnerable people (pregnant women and children under age 5) with four key interventions:

- Artemisinin-based combination therapy drugs, which are the most effective and fast-acting available for malaria treatment
- Intermittent preventative treatment, which is provided to pregnant women to prevent or reduce the severity of malaria
- Indoor spraying
- Insecticide-treated mosquito nets

This audit will determine whether USAID procured, stored, and distributed commodities for the prevention and treatment of malaria to help ensure that prevention and treatment goals are achieved.

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Audit of USAID/Benin’s Implementation of the President’s Malaria Initiative. For FY 2009, PMI Benin budgeted $13.8 million in funding for malaria prevention and treatment. Funding will also be provided to improve the quality of laboratory diagnosis of malaria and support training of health workers.

This audit will determine whether PMI is achieving its malaria prevention and treatment goals in Benin.

Audit of the USAID/Sudan’s Maternal and Child Health Program. Southern Sudan has the highest maternal mortality ratio in the world, and infant mortality is also unacceptably high. This critical health problem is largely attributable to low immunization rates for preventable diseases. To better address this issue, USAID’s Sudan Health Transformation Project expanded services, and, as a result, more than 2 million people have improved access to high-impact maternal, child, and family-planning services.

Although critical health infrastructure has improved, service delivery is still substandard, particularly in remote areas. USAID/Sudan’s Maternal and Child Health Program engages local leaders and village health committees to educate and mobilize communities concerning the importance of pregnant women seeking prenatal care services and increasing the child immunization rate. Funding for this program was $12.4 million for FY 2008 and $17.9 million for FY 2009.

This audit will determine whether USAID/Sudan’s Maternal and Child Health Program is increasing access to quality maternal-child health services.

Audit of USAID/Southern Africa’s Gender-Specific Activities Under the HIV/AIDS Program. Women and girls disproportionately bear the effects of HIV/AIDS. According to the Joint United Nations Program on HIV/AIDS, women and girls constitute nearly 60 percent of persons in sub-Saharan Africa who are HIV positive. Moreover, women shoulder the greatest burden of HIV/AIDS care and often face limited access to services and treatment. Exacerbating these conditions is gender-based violence, which deters women from accessing services and disclosing their status. The legislation reauthorizing the HIV/AIDS program in 2008 recognizes these conditions and requires gender-specific indicators to monitor progress on outcomes and impacts of gender programs, planning to prevent gender-based violence, and concrete goals and targets to address the vulnerabilities that lead to the elevated infection rates among women and girls. Funding was $321 million for FY 2008 and $306 million for FY 2009.

This audit will assess the program’s effectiveness in providing HIV/AIDS services to women and girls.

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Audit of USAID/Zambia’s Gender-Specific Activities Under the HIV/AIDS Program. The audit will focus on gender-specific HIV/AIDS activities for FY 2009 that were implemented by USAID/Zambia. The funding allocation for FY 2008 was $151 million.

This audit will assess the program’s effectiveness in providing HIV/AIDS services to women and girls.

Audit of USAID/Southern Africa’s HIV/AIDS Treatment Program. On July 30, 2008, the President signed into law a bill to reauthorize and expand the HIV/AIDS program for 5 additional years, from 2009 through 2013. In FY 2008 USAID/Southern Africa was allocated $155 million for HIV/AIDS treatment. According to UNAIDS data, the prevalence rate among adults aged 15 to 49 is 18 percent.

Critical interventions for HIV/AIDS treatment include scaling up existing effective programs and best practice models in the public, private, and nongovernmental sectors; providing direct treatment services through 20 prime partners and their subpartners; and increasing the capacity of the South African Government to develop, manage, and evaluate HIV/AIDS treatment programs.

This audit will determine whether USAID/Southern Africa’s HIV/AIDS treatment program is increasing access to quality care.

Audit of USAID/Mozambique’s HIV/AIDS Treatment Program. HIV/AIDS treatment in Mozambique includes the expansion of CD4 testing technology\(^{11}\) to labs in six provinces and the development of a curriculum on comprehensive management of HIV, including antiretroviral treatment and training for health care workers at the physician’s assistant level. Under the HIV/AIDS program, 118,000 individuals in Mozambique were receiving antiretroviral therapy as of September 30, 2008. According to USAID/Mozambique, the mission requested $127.8 million for FY 2009, of which $45.3 million was for HIV/AIDS treatment programs.

This audit will determine whether USAID/Mozambique’s HIV/AIDS treatment program is increasing access to quality care.

Audit of USAID/Southern Africa’s Regional HIV/AIDS Program in Botswana. Under USAID/Southern Africa’s Regional HIV/AIDS Program, activities in Botswana received $23.8 million of funding in FY 2008 and $16 million in FY 2009. These activities support comprehensive HIV/AIDS prevention, treatment, and care programs. The HIV prevalence rate is 24 percent among adults aged 15 to 49, according to recent UNAIDS data, and an estimated 300,000 are living with HIV/AIDS.

This audit will determine whether USAID/Southern Africa’s Regional HIV/AIDS Program is achieving its prevention, treatment, and palliative care goals in Botswana.

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\(^{11}\) A CD4 cell count test measures the number of disease-fighting cells in an individual’s blood. It is considered an indicator of overall health for someone infected with HIV.
Audit of USAID/Uganda’s Public Law 480 Title II Program. The Agricultural Trade Development Assistance Act of 1954 (Public Law 480 or P.L. 480), as amended, is the statutory authority for the Title II Food for Peace Program. The intent of the Food for Peace Program is to promote food security in the developing world through humanitarian and developmental uses of food assistance. The United States remains committed to rebuilding northern Uganda by providing humanitarian assistance, including food, shelter, water, sanitation, and relief to vulnerable people. The mission’s FY 2009 program budget includes $23 million for its P.L. 480 food distribution program.

This audit will determine whether USAID/Uganda’s P.L. 480 Title II nonemergency food aid assistance program is improving food security.

Audit of USAID/Namibia’s Efforts To Address Critical Shortages in Trained HIV/AIDS Health Workers. The expansion of HIV/AIDS care and treatment requires an expansion in the workforce to provide these services, but Namibia has no schools of medicine and pharmacy. In FY 2008, an existing scholarship program for students in these disciplines was expanded to increase the number of students attending training institutions in South Africa, with a requirement to return to Namibia to provide national service. Along with support for training and supporting new, highly trained health professionals, HIV/AIDS activities also support the growing number of personnel necessary to provide HIV/AIDS services. In Namibia, HIV/AIDS activities support the salaries of nearly all clinical staff doing treatment work and counseling and testing in the public sector.

This audit will determine whether USAID/Namibia’s activities have been effective in addressing the shortage of trained HIV/AIDS health workers.

Audit of USAID/Russia’s Tuberculosis-Funded Activities. According to USAID’s January 2009 report, “Expanded Response to Tuberculosis,” an estimated one-third of the global population—2 billion people—is infected with tuberculosis (TB). The disease kills more than 1.7 million people per year and is economically devastating to families and communities worldwide. Although TB is a global problem, its geographic distribution is drastically disproportionate. Of all TB cases, 95 percent occur in developing countries, as well as 98 percent of all TB deaths. The disease is a major killer among women of reproductive age and the leading cause of death in HIV-positive people.

In January 2006, the STOP TB Partnership (of which USAID is a member) launched the Global Plan to STOP TB 2006–2015. The plan’s goals include halting and beginning to reverse the incidence of TB by 2015, as well as reducing TB prevalence by 50 percent by 2015. During FY 2008 and 2009, USAID/Russia will receive about $16 million.

