



**OFFICE OF INSPECTOR GENERAL**  
**SEMIANNUAL REPORT TO THE CONGRESS**

*April 1–September 30, 2009*



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# CONTENTS

Message From the Inspector General .....	3
Introduction .....	5
Semiannual Report to the Congress .....	9
United States Agency for International Development (USAID)	
United States African Development Foundation (USADF)	
Inter-American Foundation (IAF)	
Significant Accomplishments—USAID .....	11
<i>Peace and Security</i>	
Afghanistan .....	11
Philippines .....	14
Iraq .....	14
West Bank/Gaza .....	18
Jordan .....	18
Egypt .....	18
<i>Just and Democratic Government</i>	
Democracy .....	18
Human Rights .....	19
<i>Economic Growth and Prosperity</i>	
Economic Security .....	20
<i>Investment in People</i>	
Health .....	22
Education .....	26
<i>Management Capabilities</i>	
Information Technology .....	27
<i>Financial Management</i>	
Management Accountability .....	27
Expanding Accountability .....	30
Accountability Over Contractors and Grantees .....	31

## CONTENTS (con't)

Significant Accomplishments—USADF .....	35
Significant Accomplishments—IAF .....	37
Appendix I: Reporting Requirements—USAID, USADF, and IAF .....	39
Appendix II: Summary Tables—USAID, USADF, and IAF .....	75
Semiannual Report to the Congress—Millennium Challenge Corporation (MCC) .....	81
Introduction .....	83
Significant Accomplishments—MCC .....	85
<i>Economic Growth and Prosperity</i>	
Economic Security .....	85
Compact Programs .....	86
<i>Management Capabilities</i>	
Financial Management .....	90
Fund Accountability Statements .....	92
Appendix III: Reporting Requirements and Summary—MCC .....	99
Appendix IV: Abbreviations .....	113

# MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the *Semiannual Report to the Congress* for the 6-month period ending September 30, 2009. This report, issued in accordance with the requirements of the Inspector General Act of 1978, as amended, features highlights of oversight functions of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID), the United States African Development Foundation (USADF), the Inter-American Foundation (IAF), and the Millennium Challenge Corporation (MCC).

During the reporting period, OIG activities resulted in:

- 225 audits issued
- \$150,954,399 in questioned costs and funds put to better use
- 66 investigations opened and 53 investigations closed
- 6 arrests, 1 indictment, and 3 convictions
- 7 administrative actions
- \$72,058,563 in investigative recoveries and savings
- 80 fraud awareness briefing sessions with 1,769 attendees

The efforts of our employees around the world demonstrate our commitment to improving foreign assistance programs. Sustainable development is an ever more important instrument in America's efforts to address the global issues of health, hunger, poverty, rule of law, and political and economic instability. Our work seeks to ensure that American taxpayers' dollars are being spent wisely and effectively and that these investments are making a beneficial difference in people's lives.

Among our top priorities in this reporting period has been the oversight of activities in Afghanistan, where our work since 2002 has paralleled the evolution of USAID's programs from relief and stabilization to reconstruction to sustainable development. Foreign assistance programs have attempted to create economic growth, effective and representative governance, and the human capital base that will eliminate conditions that contribute to extremism.

OIG has also provided continuing oversight of programs in Iraq, where reconstruction and development programs focused on community stabilization, economic governance, and national capacity building. Another priority area for OIG has been oversight of programs to combat HIV/AIDS, malaria, and tuberculosis. Our recommendations have involved strengthening contract oversight and improving data integrity and quality.

In addition to working toward improving USAID programs and operations, we have a responsibility to prevent fraud, waste, and abuse in foreign assistance programs. Our investigators work diligently to ensure that appropriate action is taken against those who would illegally divert U.S. Government funds.

Within OIG, we recognize that we must improve our own programs and initiatives by continually reexamining our strategies and goals and by taking advantage of technologies that enable us to better implement programs and respond to our stakeholders.

This report further describes OIG activities and achievements and includes comprehensive statistics and data regarding our efforts. OIG continues to pursue a collaborative, proactive, and results-oriented approach in support of USAID, USADF, IAF, and MCC programs and operations. We look forward to working with the Congress and our partners and stakeholders to continue to improve the efficiency and effectiveness of U.S. foreign assistance programs.

Donald A. Gambatesa





# INTRODUCTION

## *History and Mandated Authority*

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

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. 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. Some of our 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 program funding levels. Each decision to perform specific work is made after considering the risks associated with the agencies' programs and assessing potential vulnerabilities in internal controls.

## *Areas of Responsibility*

**Audits.** The Office of Audit is responsible for supervising audit activities relating to worldwide foreign assistance programs and agency operations of USAID, USADF, IAF, and MCC. Audit activities include performance audits of programs and management systems, financial statement audits required under the Chief Financial Officers Act, and audits related to financial accountability of grantees and contractors.

**Investigations.** The Office of Investigations is responsible for supervising the performance of investigative activities relating to the foreign assistance programs and agency operations of our client agencies. Investigations of criminal, civil, and administrative violations cover all facets of these worldwide operations. OIG also conducts proactive investigations and fraud awareness training, develops and distributes fraud awareness literature and audiovisual aids, and offers advice on antifraud strategies.

