



Office of Inspector General

December 21, 2012

MEMORANDUM

TO: David D. Ostermeyer, Chief Financial Officer

FROM: Tim Cox, AIG/A [REDACTED] /s/

SUBJECT: Control Deficiencies Identified During the Office of Inspector General's Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011

We have audited the consolidated balance sheets as of September 30, 2012 and 2011, and the consolidated statements of net cost, consolidated changes in net position, and combined statement of budgetary resources for the year then ended, hereinafter referred to as the financial statements of the U.S. Agency for International Development (USAID), and have issued a qualified opinion thereon dated November 16, 2012. In planning and performing our audit of USAID's financial statements, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered the internal control since the date of our report.

During our audit, we noted certain matters involving USAID's internal controls that we present in this memo for your consideration. The comments and suggestions, all of which have been discussed with the appropriate members of USAID's management, are intended to improve USAID's internal controls or result in other operating efficiencies.

We appreciate the cooperation and courtesies that your staff extended to the Office of Inspector General during the audit. If you have questions concerning this memo or would like to discuss its contents, please contact Rohit Chowbay at 202-712-1317.

Attachment (a/s)

FY 2012 Mission Reviews

During our FY 2012 audit at the ten selected missions, we identified the following internal control deficiencies:

Recording of Property, Plant, and Equipment (PP&E)

Our audit revealed that USAID's process for recording PP&E and disposing of excess PP&E needs improvement. We found two instances in which USAID missions did not record the disposition of assets that were no longer in use. For example, at USAID/Dominican Republic we observed that the disposition of three vehicles in April 2012 was recorded in the fourth quarter instead of the third quarter. Additionally, we found that although some vehicles were sold and disposed of through the International Cooperative Administrative Support Services (ICASS), the sales were not reported to the mission and there was no record of authorizing or recording the dispositions.

Statement of Federal Financial Accounting Standards 1, "Accounting for Assets and Liabilities," defines assets as, among other things, property that is available to an entity for its use. Furthermore, USAID's Automated Directives System (ADS) 629, "Accounting for USAID-Owned Property and Internal Use Software," states that PP&E assets and their associated accumulated depreciation or amortization must be removed from the general PP&E accounts when the assets are disposed of.

Therefore, we suggest that the Office of the Chief Financial Officer coordinate with the Department of State to establish procedures for the missions to determine who has substantial influence over assets that have been transferred to ICASS and how to record those assets. In addition, ICASS should obtain authorization for the sale and disposition of USAID PP&E and communicate to the mission when assets are sold or disposed of.

Submission of Travel Vouchers (Repeat Finding)

Our audit revealed that employees who travel on official duty do not submit their travel vouchers within the time limit established by the Agency after the completion of official travel. We noted that 132 travel vouchers totaling approximately \$260,000 at nine of the ten selected missions were submitted for liquidation after the prescribed 5-day limit.

ADS 633.3.5, "Travel Voucher Processing Requirements," requires travelers to submit travel vouchers within 5 business days after the completion of a trip or every 30 calendar days for an extended trip. Because these travelers did not submit their travel vouchers on time, the USAID missions could not determine if the unliquidated balances in the related obligations could have been made available for other purposes.