This audit will determine whether USAID/Russia’s tuberculosis activities are having an impact on TB prevalence and related indicators.
Audit of USAID’s Implementation of the Water for the Poor Act. On December 1, 2005, the President signed the Senator Paul Simon Water for the Poor Act of 2005\textsuperscript{12} into law. The act requires the Secretary of State, in consultation with USAID and other U.S. Government agencies, to develop and implement a strategy to provide affordable and equitable access to safe water and sanitation in developing countries within the context of sound water resource management. In FY 2007, the Department of State and USAID began work on a joint strategic framework on water to provide U.S. embassies and USAID missions with guidelines for developing activities within their host countries to achieve U.S. foreign assistance goals on water.

The FY 2008 Omnibus Appropriations Act stated that “not less than $300 million shall be made available for safe drinking water and sanitation, only to implement the Senator Paul Simon Water of the Poor Act of 2005.” The purpose of this earmark was to increase sustainable access to safe drinking water and sanitation and to improve hygiene.

This audit will determine whether (1) Water for the Poor Act activities are increasing access to improved water sources and improved sanitation and (2) USAID-selected water projects and activities are implemented in accordance with Water for the Poor Act requirements.

Survey and Pilot Audit of USAID’s Assistance to Orphans and Other Vulnerable Children in Selected HIV/AIDS Focus Countries. According to USAID, more than 14 million children have lost one or both parents to HIV/AIDS. These numbers will almost double over the next 10 years. The children often suffer from numerous and devastating disadvantages, and most households with orphans cannot meet the basic needs of health care, food, clothing, and educational expenses.

HIV/AIDS activities support host nations’ wide-ranging programs to meet the needs of more than 4 million orphans and vulnerable children affected by the pandemic. HIV/AIDS activities include material support, such as food, school fees, shelter, and clothing, in addition to counseling, psychological support, community care, and measures to strengthen the economy. The HIV/AIDS program provided $312 million of FY 2008 funding for programs to help orphans and vulnerable children in the 15 focus countries.

This audit will determine whether USAID’s HIV/AIDS activities to provide material support, counseling, psychological support, community care, and measures to strengthen the economy have helped orphans and vulnerable children.

Worldwide Audit of Selected Prevention Activities for Combating HIV/AIDS (Multicountry Audit). Since the inception of its HIV/AIDS program in 1986, USAID has funded almost $6 billion for programs dedicated to combating this epidemic. The President’s Emergency Plan for AIDS Relief began in 2003 and was reauthorized by legislation in 2008. The reauthorized program calls for $39 billion to be spent on bilateral HIV/AIDS programs.

\textsuperscript{12} Public Law 109–121.
This audit will determine whether selected USAID activities for combating HIV/AIDS have achieved their prevention goals.

**Audit of USAID/Zambia’s Food Security Activities.** Zambia experiences cyclical periods of food insecurity, including chronic underproduction of staple crops. In 2007, the same regions that experienced drought in 2005 suffered devastating floods, which left thousands of households without shelter or food. The U.S. humanitarian assistance program targets relief-to-development activities that seek to break the cycle of climatic or economic shock that is followed by food insecurity. U.S. assistance supports programs that help subsistence farmers graduate to sustainable practices linked to agriculture reform, including increased agricultural production and improved marketing. USAID funding is $10 million for FY 2009.

This audit will determine whether USAID/Zambia is contributing to increased food security.

**Audit of Selected Elements of USAID/Kenya’s Agriculture Program.** USAID/Kenya’s Agriculture program focuses on increasing incomes of rural households in selected high- and medium-potential arid and semiarid lands. The agriculture component is designed to develop more efficient market-driven production of maize, dairy, and horticultural commodities with increased agricultural productivity, agricultural trade, and effectiveness of smallholder organizations. Funding for FY 2008 was $11.4 million, and the program is expected to receive $19 million in FY 2009.

This audit will determine whether USAID/Kenya’s agriculture program is improving institutional development and increasing household incomes.

**Education**

**Audit of USAID/Egypt’s American University Leaders for Education and Development Program Activities.** To help provide higher education in development-related fields to talented Egyptian postgraduates, USAID/Egypt has designed a program to recruit public school graduates who exhibit leadership potential and who pursue extracurricular activities. Since July 2004, USAID/Egypt has provided about 270 full 5-year scholarships to Egyptian students through its Leaders for Education and Development (LEAD) Scholarship Initiative. In each of the past 5 years, the mission has provided 54 full-tuition scholarships to students to attend the American University in Cairo. Other activities include (1) managing the recruitment, selection, and coordination of new LEAD scholars, (2) offering enrichment activities, including internships and semesters abroad for selected outstanding students, and (3) sponsoring housing at the American University in Cairo. USAID/Egypt awarded two cooperative agreements to the American University in Cairo valued at $33.6 million.

This audit will determine whether USAID’s LEAD initiative in Cairo has expanded the inclusion of girls and women in the program and increased graduation rates for students with undergraduate degrees in development-oriented programs since 2007. In addition, the audit will assess the program’s enforcement of full waiver tuition requirements for students who did not fulfill academic requirements.
Audit of USAID/Jordan’s School Construction and Rehabilitation Project. The U.S. Government supports the construction and expansion of schools to alleviate the severe overcrowding that has resulted from population growth and an influx of Iraqi refugees in Jordan. USAID/Jordan awarded a $50 million contract that will run for 4 years ending in August 2010. The contractor must construct 28 new schools and renovate 100 more throughout the country to improve access to schools that are safe, not overcrowded, and supplied with effective teaching materials and equipment.

This audit will determine whether USAID/Jordan’s School Construction and Rehabilitation Project is improving access to schools that are supplied with effective teaching materials and equipment.

Audit of USAID/Mali’s Education Program. The greatest development challenge in Mali is the poor quality of education, including inadequate infrastructure, poor educational materials, lack of trained teachers, and an attitude that formal education is not important. USAID uses resources from the White House Africa Education Initiative—a $600 million, multiyear effort in favor of several African countries, including Mali—to assist the Government of Mali in improving the quality of basic education. USAID/Mali’s education program received $18 million in FY 2008 and requested $17 million for FY 2009. The program includes technical assistance and training to provide preservice and inservice teacher training for teachers in grades 1–6; develop an improved curriculum; mobilize communities to manage and advocate more effectively for public, community, and Islamic schools; and train decision makers at decentralized levels of the Ministry of Education to link resource and budgetary allocations to desired results.

This audit will determine whether USAID/Mali’s education program is helping to improve the quality of basic education.

Audit of USAID/Philippines’ Education Quality and Access for Learning and Livelihood Skills Project. The objective of the 5-year, $59 million Education Quality and Access for Learning and Livelihood Skills Project is to increase access to quality education for elementary school children and provide job training for out-of-school youth. The project also intends to reduce the perpetuation of conflict and the social, economic, and political marginalization of disadvantaged groups in conflict-prone areas. The project will carry out targeted interventions to improve the quality of and access to education and job training and to address systemic reform. The project will include English instruction (via radio and educational TV), curriculum and materials development, teacher training, limited classroom repair or construction, and distribution of textbooks, school supplies, and equipment to needy schools. In addition, the project will support pilot programs that reintegrate out-of-school youth into the workforce through apprenticeships with partner businesses.