**Management.** The Office of Management is responsible for managing all administrative activities for OIG headquarters in Washington, DC, and OIG regional offices overseas. Administrative functions include human resources, budgeting, contracting, and information management.

**Millennium Challenge Corporation.** OIG 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 coordinates with OIG's Investigations and Audit offices for investigative and supplementary audit support.

**Overseas Offices of Inspector General.** OIG carries out its audit and investigative work in about 100 countries through offices in:

- Kabul, Afghanistan
- Islamabad, Pakistan

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<sup>1</sup> International Security and Development Cooperation Act of 1980, Public Law 96-533; Foreign Assistance Act of 1961, Public Law 87-195.

<sup>2</sup> Public Law 97-113.

<sup>3</sup> Public Law 95-452.

<sup>4</sup> Admiral James W. Nance and Meg Donovan Foreign Relations Authorizations Act, Fiscal Years 2000 and 2001, Public Law 106-113, Appendix G.

<sup>5</sup> Millennium Challenge Act of 2003, Public Law 108-199, Division D, Title VI.

- Baghdad, Iraq
- Cairo, Egypt
- Dakar, Senegal
- Manila, Philippines
- Pretoria, South Africa
- San Salvador, El Salvador

## *Joint Work and Partners*

OIG participates on task forces and cooperates with other interagency groups. In this reporting period, OIG contributed to task forces to provide oversight for accountability and transparency in USAID operations in Afghanistan and Pakistan and to assist the Department of Justice in addressing procurement and grant fraud, especially in Iraq and Afghanistan.

**Southwest Asia Joint Planning Group.** This group, formed to coordinate oversight activities in Afghanistan and other countries in the region, issued its first Comprehensive Audit Plan for Southwest Asia in June 2008, in accordance with the FY 2008 National Defense Authorization Act.<sup>6</sup> The group comprises representatives of the Offices of Inspector General for USAID, the Departments of Defense and State, the Defense Contract Audit Agency, and the Government Accountability Office (GAO), and the Special Inspector General for Afghanistan Reconstruction.

**Afghanistan–Pakistan Subgroup.** The U.S. Government’s efforts to stop terrorism 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 Southwest Asia Joint Planning Group has been 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, and GAO, and the Special Inspector General for Afghanistan Reconstruction. The subgroup acts 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.

**Iraq Council of Inspectors General.** Oversight organizations operating in Iraq meet quarterly to discuss ongoing and planned activities to share information, resolve conflicts, and avoid duplication. The Special Inspector General for Iraq Reconstruction chairs the meetings, which are attended by representatives of Offices of Inspectors General for USAID, the Departments of State and Defense, GAO, and other oversight offices within the Department of Defense, such as the Army Audit Agency and the Defense Contract Audit Agency. Representatives located in Washington, DC, and Iraq participate in these meetings, either in person or by phone.

**USAID Afghanistan–Pakistan Task Force.** The USAID Afghanistan/Pakistan Task Force seeks to make USAID assistance to U.S. Government reconstruction and development efforts in Afghanistan and Pakistan as effective as possible by providing analyses, strategies, and recommendations and by cultivating interagency coordination and cooperation. The Task Force includes an OIG representative to respond to the Agency’s oversight needs and to promote accountability and transparency in these two countries critical to U.S. foreign policy. Recently, the Inspector General invited the Special Inspector General for Iraq Reconstruction and the Special Inspector General for Afghanistan Reconstruction to address the Task Force. All three spoke to the Task Force to explain their coordinated oversight strategies.

<sup>6</sup> Public Law 110–181, § 842, “Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan.”

**National Procurement Fraud Task Force.** For more than 2 years, OIG has participated on two Department of Justice task forces—the National Procurement Fraud Task Force (NPFTF) and the International Contract and Corruption Fraud Task Force (ICCTF). The mission of both task forces is to promote the early detection, prevention, and prosecution of procurement and grant fraud associated with increased contracting activity for national security and other Government programs.

### *OIG Program Areas and Priorities*

OIG structures its work to achieve progress in worldwide foreign assistance programs. OIG audits have also included recommendations to improve the infrastructure of USAID systems and operations to increase the efficiency of the work the Agency undertakes.

Priority program areas covered in this reporting period include

#### *Peace and Security*

- Afghanistan
- Egypt
- Iraq
- Jordan
- Philippines
- West Bank and Gaza

#### *Just and Democratic Government*

- Democracy
- Human Rights

#### *Economic Growth and Prosperity*

- Economic Security

#### *Investment in People*

- Health
- Education

#### *Management Capabilities*

- Information Technology

#### *Financial Management*

- Management Accountability
- Expanding Accountability
- Accountability Over Contractors and Grantees



## SEMIANNUAL REPORT TO THE CONGRESS

*United States Agency for International Development (USAID)  
United States African Development Foundation (USADF)  
and  
Inter-American Foundation (IAF)*



# SIGNIFICANT ACCOMPLISHMENTS

## USAID

### PEACE AND SECURITY

#### *Afghanistan*

**Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan.** Despite recent successes in Afghanistan—increased economic growth, more student enrollments in schools, and better access to health care—continuing violence and severe underdevelopment in the provinces threaten to undermine the legitimacy of the central government and reverse gains made to date. To assist the provincial governments and improve stability within the provinces, in October 2006 USAID/Afghanistan launched its Local Governance and Community Development Project in the southern and eastern provinces by awarding a 3-year, \$95 million contract (subsequently increased to \$164 million) to Development Alternatives, Inc. As of August 31, 2008, USAID/Afghanistan had obligated \$119 million and disbursed \$41 million for the project activities. The project included four main components: (1) supporting local public administration and governance, (2) promoting community mobilization and development, (3) aiding local stability initiatives, and (4) providing expertise to support the provincial reconstruction teams' mandate.