This audit will determine whether USAID/Philippines’ Education Quality and Access for Learning and Livelihood Skills helping to increase access to quality education.
Audit of USAID/Nepal’s Education for Income Generation and Conflict Mitigation Program. USAID/Nepal’s Education for Income Generation and Conflict Mitigation Program is designed to respond to low literacy rates and a lack of job opportunities for women and marginalized or disadvantaged youth. This $14.7 million program will combine literacy and life skills education; technical and vocational training linked to employment; training to increase agricultural productivity and raise rural incomes; and targeted scholarships for disadvantaged youth to increase access to primary, secondary, and higher-level education. A crosscutting theme throughout these activities will be the provision of peace and reconciliation education for all participants in order to develop the knowledge, attitudes, and skills for conflict resolution, peace building, and the promotion of human rights.

This audit will determine whether USAID/Nepal’s Education for Income Generation and Conflict Mitigation Program is delivering education, training, and scholarship support.

Audit of USAID/Ethiopia’s Africa Education Initiative. The Africa Education Initiative, with a FY 2009 program appropriation of $18 million, improves the quality and equity of primary education by training teachers and administrators; strengthening planning, management, and monitoring and evaluation systems; and fostering community partnerships and school governance by building the capacity of parent-teacher associations and school grant management. Scholarship support also encourages girls and HIV/AIDS orphans to attend and succeed in school.

This audit will determine whether USAID/Ethiopia’s Africa Education Initiative is achieving its main goals of training teachers and administrators, strengthening administrative systems, involving parents and communities in school governance, and providing scholarships.

Audit of USAID/Haiti’s Education Activities. USAID/Haiti’s education activities focus on increasing access to quality primary-level education services for children in and out of school, providing funding for school food programs, and encouraging the Government of Haiti to license and regulate nonpublic schools. Funding for FY 2007 and 2008 totaled $17.2 million.

This audit will determine whether USAID/Haiti’s education activities increased access to quality education, supported school food programs, and led the host government to regulate nonpublic schools. It will also determine whether USAID/Haiti’s reporting on its education activities provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

Audit of USAID/Honduras’s Education Activities. USAID/Honduras’s education activities emphasize the institutionalization of academic standards, standardized testing, and improved instruction in early-grade reading and writing. Other activities (1) support an alternative education system that enrolls out-of-school youth and adults and (2) assist the Honduran Government in drafting a new law that introduces important education reforms and increases accountability in the education sector. Funding for FY 2007 and 2008 totaled approximately $13.8 million.
This audit will determine whether USAID/Honduras’s educational activities succeeded in improving primary school education, helping out-of-school youths and adults further their education, and assisting the Honduran Government with its education reforms. It will also determine whether USAID/Honduras’s reporting on its education activities provided stakeholders with complete and accurate information on the progress of the activities and the results achieved.

Management Capabilities

Financial Management

Audit of USAID’s FY 2010 Financial Statements (Multicountry Audit). In accordance with the Government Management Reform Act of 1994 (GMRA), OIG will conduct an audit of USAID’s consolidated financial statements.

The audit will determine whether USAID’s FY 2010 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and Office of Management and Budget (OMB) Circular A–136, Financial Reporting Requirements. OIG will obtain an understanding of USAID’s internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

The multicountry audit of USAID’s FY 2010 financial statements will incorporate audit work in six field locations—West/Central Africa, East/Southern Africa, Asia, the Middle East (2), and Latin America.

Quality-Control Reviews of Audits Performed by Independent Public Accountants. OIG conducts annual quality-control reviews of audit firms to establish reasonable assurance that non-Federal auditors are independent, are familiar with compliance auditing requirements for USAID’s programs, and have followed applicable audit standards in determining the allowability of USAID-funded expenses.

Oversight of OMB Circular A–133 Audits, Defense Contract Audit Agency Audits, Enterprise Fund Audits, and Audits Contracted by Overseas Contractors and Grant Recipients. Under the terms of OMB Circular A–133, the Support for Eastern European Democracy Act of 1989 (SEED Act), the Federal Acquisition Regulation, and individual grant and cooperative agreements, annual audits are required and conducted in accordance with generally accepted government auditing standards. USAID relies on non-Federal auditors to audit the operations of nonprofit grantees and USAID Enterprise Funds, and on Federal auditors to audit the operations of its for-profit contractors.

13 Public Law 103–356.
14 Public law 101–179.
OIG conducts annual oversight activities to determine that audits of contractors and grant recipients have met the following requirements:

- Non-Federal auditors have adequately assessed the allowability of USAID awards expended.
- Non-Federal auditors are familiar with the compliance auditing requirements of the Enterprise Fund programs.
- The independence of the non-Federal auditors has not been compromised in appearance or fact.
- Federal audits meet USAID needs.
- Adequate internal control assessments have been made.
- Bills are reviewed before being paid to Federal auditors.

The objective is to examine the work of non-Federal auditors to determine (1) their understanding of the compliance auditing requirements of USAID’s programs, (2) the adequacy of their assessment of the allowability of USAID awards expended, and (3) the adequacy of their review of the internal controls of audited entities. In addition, OIG will determine whether audit, review, and agreed-upon-procedures reports prepared by external Federal auditors have been reliable for USAID’s procurement and contract management functions.


On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009, which allowed $38 million to be transferred from the Department of State to USAID’s capital investment fund for information technology (IT) and related activities. USAID decided to use this funding to complete the rollout of its Global Acquisition and Assistance System (GLAAS), which the agency expects to complete worldwide by the fourth quarter of FY 2011.

Multiple reviews or audits are intended to comply with the statutory requirement for the OIG to provide oversight of Recovery Act funds used to support GLAAS; to identify significant risks that may imperil GLAAS implementation; and determine whether the Agency is making progress in mitigating significant risks to GLAAS implementation.

**Audit of the Integrity Checks of the Manual Processes Used To Prepare Financial Statements.**

National Institute of Standards and Technology’s (NIST) Special Publication 800–53, “Recommended Security Controls for Federal Information Systems,” provides recommendations for minimum security controls, one of which includes system information and integrity. In addition, OMB A–127 states that financial management systems shall include a system of internal controls to ensure that reliable data are obtained and disclosed in reports. One area that is commonly overlooked in organizational control environments is the development and use of spreadsheets. Studies have found that 50–90 percent of spreadsheets have serious errors. Another concern is spreadsheet fraud, which is easy to perpetrate.

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15 Public Law 111–5.
OIG will conduct this audit in support of the annual financial statements audit required by GMRA. This audit will also ensure that the Agency complies with laws and regulations, including the Federal Financial Management Improvement Act of 1996 (FFMIA). Further, this audit will help determine whether USAID/Washington’s financial data are complete and reliable. It will also assess whether the financial data files are reasonably protected from unauthorized access, modification, or destruction.

**Audit of USAID’s Implementation of Its Managerial Cost Accounting Systems.**

OMB Circular A–127, “Financial Systems,” requires agencies’ financial management systems to maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board. The board’s Statements of Federal Financial Accounting Standards, No. 4, “Managerial Cost Accounting Concepts and Standards for the Federal Government,” requires reporting entities to perform at least a minimum level of cost accounting and provide a basic amount of cost accounting information necessary to accomplish the many objectives associated with planning, decision making, and reporting.

This audit will support the annual audit of USAID’s financial statements. It will also help to ensure that USAID delivers timely, integrated data on its programs for management purposes and provides a basis for estimating costs for future programs and life-cycle cost management.

**Audit of USAID’s Government-Issued Credit Cards for Use in Official Business Travel.** According to the Association of Certified Fraud Examiners, four types of expense reimbursement schemes can be carried out using corporate credit cards. These include mischaracterized, overstated, fictitious, and multiple expense reimbursements. According to the Association of Certified Fraud Examiners’ “2008 Report to the Nation on Occupational Fraud and Abuse,” the typical U.S. organization lost an estimated 7 percent of its annual revenues to fraudulent activity.

This audit will determine whether USAID’s Government-issued credit cards for use in official business travel are being used properly to ensure that there is no fraud, waste, or abuse in the use of these cards.

**Audit of USAID’s Premium Payments for Sunday Work.** At some USAID missions, the workweek begins on Sunday and ends on Thursday, making the weekend Friday and Saturday and requiring employees to work on Sunday. Except as otherwise provided in 3 FAM 3100, regularly scheduled work on Sunday entitles employees to be paid at their hourly rate of basic pay plus premium pay at a rate of 25 percent of the basic rate. Only employees covered by title 5 of the United States Code (GS employees, Foreign Service specialists, and untenured

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16 Public Law 104–208.
junior officers) are entitled to Sunday premium pay. Tenured officers and members of the Senior Foreign Service are not covered by title 5 and are not eligible.

This audit will determine whether in FY 2009 USAID paid only eligible employees for Sunday work.

**Review of Management’s Discussion and Analysis Section in USAID’s FY 2010 Financial Statements (Multicountry Review).** GMRA requires the annual preparation and audit of organization-wide financial statements for certain departments and agencies of the Federal Government. These financial statements must include a section titled “Management’s Discussion and Analysis,” which briefly describes the reporting entity and its mission, activities, program and financial results, and financial condition.

The multicountry review of this section in USAID’s FY 2010 consolidated financial statements will incorporate audit work in six field locations—West/Central Africa, East/Southern Africa, Asia, Middle East (2), and Latin America.

This review will examine certain USAID controls related to this section of the financial statements and determine whether the section meets form and content standards.

**Audit of the Management of Unliquidated Obligations at the Bureau for Global Health.** Concerned that Federal agencies were recording obligations in situations where no real obligation existed, and that information on which to determine an agency’s future requirements was not reliable, Congress—with GAO and OMB—developed what has become the statutory criterion by which the validity of an obligation is determined. This standard is section 1311 of the Supplemental Appropriation Act of 1955.17 This standard has been implemented at USAID through ADS 621.3, which require Assistant Administrators, independent office directors, and mission directors to certify annually whether unexpended obligated balances are necessary for both ongoing and expired programs and whether the amount of funding is consistent with various Agency policies.

Past OIG audits have uncovered unliquidated obligations and have indicated instances in which USAID had difficulty properly recording deobligated funds.

This audit will determine whether USAID’s Bureau for Global Health’s obligations were valid.

**Audit of USAID’s Effectiveness in Obtaining the Benefits of Its Research and Development Efforts.** USAID spends approximately $200 million per year on research and development in the areas of health, malaria, HIV/AIDS, infant mortality, family planning, and agriculture.

USAID’s contracts and grant agreements should include a reference to the U.S. Government’s rights and require the USAID-funded research recipient to disclose and include those rights in its patent filings. Furthermore, USAID should have procedures in place to ensure that the

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research recipient complies with the contract or grant terms. Additionally, in using the products or processes developed with U.S. Government funds, USAID should ensure that it and its recipients are purchasing the product at a cost that excludes the royalty fee associated with most patented items. The U.S. Government should not pay a royalty fee for products for which it funded product development.

This audit will determine whether USAID and its recipients acquired U.S. Government-financed products at a price that excluded royalty fees.

**Management Accountability**

**Risk Assessment of Selected BearingPoint, Inc., Projects.** BearingPoint has active contracts with USAID in numerous countries worldwide, totaling approximately $821 million. Of this amount, the firm has about $330 million in contracts in Egypt and Jordan. In February 2009, BearingPoint filed for chapter 11 bankruptcy protection.

This audit will determine what impact the restructuring of BearingPoint has had on selected USAID program goals.

**Audit of Internal Controls Over the Distribution of USAID’s Food Aid Assistance Under the Community Resettlement and Rehabilitation Program in Liberia.** Public Law 480 Title II programs donate U.S. agricultural commodities to meet emergency and nonemergency food needs. Commodity grants are made available to cooperating sponsors to address the needs of food security through 5-year development assistance programs and through emergency food assistance. The Community Resettlement and Rehabilitation Program, implemented during FY 2005 through 2007, was funded at approximately $19 million for the 3-year period.

In response to allegations of losses and diversion of food aid, World Vision conducted an internal audit covering the entire program period from January 2005 to January 2007. On the basis of this audit’s results, it was determined that $728,000 of the $800,000 of commodities provided to World Vision Liberia during the 2-year period (91 percent) was fraudulently diverted and did not reach the intended recipients.

This audit will determine (1) whether internal control weaknesses allowed the losses to occur and (2) what measures USAID’s Regional Food for Peace Office in West Africa and the cooperating sponsors have taken to reduce the risk of future losses and to ensure that food aid is delivered to the intended beneficiaries.

**Audit of the USAID/West Africa’s Regional Food for Peace Office (Public Law 480 Title II) Food Aid Assistance in Support of the Livelihoods Expansion and Assets Development Program in Sierra Leone.** Public Law 480 Title II programs provide for the donation of U.S. agricultural commodities to meet emergency and nonemergency food needs, including support for food security goals. Commodity grants are made available to cooperating sponsors to address the needs of food security through 5-year development assistance
programs and through emergency food assistance. Agricultural commodities distribution is susceptible to waste, fraud, abuse, and spoilage due to storage conditions and shipping hazards.

The Livelihoods Expansion and Assets Development Program, a 3-year, $26 million program, is being implemented in Sierra Leone. In September 2007, senior managers at one of the cooperating sponsors received allegations of food diversion. An independent audit conducted by a private firm found evidence of undelivered food commodities and forged delivery receipts. The auditors also found an estimated $18,000 in total food losses.

This audit will determine (1) what internal control weaknesses existed that allowed the losses to occur and (2) what measures USAID’s Regional Food for Peace Office in West Africa and the cooperating sponsors have taken to reduce the risk of future losses and to ensure that food aid is delivered to the intended beneficiaries.

**Audit of USAID/Bangladesh’s Promoting Governance, Accountability, Transparency, and Integrity Program.** In September 2007, USAID/Bangladesh implemented the $18 million Promoting Governance, Accountability, Transparency, and Integrity Program. The objective of the program is to promote principles of accountability, transparency, and responsiveness to decrease the level of corruption in Bangladesh. The program is expected to increase transparency and improve stewardship of public resources.

This audit will determine whether USAID/Bangladesh’s Promoting Governance, Accountability, Transparency, and Integrity Program is helping to decrease the level of corruption in Bangladesh.

**Audit of USAID’s Compliance With the Provisions of the Federal Information Security Management Act of 2002 for FY 2010.** The Federal Information Security Management Act of 2002 (FISMA)\(^\text{18}\) requires each Federal agency to develop, document, and implement an information security program to provide information security for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will contribute to the protection of data, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether USAID’s information system security program meets FISMA requirements.

Results of the audit will also be used to support the OIG’s annual financial statements audit required by GMRA and USAID’s compliance with FFMIA.