Canal-cleaning project in Lagham Province, shown before work began and after completion.  
(Photos by project implementer, left, and OIG, right)

The audit found that the project had suffered from substantial delays in the first three components. Because these components accounted for almost all of the project's disbursements, as the project enters its third and final year, its success seems highly questionable.

Besides these delays, the project also has been hindered by the need for improvements in the contractor's monitoring and evaluation system, refinements in the mission's operational plan indicators, and timely approval of annual contractor work plans. Moreover, the contractor did not properly establish performance targets for the 14 key indicators in its performance monitoring plan for fiscal year (FY) 2008.

The project did achieve some planned results, such as on-the-job training for Government staff and assistance to ministries in preparing solicitations for donor funds. In addition, the contractor was able to construct a school in Nangarhar Province that brought two competing tribes together for a common project.



**Goshta School in Nangarhar Province, Afghanistan. (Photo by project implementer)**

Of the 12 recommendations to assist the mission in improving its implementation and monitoring of local governance and community development activities, final actions have been taken on 8, and management decisions have been reached on 4.

*(Audit Report No. 5-306-09-003-P)*

**Audit of USAID/Afghanistan’s Land Titling and Economic Restructuring in Afghanistan Project.**

The Government of Afghanistan is committed to reducing poverty and increasing economic growth in the private sector, as reflected in its National Development Strategy and as part of the larger goal of achieving a prosperous and stable Afghanistan. Two primary constraints impede the Government’s efforts: (1) limited or ambiguous rights to land and (2) state ownership of underutilized or unutilized enterprises. To help the Government of Afghanistan address these conditions, USAID/Afghanistan designed the Land Titling and Economic Restructuring in Afghanistan Project and, to implement it, awarded a 3-year, \$29.2 million contract to Emerging Markets Group, Limited, in 2004 under USAID’s Support for Economic Growth and Institutional Reform Privatization II Indefinite Quantity Contract. In October 2007, USAID/Afghanistan extended the project for 2 more years, through October 2009, and increased the total estimated cost to \$56.3 million.

The project has two components. The first focuses on land titling and registration to help the Government of Afghanistan improve land tenure security in urban areas, with the ultimate goal of introducing a consolidated land administration system in Afghanistan. The second focuses on privatizing state-owned enterprises.



**Two areas of the property deed office, shown before the project office assisted with reorganizing the property deeds and after reorganization. (Photos by project office)**

Our audit found that the project had achieved some of its planned results. Under the two project components, USAID/Afghanistan tasked the contractor to implement 18 tasks during the first 3 years of implementation, and the contractor completed 14 of them. Under the first component, the project laid a foundation that could benefit



the Government of Afghanistan's land administration system. Under the second component, in the first 3 years the project provided technical assistance toward liquidating 23 state-owned enterprises, 3 state-owned banks, and 1 state-owned corporation. As a result, state-owned assets valued at \$10.6 million have been auctioned.



**As a result of the project's assistance, the Agriculture Development Bank was scheduled for public auction at a starting price of \$5.8 million.**  
(Photo by OIG)

As a whole, the project achieved positive results under both components. However, because the project will end in October 2009, little time remains to complete the remaining activities. The audit identified the following issues, which the mission should consider during the implementation of the project over the remaining contract period:

- The liquidation process took longer than expected.
- The State-Owned Enterprise Department lacked the capacity to manage the liquidation process.
- USAID investment in privatization was not always successful.
- More collaboration could strengthen the project's impact.
- Reduction in scopes of work was not properly administered.

Final action has been taken on three of the four recommendations, and management decision has been reached on the remaining one.

*(Audit Report No. 5-306-09-004-P)*

**Two Americans Arrested and \$60 million Subcontract Solicitation Canceled Pursuant to Investigation of Conspiracy To Solicit Kickbacks.** An investigation of a conspiracy to sell privileged information for a security subcontract in Afghanistan, valued at approximately \$60 million, led to the arrest of two Americans and termination of the related procurement. The subjects had conspired with an employee on the subcontract evaluation committee at an American contracting firm. That firm was required to fill a gap after one of its incumbent security firms was debarred from U.S. Government programs pursuant to indictments in an unrelated USAID/OIG case. One of the arrested subjects has pleaded guilty to conspiracy to solicit a kickback. USAID determined that, "given the extent of the impropriety," the subcontract solicitation had to be canceled.

## *Philippines*

**Former USAID Contracting Officer Indicted for Making False Claims.** OIG initiated an investigation into allegations that a regional contracting officer had fraudulently collected a separate maintenance allowance after being legally separated from his spouse. The OIG investigation verified that the officer had signed various divorce-related documents that established his legal separation from his spouse while continuing to claim and receive more than \$14,000 in allowance payments from USAID.