**Audit of USAID’s Compliance With OMB Requirements for Selected Information Technology Business Cases.** OMB requires agencies to complete and submit an OMB Circular A–11 Exhibit 300, “Capital Asset Plan and Business Case,” for each major IT investment. These documents are business cases used by agencies to request funds, monitor the progress of projects, and improve management decision making over expensive IT investments.

\(^{18}\) Public Law 107–347.
investments. The Exhibit 300 is designed to coordinate OMB’s collection of agency information for its reports to Congress and to ensure that the business cases for investments are made and tied to the mission statements, long-term goals and objectives, and annual performance plans developed pursuant to the Government Performance and Results Act of 1993.\(^\text{19}\)

This audit will focus on the completeness of IT business cases prepared by USAID for selected IT systems and the associated requirements that pertain to that IT system investment category. The scope of the audit will include IT business cases from a sample of fiscal budget years.

**Audit of USAID’s Independent Verification and Validation for Selected Information Technology Investments Within the Bureau for Economic Growth, Agriculture and Trade’s Information and Communication Technology Team.** USAID’s Bureau for Economic Growth, Agriculture and Trade’s (EGAT) Information and Communication Technology team expands access to appropriate and affordable telecommunications, information systems, and innovative applications of established and emerging new technologies. The team works with missions to integrate the use of information and communication technologies into programs to support development objectives. USAID’s Automated Directives System chapter 548, “Program-Funded Information Technology Reviews,” stipulates that an independent verification and validation (IV&V) review be done for all USAID program-funded IT investments of at least $100,000. IV&V is a technique used to evaluate whether the IT investment meets specifications and fulfills its intended purpose. This audit was selected because EGAT, a bureau not under the Chief Information Officer’s control, develops IT systems and applications.

This audit will determine whether USAID performs IV&Vs for IT projects with a life-cycle cost of over $100,000.

**Audit of USAID/Washington’s Security Management Over Its Electronic Mail System.** Government information systems, computers, and networks are increasingly the targets of attacks ranging from vandalism to cyber attacks. Information processed in USAID systems can be especially vulnerable because the information is distributed over many locations and must be relatively accessible to a wide range of people. Electronic mail is perhaps the most popularly used system for exchanging business information over the Internet. At the most basic level, email systems can be divided into two principal components: (1) mail servers, which are hosts that deliver, forward, and store email; and (2) mail clients, which interface with users and allow users to read, compose, send, and store email. NIST Special Publication 800–45 addresses the security issues of mail servers and mail clients, including Web-based access to mail.

The audit will determine whether USAID installed, configured, and monitored its secure mail servers and clients in compliance with selected NIST SP–800–45 guidelines on electronic mail security.

\(^{19}\) Public Law 103–62.
Audit of USAID’s Inventory Processes To Identify Information Technology Hardware, Operating Systems, and Applications on USAID’s Network. An accurate and up-to-date inventory of IT-related hardware and software that USAID’s network comprises is critical in supporting a range of IT-related functions, including implementing patch management, identifying and documenting IT architecture, ensuring software license compliance, and identifying nonapproved software and noncompliant Internet Protocol Version 6 equipment.

This audit will support the FISMA-mandated audit of USAID with regard to whether or not the Agency has a rational and consistent method for identifying systems that its IT inventory comprises. Additionally, this audit is expected to highlight the importance of an up-to-date inventory in carrying out IT-related functions and services.

Audit of USAID/Washington’s Group Policy for Microsoft Windows Software Operating System. Group Policy is the central component of the change and configuration management features of the Microsoft Windows 2000 operating system. Group Policy specifies settings for groups of users and of computers. In Windows 2000, administrators use Group Policy to enhance and control users’ desktops. To simplify the process, administrators can create a specific desktop configuration that is applied to groups of users and computers. The Windows 2000 activity directory service enables Group Policy. The policy information is stored in Group Policy objects, which are linked to selected Activity Directory containers such as sites, domains, and organizational units. Proper setup is crucial because inaccuracy can cause users and computers to receive incorrect policy settings, security settings, software installation, scripts, and folder redirection.

This audit will determine whether USAID’s Group Policy objects for Washington have been set up correctly.

Audit of USAID’s Phoenix Interface With the Letter-of-Credit Payment System Provider. Starting in 1998, USAID entered into an agreement with the Department of Health and Human Services (DHHS) for cross-servicing the letter-of-credit payment process through the DHHS Payment Management System (PMS). PMS is used to manage USAID’s letter-of-credit grant transactions. The DHHS inbound Phoenix interface is operational, but substantial manual intervention is required to stay current with expenditure postings; the outbound process is currently manual. In addition, Phoenix needs to capture letter-of-credit advance data at the grant level. An automated two-way interface is one of the Chief Financial Officer’s high-priority initiatives for technology improvements. The system interface initiative is managed by the Cash Management and Payments Division.

This audit will help to ensure that the interface initiative between the Phoenix and DHHS payment management systems has incorporated test plans, adequate interface security, and acceptance test plans to improve the overall efficiency of the letter-of-credit payment system.

Audit of USAID’s Compliance With the Federal Financial Management Improvement Act of 1996 for FY 2010. FFMIA was intended to advance Federal financial management by ensuring that Federal financial management systems provide reliable, consistent
disclosure of financial data, and that they do so uniformly across the Federal Government from year to year. Among the act’s mandates is the requirement that the OIG report on USAID’s compliance with the act as part of the annual financial statement audit process.

In FY 2006, USAID completed the deployment of its agencywide financial management system, Phoenix, and concluded that the Agency was substantially compliant with the core financial requirements that were established in 2001. However, in January 2006, OMB issued new core financial system requirements. OIG expects that OMB will require agencies to be substantially compliant with 2006 or later financial system core requirements.20

This audit will determine whether the Agency implemented and maintained financial management systems that substantially comply with FFMIA core system requirements.

**Audit of USAID’s Efforts To Increase Technical Expertise.** Downsizing at USAID has resulted in a loss of technical expertise. The reduced staff and loss of expertise have limited the Agency’s technical competency and its managerial control over projects, making USAID increasingly dependent on larger grants and contracts to fulfill its mission. USAID has initiated the Development Leadership Initiative, a multiyear effort to rebuild the USAID workforce.

This audit will determine whether USAID’s efforts to overcome technical expertise limitations have been successful.

**Audit of Controls Over Subcontractors.** Over the years USAID has shifted from conducting its own activities to managing the contracts, grants, and cooperative agreements it awards to implementing organizations. From FY 2002 through 2008, USAID’s acquisition and assistance obligations increased from about $5 billion to about $11 billion.

Subcontracts are at greater risk for fraud and nonperformance, especially when subcontractors in turn subcontract with others.

This audit will determine whether selected implementing partners provided adequate oversight over their subcontractors and subgrantees.

**Audit of USAID’s Small and Disadvantaged Business Utilization Practices.** In the Small Business Act of 1953,21 Congress created the Small Business Administration (SBA), whose function was to aid, counsel, assist, and protect the interests of small business concerns. The charter also stipulated that SBA would ensure that small businesses receive a fair portion of Government contracts. In addition, under section 602 of the Foreign Assistance Act of 1961,22 as amended, the President shall assist American small businesses to participate equitably in the furnishing of commodities, articles, and services financed with funds made available under the Foreign Assistance Act.