The officer pleaded guilty to making false claims after being charged at the U.S. District Court for the District of Columbia. The officer faces a maximum sentence of 5 years of imprisonment, a fine of \$250,000, a 3-year term of supervised release, and an order of restitution. Sentencing is pending.

## *Iraq*

**Investigation Leads to First U.S. Extradition From Estonia.** In November 2007, an Estonian citizen was indicted in the U.S. District Court for the Middle District of North Carolina (MDNC) on charges of wire fraud, money laundering, and bribery pursuant to an OIG investigation. The individual had worked on a \$239 million USAID governance contract in Iraq from May 2003 through October 2003. During that time, among other offenses, he unlawfully directed two subcontract agreements to a Dubai firm, which was then paid more than \$7 million. The Dubai firm subsequently provided the contractor with hundreds of thousands of dollars in goods and services, including significant improvements to his North Carolina home and funds for the purchase and furnishing of two condominiums in Miami. After an indictment was brought, OIG worked with the U.S. Departments of Justice and State, Interpol, and Estonian officials to find, arrest, and return the individual to the United States. In September 2008, the subject was arrested in Estonia. For the next 11 months, the Department of Justice sought to effect his extradition under an untested 1923 treaty between the United States and Estonia while the subject filed motions from jail to prevent it. Finally, in August 2009, the subject was transported by U.S. Marshals to North Carolina, where legal proceedings will continue.

**OIG Investigation Leads to \$9.5 Million Claim Against Vendor.** OIG began an investigation on the basis of allegations that a vendor, who was providing technical assistance to USAID, had overbilled the Agency by falsely certifying that the vendor had completed unfinished work. An analysis, in collaboration with OIG's Office of Audit, led to a claim for disallowed contract costs.

**Audit of USAID/Iraq's Local Governance Program II Activities.** To address Iraq's lack of experience in local and decentralized self-governance, USAID/Iraq developed the Local Governance Program—Phase II (LGP II). Started in May 2005 with a \$90 million base contract to Research Triangle Institute, this \$370 million program was designed to consolidate gains made during the first Local Governance Program, which ran from 2003 to 2005, and to continue working with Iraqis to establish and strengthen the conditions, institutions, capacity, and legal and policy frameworks for a democratic local governance system.

The audit concluded that the activities had achieved some success with the technical assistance and training it had provided to Iraq's provincial councils. For example, 16 of 18 provincial councils had met the program's criteria for functioning. In addition, each provincial council had finalized provincial development strategies for use as their provinces' public investment plans, and 16 had invested in projects listed in their respective provincial development strategies. However, USAID/Iraq had not established criteria for selecting recipients of training, and the mission had approved a demand-driven and decentralized approach that allowed Iraqi officials to enroll in whatever training courses they felt would benefit them. Consequently, some 27,000 Iraqis received training, but the success or short-term impact of that significant amount of training on improving local governance was not measured. In addition, the mission's contractor had not established controls to prevent officials from taking courses more than once, and some officials misused the training program by taking courses multiple times.

LGPII's project activities largely ended on December 31, 2008. This report contained five recommendations that should be addressed during LGPII's follow-on project, the Local Governance Program—Phase III. OIG recommended that USAID/Iraq increase its oversight of training courses by approving curriculums of courses offered to Iraqi Government officials; implement controls to minimize repetitive training; develop criteria for identifying and selecting participant trainees; prepare contractor performance reviews promptly; and establish policies and procedures to ensure that the reviews portray the contractors' actual performance.

USAID/Iraq concurred with all the recommendations.

*(Audit Report No. E-267-09-003-P)*

**Audit of USAID/Iraq's Economic Governance II Program.** USAID/Iraq's Economic Governance II (EGII) Program, begun in September 2004, was designed to provide technical assistance to the Government of Iraq to develop and enable economic reforms through policy, regulations, laws, and institutional structures that would foster a competitive private sector. To implement the program, USAID/Iraq awarded a \$223 million contract to BearingPoint, Inc.<sup>7</sup> However, after 4 years the program has not been successful in providing the foundation for an open, modern, mixed-market economy, and it has not made a significant impact on the economic environment in Iraq. Further, although the program provided a great deal of technical assistance, the audit could not find any direct or indirect connections between the contractor's deliverables and improvements in the seven functional areas upon which the program was expected to make an impact.

The EGII Program aimed to improve 7 key economic areas through the accomplishment of 398 individual tasks. However, USAID officials did not establish a systematic mechanism to monitor the myriad tasks and thus could not track whether the tasks had been performed and were on schedule. Therefore, the mission was unable to manage the contract effectively or measure improvements in the seven key functional areas. Consequently, in September 2008, after 4 years and \$192 million in incurred costs, fewer than half of the 398 tasks had been performed. In addition, implementation of a major information system (the Iraq Financial Management Information System) was behind schedule.

Several factors contributed to the mission's lack of oversight of the economic governance contract, including a high turnover of contracting officer's technical representatives (COTR), who had been assigned to monitor the contract, and problems with the contract itself. For example, the contract did not include a monitoring and evaluation clause to measure the program's results or any requirement to report progress periodically, thus impeding the ability to monitor the program's progress or the completion of the contract deliverables.

In addition, the program needs to conduct mandatory, program-funded information technology reviews; reduce the contractor's subcontract approval level; implement controls over nonexpendable property; ensure that COTRs maintain better work files; and include an antiterrorism provision in two of the contractor's subawards.

USAID/Iraq concurred with all 12 recommendations.

*(Audit Report No. E-267-09-004-P)*

**Audit of USAID/Iraq's Iraq Rapid Assistance Program.** USAID's Iraq Rapid Assistance Program (IRAP) is designed to provide provincial reconstruction teams (PRTs) in Iraq with a flexible mechanism to support community-based leaders and local Iraqi organizations and institutions in their efforts to improve access to public services, education, and economic opportunities. USAID/OIG awarded a \$200 million contract to Development

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<sup>7</sup> A contract modification, signed September 30, 2008, between USAID/Iraq and BearingPoint, reduced the contract ceiling by \$1,707,314 to \$223,292,653. The contract was extended to an ending date of September 2, 2009.

Alternatives, Inc., to manage the grants and support the PRTs in developing grant proposals. Grants awarded under the program, ranging from \$25,000 to \$2 million, fund activities with the overarching goal of strengthening ties between Iraqi citizens, civil society, and government bodies. This audit was conducted to determine whether the program was achieving this goal.

The program was achieving its goal for the majority of the grants reviewed. Specifically, the audit found that at least 30 of the 40 sampled grants tested (75 percent) were contributing toward this goal and had either fully or substantially achieved their intended results, as specified in their grants. Some of the reviewed grants had not fully achieved their intended results, however, because of a host of problems such as design-related issues, lack of



**One of two electrical generators, costing \$35,000 each, provided under an IRAP grant in connection with an Iraqi rail yard rehabilitation project. (Photo by OIG)**

coordination with local authorities, poor performance by the implementing partner’s subcontractors, and weak monitoring. In addition, the audit identified a series of financial irregularities—involving at least 18 of the 40 grants reviewed (45 percent)—consisting of evidence of fictitious invoices, possible cost manipulation, and other improper billing practices, all underscoring the need for improved oversight. Since these irregularities warranted followup, they were referred to OIG/Iraq’s Office of Investigations for further review.



**An IRAP-funded billboard showing a sample ballot. The billboard was used as part of an election awareness campaign in preparation for Iraq's provincial elections held in January 2009. (Photo by project implementer)**

To address these issues, OIG recommended that USAID/Iraq require its implementing partner to establish improved monitoring procedures and controls to ensure that (1) implementation problems are identified, addressed, and reported to USAID promptly and the quality of goods and services provided are acceptable; (2) the partner's subcontractors are adhering to prescribed procedures in administering grantee payroll activities; and (3) invoices and other financial records supporting expense claims are reviewed more thoroughly so that irregularities, such as those identified by the audit, are detected and addressed without delay.



**An administrative building at a large market in Baghdad that was renovated under an IRAP grant. (Photo by USAID)**

The mission concurred with OIG's findings and recommendations.

(Audit Report No. E-267-09-005-P)

## *West Bank and Gaza*

**OIG's Oversight Activities Continue in the West Bank and Gaza.** OIG's oversight activities in the West Bank and Gaza included an examination of USAID's cash-transfer program to the Palestinian Authority and continuing audits of USAID's contractors and grantees.

USAID contracted with independent public accounting firms to conduct examination procedures of cash transfers to the Palestinian Authority; financial audits; and examination procedures of contractors, grantees, subcontractors, and subgrantees. These audits help ensure the validity of costs claimed and compliance with Executive Order 13224 regarding blocking assistance to terrorist organizations.<sup>8</sup> During this period, OIG issued 21 final reports. The reports identified questioned costs of approximately \$16,000 of the \$169.1 million audited. In addition, the reports identified areas for improvement in internal controls and instances of noncompliance with agreements. OIG oversight activities during this period did not identify any instances in which terrorist organizations received USAID funds.

## *Jordan*

**OIG Investigation Leads to Disciplinary Action for Inappropriate Personal Use of USAID Computer.** Following allegations that a USAID locally employed staff (LES) member had misused his USAID computer regarding sexually explicit material, the OIG investigation verified that two LES employees had accessed, stored, and forwarded the prohibited material. The employees also admitted to investigators that they had received, viewed, forwarded, and saved the material on their computers. The mission suspended the employees for 5 days without pay for the inappropriate use of Government equipment.

## *Egypt*

**OIG Investigation Leads to USAID Employee's 45-Day Suspension Without Pay.** An OIG investigation verified allegations that a USAID U.S. direct-hire employee had submitted a false travel voucher for attendance at a conference in Washington, DC, that he did not attend. Upon completion of the investigation, the employee was suspended for 45 days without pay.

# JUST AND DEMOCRATIC GOVERNMENT

## *Democracy*

**Audit of USAID/Sudan's Civil Society Program.** For FY 2008, USAID/Sudan reported total planned funding of \$19.5 million for the program, awarded to four major implementing partners. The audit focused on agreements with three: Mercy Corps, BearingPoint, and the National Democratic Institute.