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20 Definitive guidance from OMB has not been issued.
21 Public Law 85–536.
22 Public Law 87–195.
Subsequent to an OIG September 2004 report, USAID reported that about 10 percent of eligible procurements had been granted to small businesses for FY 2007—significantly less than the 45 percent reported for FY 2002 or the 23 percent goal set by SBA for FY 2007. USAID did not meet or make progress in any of the SBA goals in FY 2006, 2007, or 2008.

This audit will determine whether USAID’s procurement activities have been able to expand small business utilization.

Survey of USAID’s Contracting Mechanisms. Many audit reports issued by GAO and OIG have noted issues and problems with Federal contracting. Both the administration (including the Office of Federal Procurement Policy at OMB) and the Congress have become very concerned about Federal contracting.

With the downsizing of USAID staff in recent years—3,500 employees in 1990 reduced to 2,200 now—USAID became more dependent on contractors and subcontractors to carry out its mission. Accordingly, annual contract spending has risen from about $479 million in 2000 to about $2 billion a year now.

President Obama has directed all agency heads to identify and shave a combined $100 million in administrative costs from Federal programs. USAID proposes to cut costs while reclaiming some formerly contracted functions by internally managing some its current contracts as they come up for renewal or restructuring activities to bring core management functions back under the direct responsibility of USAID employees.

The survey will determine which USAID contracting mechanisms are most consistent with Federal procurement policies and the current interests of the administration and Congress. The survey will include assessing the advantages and disadvantages of each contracting mechanism, with an emphasis on identifying the inherent risks. Concerns include the length of time involved in the procurement process, contractors’ accountability for their performance, and the amount of money spent on contractors.
Management Capabilities

Financial Management


This audit will determine whether the United States African Development Foundation’s (USADF) FY 2010 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB A–136, “Financial Reporting Requirements.” OIG will obtain an understanding of USADF’s internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

Audit of the United States African Development Foundation’s Compliance with the Provisions of the Federal Information Security Management Act of 2002 for FY 2010. FISMA requires each agency to develop, document, and implement an information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether USADF’s information system security program meets FISMA requirements.
Management Capabilities

Financial Management

Audit of Inter-American Foundation’s FY 2010 Financial Statements. GMRA requires OIG audits of Federal agencies’ consolidated financial statements.

This audit will determine whether the Inter-American Foundation’s (IAF) FY 2010 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB A–136, “Financial Reporting Requirements.” OIG will obtain an understanding of IAF’s internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

Audit of the Inter-American Foundation’s Compliance with the Provisions of the Federal Information Security Management Act of 2002 for FY 2010. FISMA requires each agency to develop, document, and implement an information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether IAF’s information system security program meets FISMA requirements.
APPENDIX I

PLANNED OIG ACTIVITIES FOR FY 2010
USAID, USAID, AND IAF

USAID

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# Worldwide Audit of USAID's Efforts To Protect the Environmental Considerations in Its Project Portfolio

## INVESTMENT IN PEOPLE

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PLANNED OIG ACTIVITIES FOR FY 2010
MCC

Capping Report on MCC Compacts. This activity will synthesize and report on OIG’s performance audits conducted in FY 2008–2010 on selected MCC compact programs. This will include audit activity for Benin, Cape Verde, Georgia, Honduras, and Madagascar. The compacts for these countries totaled approximately $1.4 billion. The capping report will report on any systematic issues that were identified in those audits.

Economic Growth and Prosperity

Audit of MCC’s Funding of Activities in Benin. In February 2006, the MCC signed a 5-year, $307 million compact with the Government of Benin with the goal of increasing economic growth and reducing poverty in Benin by expanding investment and private sector activity. The MCC compact entered into force in October 2006, formally initiating the 5-year timeline for implementation of four projects. The projects’ objectives are to (1) strengthen property rights and investment, (2) expand access to financial services, (3) improve the judicial system’s ability to enforce contracts and reconcile claims, and (4) improve market access through improvements to the Port of Cotonou. MCC’s Access to Markets Project for the Port of Cotonou aims to improve the port’s performance and security, expand its capacity, and reduce costs. The port plays a vital role in the economy of Benin, especially as the keystone in the trade corridor of the landlocked neighboring countries. MCC has 2 years remaining until the end of the compact, and because the port project is a significant portion of the compact, the success of MCC in Benin will depend on the port project.

The audit will assess the progress toward increasing economic growth and reducing poverty through greater investment and private sector activity. It will also determine whether the project will be sustainable. Specifically, the audit will assess whether the Benin Access to Markets Project is increasing the efficiency of the Port of Cotonou.

Audit of MCC’s Private Sector Initiatives. MCC conducts private sector initiatives to increase the level of private sector activity and investment in MCC partner countries. In this effort, MCC has signed memorandums of understanding (MOUs) with organizations that also work to reduce global poverty, including Microsoft Corporation, Department for International Development (United Kingdom), General Electric Company, Phelphs Stokes Fund, Alliance for a Green Revolution in Africa, Danish Ministry of Foreign Affairs, Agence Française de Développement (France), and the World Food Program. The MOUs are developed to leverage the impact of U.S. taxpayer monies, prevent unnecessary duplication of work, and help partner countries attract investments in long-term growth. The MOUs are tied to tangible outcomes
such as increasing agricultural productivity for farmers, expanding water and sanitation, securing property rights, and engaging women in development.

This will be the first audit performed by OIG on MCC’s high-profile efforts to engage other private sector donors to leverage its resources to achieve common goals. MCC was established to deliver aid efficiently and effectively. This audit intends to determine whether engaging the private sector through the MOU process has helped MCC leverage its limited financial resources. The audit will determine whether the private sector initiatives have leveraged MCC investments and prevented unnecessary duplication in country interventions. The audit will also assess the outcomes of the results.

Audit of MCC’s Funding of Activities in Tanzania. In February 2008, MCC signed a 5-year, $698 million agreement with Tanzania. The MCC compact in Tanzania entered into force in September 2008, formally initiating the timeline for project implementation. The agreement seeks to reduce poverty and stimulate economic growth by increasing household incomes through targeted investments in transportation, energy, and water. Specifically, the investments in three projects will help Tanzanians address their inadequate transportation network by improving roads to increase commerce and help connect communities with markets, schools, and health clinics; improve the reliability and quality of electric power and extend electricity service to unserved communities; and increase the availability and reliability of potable water for domestic and commercial use.

This audit will determine whether the selected activities funded by MCC in Tanzania have increased commerce and improved communities’ access to services, including markets, schools, health clinics, electric power, and potable water.

Audit of MCC’s Program in Vanuatu. On March 2, 2006, MCC and Vanuatu signed a 5-year agreement totaling approximately $66 million, with the goal of reducing poverty and increasing incomes in rural areas by stimulating economic activity in the tourism and agricultural sectors through improvement of the transportation infrastructure. The 5-year compact entered into force on April 28, 2006. To accomplish the compact’s goal, MCC and the Government of Vanuatu plan to (1) provide improved or new transport infrastructure in rural areas and outer islands, including wharfs, airstrips, and warehouses; and (2) strengthen the capacity and capability of the Department of Public Works to maintain and sustain Vanuatu’s infrastructure assets. This will be the first audit performed by OIG for MCC’s program in Vanuatu. (OIG did perform a risk assessment in FY 2007.) In other performance audits, OIG has identified several implementation problems with infrastructure projects. The program activities being carried out in Vanuatu lend themselves to similar audit activity.

The audit will determine whether the MCC-funded program in Vanuatu has stimulated commerce in tourism and agriculture by improving the transportation infrastructure.
Investment in People

Health

Audit of MCC’s Health Sector Project in Lesotho. The $123 million Health Sector Project is part of the $363 million compact signed between MCC and Lesotho in September 2008. The project’s goal is to strengthen the delivery of essential health services to address HIV/AIDS and other diseases. It seeks to improve the country’s health care infrastructure and human resources for health capacity. MCC funding supports Lesotho’s efforts to increase access to antiretroviral therapy by providing a sustainable delivery platform for these life-extending medicines and other essential health services throughout the country. MCC staff and the Government have worked with other donors and the in-country staff in the design and assessment of the Health Sector Project’s activities. Many of these activities will require the construction of facilities for service delivery—up to 150 health centers, 14 antiretroviral clinics, a central laboratory and a blood transfusion center, and college dormitories.

This will be the first audit performed by OIG on the MCC's health sector efforts. Given that this is a new type of project for MCC that includes other donors involved in health care in Lesotho, including USAID, a review of the project’s design and implementation plans can help determine whether it was properly planned and whether it will achieve its objectives and targets.

The audit will determine whether the Health Sector Project’s design and implementation plan will enable the project to increase access to health care services.

Management Capabilities

Financial Management

Audit of MCC’s FY 2009 Financial Statements. In accordance with the Government Corporation Control Act of 1945 (GCCA), MCC must have its consolidated financial statements audited by OIG or an independent external auditor. OIG will contract with an independent external auditor to review MCC’s FY 2009 financial statements.

The audit will determine whether MCC’s principal financial statements present the financial condition of MCC fairly in all material respects and whether they conform to generally accepted accounting principles. The external audits will perform tests of MCC’s internal controls structure and compliance with laws and regulations that could have a material effect on the principal financial statements. OIG will supervise work, brief MCC on the audit findings.

and recommend ways to correct identified weaknesses. This process will provide stakeholders with an evaluation of the integrity of MCC’s accounting systems.

During the first quarter of FY 2010, OIG will complete work begun in FY 2009 on the audit of the FY 2009 MCC financial statements.

Audit of MCC’s Financial Statements During FY 2010. In accordance with GCCA, MCC must have its consolidated financial statements audited by OIG or an independent external auditor. The audit will determine (1) whether MCC’s principal financial statements present fairly in all material respects the financial condition of MCC and (2) whether the financial statements conform to generally accepted accounting principles. OIG will obtain an understanding of MCC’s internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal and statements and required supplementary information.

Audit of MCC’s Compliance With FISMA Provisions for FY 2010. FISMA requires each agency to develop, document, and implement an information security program for the information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

The audit will determine whether MCC’s information system security program meets FISMA requirements for program management and information security controls. The audit will test areas of repeated weakness in MCC management of information security and recommend means for the protection of data files, computer equipment, and resources from unauthorized activity.

Oversight of Contracted Financial Audits of MCC’s Program Implementing Entities (Fund Accountability Statement Audits). Each country receiving a compact must establish an “accountable entity” to manage the implementation of the compact.24 Millennium Challenge Account (MCA) is the name most often used for the accountable entity (for example, MCA-Georgia). MCC compacts require MCAs to perform annual (at a minimum) financial audits of funds provided under the compact. The audit, referred to as a “fund accountability statement audit,” must include a specific audit of the recipients of MCC-funded programs.

The OIG review will establish whether there is reasonable assurance that MCA entities’ fund accountability statement audits of MCC-funded programs meet set standards. These standards include the independence of non-Federal auditors, accuracy of accounts, adequacy of internal controls, and compliance with compact terms.

OIG will review audit firms to ensure that their quality control standards and professional capabilities are sufficient to meet generally acceptable government auditing standards.

24 An “accountable entity” is an organization or entity, chosen by the compact recipient, that has the legal authority to oversee implementation of an MCC compact’s programs, including the compact’s funds and accounts, for the duration of the compact.
Quality-Control Reviews of Audits Performed by Independent PublicAccountants. OIG will conduct quality-control reviews of audit firms to establish reasonable assurance that non-Federal auditors are independent, are familiar with compliance auditing requirements of MCC's projects, and have adequately followed applicable generally accepted government auditing standards in determining the allowability of MCC-funded activities. OIG plans to carry out these reviews in Burkina Faso, Ghana, Mali, Mongolia, Mozambique, Tanzania, and Vanuatu.

Limited-Scope Reviews. OIG staff will be involved in conducting limited-scope reviews in such areas as procurement, labor compensation, and expenditures.

MCC procurement. The reviews will determine whether MCC and MCAs have procedures in place to assess risk of their contracts and obtain and utilize audits (DCAA, A–33, and audits conducted by independent audit firms) when appropriate.

Labor compensation of MCAs. The reviews will determine whether MCAs compensate their management and staff reasonably in comparison with (1) employees' resumes, prior salary, and work history and (2) salaries of comparable public and private sector positions.

MCA expenditures. The reviews will determine whether MCAs are adequately complying with the compact, Fiscal Accountability Plan (FAP), and cost principles.

Management Accountability

Review of the Termination of the MCC Compact With Madagascar. In April 2005, the MCC signed a 4-year, $110 million compact with the Republic of Madagascar to raise incomes by assisting the rural population to transition from subsistence agriculture to a market economy. The strategic investments for three projects sought to help rural Malagasy secure formal property rights to land; access credit and protect savings; and receive training in agricultural production, management, and marketing techniques. In July 2008 the compact was extended for an additional year.

OIG initiated this review in late FY 2009 in response to the May 2009 MCC Board of Directors’ termination of the $110 million Madagascar compact. The effective date of termination was August 31, 2009, for all but a few windup actions. The purpose of this activity is to (1) review selected management practices during the suspension and termination and (2) make and record some observations about the status of the Agriculture Business Investment Project and the Land Tenure projects. Since the compact was in its fourth year, the review will also attempt to document some of the outcomes from these two projects. OIG is undertaking this work because of the unusual and high-risk set of circumstances that resulted from the compact termination.

Survey of MCC’s Activities That Address Trafficking in Persons. In late September 2009, the OIG initiated a survey of MCC’s actions to address the issue of trafficking in persons when developing and implementing its foreign aid compacts. The survey will assess the process
for determining country eligibility for the compact program and the assessment of trafficking in that process. The process of compact development will be reviewed to determine how MCC designs projects to ensure that it does not contribute to trafficking. The procedures and safeguards that are in place as compact projects are implemented will also be identified. Finally, an overview of interagency coordination will be documented. The survey will focus on contracts that involve large infrastructure projects because they involve a higher risk of human trafficking. The results of the survey will be provided to Congress as part of OIG’s reporting requirement under the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008.25

Audit of MCC’s Compact Development. MCC conducted a reorganization in October 2007. The existing Operations and Accountability Departments were integrated and restructured to form two new departments. One focused on compact development and the other on compact implementation. According to MCC, this reorganization should help them achieve smoother implementation of compacts that will deliver sustainable improvements in the lives of the poor.