The audit determined that USAID/Sudan's civil society program has had a positive impact on Sudan's civil society at the activity level. U.S. Government-funded programs were supporting participation and inclusion of traditionally marginalized ethnic minority and/or religious minority groups, media relations staff and journalists have been trained with U.S. Government assistance, people have completed U.S. Government-assisted civic education programs, and nonstate news outlets have been assisted by the program.

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<sup>8</sup> Executive Order 13224 of September 23, 2001—"Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism."

Although USAID/Sudan's civil society program has made progress, the mission can strengthen its program by (1) ensuring that reported results are valid and reliable, (2) producing a completed performance management plan approved by management, (3) performing thorough data quality assessments, (4) conducting thorough site visits, and (5) completing a letter of designation for the COTR.

Management decisions have been reached on all three recommendations, which were designed to strengthen USAID/Sudan's civil society program by addressing the areas described above.

*(Audit Report No. 4-650-09-006-P)*

**Audit of USAID/Honduras' Democracy and Governance Program.** USAID/Honduras' Democracy and Governance Program is designed to strengthen the rule of law through activities that improve the legal framework, increase the justice sector's capacity, expand access for traditionally marginalized groups, and develop a more decentralized government. USAID/Honduras spent \$18 million under its Democracy and Governance Program from October 1, 2004, through September 30, 2008. USAID/Honduras implemented the program mainly through five contracts and agreements with Florida International University, Management Systems International, Federation of Honduran Nongovernmental Organizations, Honduran Association of Municipalities, and the Consortium for Electoral and Political Processes.

The audit examined whether the mission's reporting on the program had provided stakeholders with complete and accurate information on the progress of the activities and results achieved.

Although OIG determined that there were gaps in available information on accomplishment of results, the program showed evidence of progress. USAID/Honduras improved the efficiency of criminal court procedures, helped strengthen the formal legal framework for the justice system and citizen access to government information, and helped increase audit coverage of municipal governments. Through a contract with Florida International University, USAID/Honduras helped implement a reformed criminal procedures code; draft a law concerning a judicial council and judicial career, the Organic Law of the Judicial Branch; and reform the criminal process code that provides for oral trials in appeals.

OIG determined that USAID/Honduras' reporting on its Democracy and Governance Program did not always provide stakeholders with complete and accurate information on the progress of the activities and results achieved. Reported information was inaccurate or did not meet the definition of the indicator for 13 out of the 45 items tested from the performance reports for FY 2007 and 2008. In addition, USAID/Honduras has not established performance targets for any performance management plan indicators, and the plan has not been updated since January 2005.

The report included 10 recommendations for USAID/Honduras, which included actions to strengthen the follow-on program and to determine the allowability of about \$380,000 in unsupported cost-sharing contributions. Management decisions have been reached on two recommendations.

*(Audit Report No. 1-522-09-009-P)*

## *Human Rights*

**Audit of USAID's Faith-Based and Community Initiatives.** OIG conducted this audit to determine whether USAID-awarded funds have been used for religious activities and whether USAID implemented policies and procedures for awards with faith-based and community organizations in accordance with the principles contained in Executive Order 13279<sup>9</sup> and relevant regulations.

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<sup>9</sup> Executive Order 13279 of December 12, 2002—"Equal Protection of the Laws for Faith-Based and Community Organizations."

The audit found that some USAID-awarded funds were used for religious activities in four contracts that amounted to more than \$325,000. These funds were used for the rehabilitation of mosques and adjoining community centers in Iraq. USAID also funded lesson plans within an HIV/AIDS program in Africa that contained Biblical applications and discussions.

USAID officials cannot determine whether such uses of Agency funding violated Agency regulations or the First Amendment to the Constitution, due to the complex nature of the constitutional issue. The process of deciding what activities should or should not be funded was complicated by the limited relevant legal precedent regarding the separation of church and state and its application overseas—especially in light of foreign policy objectives. USAID requested legal clarification on this issue from the Department of Justice but has not received final guidance.

Generally, USAID implemented policies and procedures for awards to faith-based and community organizations in accordance with the Executive order and Agency regulations. USAID has policies and procedures in place to inform partners of the requirements and to assist in enforcement. Nevertheless, the audit identified opportunities to improve the administration of the Agency's awards in accordance with the principles contained in Executive Order 13279.

The report presented seven recommendations to correct identified issues. The first recommended that USAID consult with the executive director of White House Office of Faith-Based and Neighborhood Partnerships to resolve its legal question about which program activities it may or may not fund. The second and third recommended revisions to internal guidance to make it more thorough and to agree with the policy that faith-based organizations should have an equal footing in competing for Federal financial assistance. The fourth encouraged changing the standard clause for awards to better inform partners of USAID's regulatory requirements. The remaining three recommended corrections to awards that did not provide complete notification of the requirements for faith-based organizations.

USAID management has taken final action on recommendations 1 and 6, and management decisions have been reached on recommendations 2, 3, 4, 5, and 7.

*(Audit Report No. 9-000-09-009-P)*

## ECONOMIC GROWTH AND PROSPERITY

### *Economic Security*

**Audit of USAID's Reporting on Global Development Alliances.** USAID established the Global Development Alliance business model in 2001. These alliances are agreements between USAID and other parties in the development community to jointly define a development problem and contribute to its solution. Public-private alliances have been increasingly emphasized as a business model to enhance USAID's effectiveness in delivering foreign assistance since 2001.

The FY 2007 Joint Department of State/USAID Highlights Report stated that USAID employed a public-private alliance model that had leveraged \$5.8 billion in cash and in-kind contributions from more than 1,700 alliance resource partners since 2001. Such partners included more than 100 universities and 20 of the top 50 Fortune 500 companies.



As a followup to a July 2005 audit, OIG conducted an audit to determine whether USAID has fully and clearly disclosed the nature and limitations of Global Development Alliance data in monthly and annual reports. OIG found that USAID has not done so. Although a new partnership reporting system has provided some benefit, the following weaknesses have made the data less useful:

- USAID has not consistently met USAID standards for data quality when reporting on the alliances. This reduced the usefulness of the data that the USAID Administrator and others used to make decisions.
- USAID has not included sufficient disclosure statements about data limitations in reports that contain data on the alliances. Without proper disclosures, the transparency of the alliance data is limited and users may be unable to properly assess the data's value in drawing conclusions and making decisions.
- USAID has not followed legal and Agency requirements for security controls for a new electronic partnership reporting system. Without the required due diligence on system security controls, this system and other USAID systems are susceptible to fraudulent activity or unauthorized access to sensitive information.

OIG provided three recommendations to correct these problems: (1) establish better controls over the reliability of reported data on Global Development Alliances, (2) require operating units to disclose any data limitations in monthly and annual reports, and (3) strengthen controls for the new electronic reporting system.

USAID has made management decisions on all the recommendations.

*(Audit Report No. 9-000-09-007-P)*

**Audit of USAID/Sudan's Road Infrastructure Activities.** USAID/Sudan's major road infrastructure activity is upgrading the 192-kilometer Juba–Nimule road in southern Sudan from a gravel road to a paved road. The main goals of the Juba–Nimule road project are to foster economic growth by increasing capacity for trade, facilitating refugee resettlement and the transportation of humanitarian aid, and strengthening southern Sudanese capabilities in road maintenance and construction. This activity is one initiative under the Sudan Infrastructure Services Project, a 5-year, \$700 million indefinite quantity contract through September 2011 with the Louis Berger Group, Inc. As of June 2009, \$66.2 million had been obligated and \$36.1 million disbursed pursuant to the Juba–Nimule road task order. Currently, the road has a projected total cost of \$163.8 million and is scheduled to be completed in November 2010.

Although USAID/Sudan's activities thus far have been mainly preparatory, the Juba–Nimule road project is likely to achieve its main goals. Preliminary actions, such as road grading and bridge repairs, accomplished by local firms, have already reduced travel times and transport costs, leading to increased traffic volumes and business activity.



**A bridge shown before repairs began and after repairs were completed.  
(Photos by project implementer)**

Newly established villages attest to the road's use in refugee resettlement. Moreover, there was widespread confidence that paving the road would yield even more benefits.

Nevertheless, implementation of the project has suffered setbacks. The project is 8 months behind schedule, primarily because policy questions arose during procurement of the main road construction subcontracts. Moreover, the total cost has risen from an estimated \$87 million in the road's feasibility study to the current estimate of \$163.8 million. This increase resulted from such factors as erroneous assumptions and a lack of technical data in the feasibility study. Problems in bridge construction also contributed to higher costs. In addition, the audit determined that none of the people interviewed along the Juba–Nimule road were aware that this road was being financed by the United States. Finally, several contracts between the Louis Berger Group, Inc., and its subcontractors had omitted required antiterrorism language.

To address these problems, the audit recommended that USAID/Sudan develop policies and procedures to provide adequate funding, scheduling, and instructions for future feasibility studies; retain an engineering consultant through the completion of the Juba–Nimule road; revise its branding strategy to focus more on direct communication with project beneficiaries; and ensure that subcontracts are modified to include required antiterrorism language.

Management decisions were reached on three of four recommendations.

*(Audit Report No. 4-650-09-009-P)*

## INVESTMENT IN PEOPLE

### *Health*

**Audit of USAID's Commodities for Avian Influenza Activities.** The U.S. Government has become increasingly concerned about the presence and rapid spread of the H5N1 strain of highly pathogenic avian influenza virus around the world and the potential that it could spark a deadly flu pandemic among humans. U.S. Government support for avian influenza control is designed with the overall goal of protecting human and animal health and mitigating the economic, social, and security consequences of highly pathogenic avian influenza in all regions of the world.

In accordance with the U.S. Government's National Strategy for Pandemic Influenza, USAID plays a leading role in the international effort to combat avian influenza. In December 2005, Congress appropriated \$56.3 million to USAID for the prepositioning and deployment of essential supplies and equipment to prepare for and respond to the avian influenza virus.

This was OIG's second audit related to USAID's avian influenza activities. The objective of this audit was to determine whether USAID had properly procured, deployed, and warehoused its avian influenza commodities.

The audit found that, in general, USAID had properly procured, deployed, and warehoused its avian influenza commodities for the locations tested. However, the audit noted some opportunities for USAID to improve program operations. Some areas of concern noted in Indonesia and Thailand were related to (1) determining the usefulness and necessity of the regional distribution center in Thailand, (2) reducing excess warehouse space, (3) properly identifying and disposing of unusable, expired, and damaged commodities, and (4) obtaining a formal agreement with one of the implementing partners.