As envisioned, the Department for Compact Development would include both regional and functional experts working on integrated teams to achieve common goals. This department would be separated into two divisions, one for development and the other for technical assessment. The department would be responsible, in part, for the following functions:

- Managing MCC’s relationship with compact-eligible countries
- Providing integrated teams with a broad range of expertise and regional knowledge to assist compact-eligible countries
- Continuing MCC’s commitment to accountability by covering safeguard responsibilities such as environmental and social assessments
- Initiating contact with newly selected countries and managing MCC’s relationship with eligible countries until compacts are ready for implementation
- Helping eligible countries identify their constraints in reducing poverty and improving economic growth
- Providing expertise in specific sectors to assess and refine the countries’ proposals
- Assisting partner countries in designing monitoring and evaluation plans
- Providing compact negotiation and compact entry into force

Conducting an audit to evaluate the effectiveness of MCC’s Department of Compact Development is critical for ensuring that projects and programs requested by compact-eligible countries and the funding associated with those projects and programs are properly thought out and managed by MCC. This audit will determine whether the processes used by MCC to assess the countries’ proposals are being followed and whether they are achieving their intended purpose. Specifically, this audit will determine whether (1) MCC’s compact development is operating as intended and (2) MCC achieved its compact development process goals prior to signing the compact with Moldova or Senegal.

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Audit of MCC's Oversight of Compact Countries' High-Risk Projects. Country ownership of projects is crucial to building responsibility and accountability. MCC requires that countries pick their own priorities and develop their own programs in consultation with civil society and the private sector. MCC then conducts due diligence to ensure that the proposal is feasible and that it will achieve its objective of reducing poverty through growth. MCC also requires that expected effects and results are quantified upfront, while a program is being designed.

Some projects could be considered high risk on the basis of the overall percentage of the compact funding allocated for a project. For example, increasing access to markets by reducing delays at the Port of Cotonou is 55 percent of the $307 million compact with Benin to address the poor investment climate and lack of dynamic private sector activity. In the case of Cape Verde, 71.6 percent of the $110 million MCC compact is allocated to improving infrastructure to increase economic activity.

In determining whether a program is high risk, OIG will consider whether it involves national significance or a management function that is key to performance and accountability. The audit will also consider whether the risk is (1) an inherent problem, such as in a program that is by nature susceptible to fraud, waste, and abuse, or (2) a systemic problem that creates a material weakness, such as ineffectiveness in systems, policies, and procedures established to carry out a project. The audit will determine whether MCC established and implemented policies and procedures for managing the risks associated with specific high-risk projects.

Audit of MCC's Environmental Review and Management Program. Many projects funded by MCC have a potentially negative environmental impact because they consist of large-scale infrastructure projects. These include such activities as gas pipelines, primary and secondary roads, and port modifications. As part of the compact development and due diligence processes, MCC reviews country proposals to ensure that projects undertaken as part of compact-funded programs are environmentally sound. They are designed to operate in compliance with applicable regulatory requirements. MCC developed the “Guidelines for Environment and Social Assessment,” setting forth its guidelines on handling projects that affect the environment.

The environment is a high-priority issue that, because many MCC-funded projects involve large-scale infrastructure works, results in a high risk for MCC and the MCAs. Because these projects generally start up slowly and have only a 5-year compact term for completion, they run the risk of taking shortcuts to meet deadlines. An audit will help assess the success of MCC and MCA efforts to comply with the guidelines and protect the environment.

The audit will determine whether (1) MCC has complied with its own “Guidelines for Environment and Social Assessment” and (2) selected MCAs have complied with environmental management plans.

Audit of MCC's Compact Implementation. As stated previously, MCC conducted a reorganization in October 2007. As part of this reorganization, the new Department for
Compact Implementation was to include regional and functional experts working on integrated teams to achieve common goals. The department was provided responsibility for (1) managing MCC’s relationship with compact countries in which the compacts have entered into force or about to enter into force; (2) providing technical expertise in specific sectors, such as infrastructure and agriculture; (3) ensuring that MCC compacts are implemented in compliance with MCC core standards such as procurement and financial management; and (4) tracking the performance of MCC compact programs.

With limited resources for MCC to carry out its compact activities, it is important that this audit help determine whether MCC has been able to achieve greater efficiencies and quality of compact implementation. This audit will also help MCC strengthen compact implementation operations. Specifically, the audit will determine whether MCC’s compact implementation has progressed as intended.

**Audit of MCC’s Followup on Audit Recommendations.** OMB Circular A–50, Audit Follow-Up, requires followup action on past audit recommendations. OIG will assess whether MCC management’s responses to prior audit recommendations were effective in correcting identified problems. The audit will address whether MCC’s planned actions, as documented in its management decisions process for those recommendations tested, were implemented. Further, the audit will assess whether the implemented action resolves the weaknesses identified by the audit.

This audit will determine whether MCC is implementing its followup of audit recommendations as required by OMB Circular A–50 or other requirements.

**Followup Audit of MCC’s Efforts to Establish Its Internal Control Structure.** In March 2005, OIG issued its report, “Audit of the Millennium Challenge Corporation’s Efforts to Establish Its Internal Control Structure” (Report No. M-000-05-002-P). The audit found that although MCC had established some individual control procedures to cover its administrative operations, it did not formalize or document its system of internal controls covering all aspects of its operations. The audit also found that MCC had not conducted an evaluation of the adequacy of its internal control system at its fiscal yearend.

This audit will determine whether (1) MCC’s actions have addressed the recommendations identified in OIG Audit Report No. M-000-05-002-P and (2) MCC’s current internal control structure complies with Federal requirements.

**Fraud Awareness and Prevention Outreach.** OIG will conduct briefings for MCC program recipients and staff about the role of OIG and the audit and investigative functions. These briefings will take place in Washington as well as overseas, with participants from U.S. embassies, MCC, host governments, and the private sector. Private sector participants will include audit firms that may bid on compact audits as well as contractors who are receiving compact funds. OIG will also contact professional associations and host government audit and law enforcement officials to build awareness of OIG programs.
OIG auditors will travel to compact countries and provide briefings intended to aid in the prevention of fraud, waste, and abuse. OIG investigators will travel to countries to establish contacts and build investigative relationships and provide fraud awareness training. Investigations staff plan to visit select countries where MCC activities are being implemented in FY 2010. Investigations will be conducted as necessary.

**Investigations.** OIG will conduct program and employee integrity investigations. Priority will be given to high-risk program and major fraud investigations involving large monetary losses by MCC. Employee integrity investigations will address allegations of employee misconduct received from internal and external sources, including the OIG Hotline. Investigative results will be referred to the Department of Justice and/or MCC for criminal, civil, or administrative action as deemed appropriate.
## APPENDIX II

### PLANNED OIG ACTIVITIES FOR FY 2010

**MCC**

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<td>FAM</td>
<td>Foreign Affairs Manual</td>
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<td>FATA</td>
<td>Federally Administered Tribal Areas (Pakistan)</td>
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<td>FFMIA</td>
<td>Federal Financial Management Improvement Act of 1996</td>
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<td>FISMA</td>
<td>Federal Information Security Management Act of 2002</td>
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<td>FY</td>
<td>fiscal year</td>
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<td>Government Accountability Office</td>
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<td>GCCA</td>
<td>Government Corporation Control Act of 1945</td>
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<td>GMRA</td>
<td>Government Management Reform Act of 1994</td>
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<td>HIV/AIDS</td>
<td>human immunodeficiency virus/acquired immunodeficiency syndrome</td>
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<td>IAF</td>
<td>Inter-American Foundation</td>
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<td>NIST</td>
<td>National Institute of Standards and Technology</td>
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<td>OMB</td>
<td>Office of Management and Budget</td>
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