The report included five recommendations to address these issues and improve USAID's management of the commodities for avian influenza. Actions taken by management in response to our recommendations included

deciding to close the regional distribution center in Thailand; proposing disposal of 446 unusable items (valued at \$2,325); and reducing the amount of warehouse space leased for a cost savings of approximately \$106,000.

As a result of management's actions, final action has been reached, and all five recommendations were closed upon issuance of this report.

*(Audit Report No. 9-000-09-006-P)*

**Worldwide Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief and Audit of USAID/West Africa's Procurement and Distribution of PEPFAR Commodities in Côte d'Ivoire.** In May 2003, Congress enacted legislation to fight HIV/AIDS globally through the President's Emergency Plan for AIDS Relief (PEPFAR). Although PEPFAR originally intended to provide \$15 billion over 5 years for the prevention, treatment, and care of individuals with HIV/AIDS, \$18.8 billion had been committed through January 3, 2008, with 58 percent allocated to programs in 15 focus countries. On July 30, 2008, additional legislation expanded the U.S. Government's commitment to this successful program for 5 additional years, from 2009 through 2013.<sup>10</sup> The legislation also increased the U.S. financial commitment to \$48 billion, of which \$39 billion was set aside for HIV/AIDS programs.

As part of a worldwide audit of USAID's procurement and distribution of HIV/AIDS commodities, OIG conducted audits at five selected missions. Audits of the programs in Haiti, Mozambique, Vietnam, and Zambia have been summarized in previous reporting periods. An audit of the procurement and distribution of USAID/West Africa's HIV/AIDS commodities in Côte d'Ivoire is summarized below.<sup>11</sup>

All five audits concluded that, in general, USAID had procured, deployed, and warehoused its HIV/AIDS commodities to help ensure that intended results were achieved. Moreover, the audits concluded that USAID efforts had resulted in a positive impact on the program overall.

The worldwide audit report addressed three issues to strengthen commodities management and data quality assurance: (1) improving storage conditions for HIV/AIDS commodities, (2) limiting the expiration of commodities and deterring the storage and use of expired commodities, and (3) verifying reported data.

USAID's Office of HIV/AIDS agreed with the recommendations and has implemented them.

As part of the worldwide audit, the Regional Inspector General in Dakar conducted an audit to determine whether USAID/West Africa had procured, deployed, and warehoused its HIV/AIDS commodities in Côte d'Ivoire to help ensure that intended results were achieved and to determine the impact of these results.

One of the focus countries, Côte d'Ivoire, received \$53 million in FY 2008 for HIV/AIDS activities. In September 2005, USAID contracted with the Partnership for Supply Chain Management to procure commodities for the care and treatment of HIV/AIDS and related infections and to provide related technical assistance to the host countries.

Generally, USAID/West Africa procured, deployed, and warehoused its HIV/AIDS commodities to help achieve the intended results. However, some intended results were hindered by significant problems with the inventory management system. Antiretroviral service outlets visited did not have laboratory supplies and were short of some critical antiretroviral drugs. Storage conditions at several pharmacies and antiretroviral service outlets did not meet acceptable standards. Boxes were stored in unsecured hallways, upside down, and exposed to high

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<sup>10</sup> The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (Public Law 110-293).

<sup>11</sup> The worldwide audit report summarized audit work conducted at the five missions between October 2007 and June 2008.

humidity and heat. The auditors also found problems with a cost-recovery system established by the Government of Côte d'Ivoire to generate revenues to strengthen the country's HIV/AIDS program. The system lacks transparency and accountability concerning proceeds collected from patients, and it still cannot account for an estimated \$1.5 million collected since 2004.

Despite these challenges, USAID/West Africa's efforts in procuring, deploying, and warehousing its commodities have had a substantially positive impact on the number of individuals receiving antiretroviral therapy. Information in PEPFAR annual reports shows that the number of individuals undergoing antiretroviral therapy increased from 11,097 in FY 2005 to 20,923 in FY 2006 and to 46,000 in FY 2007; the target for FY 2007 was 47,500.

USAID/West Africa agreed with the findings and all nine recommendations and took corrective actions to improve the procurement and distribution of its PEPFAR commodities in Côte d'Ivoire.

*(Audit Reports No. 9-000-09-011-P and No. 7-624-09-002-P)*

**Audits of Activities and Commodities for the Prevention of Mother-to-Child Transmission of HIV in Ethiopia, Kenya, and Tanzania.** Programs to prevent mother-to-child transmission of HIV (PMTCT) are an important part of U.S. efforts to combat HIV/AIDS. Transmission of the virus can occur during pregnancy, at the time of delivery, or through breastfeeding. Approximately 630,000 babies became infected with HIV last year, 90 percent of them in Africa. The best way to avoid mother-to-child transmission is to prevent HIV infection among women of reproductive age. The primary objectives of PMTCT initiatives are to expand voluntary HIV counseling and testing for pregnant women; administer antiretroviral drugs to mothers and infants; support safe options for feeding infants; and enable women and their spouses to begin full antiretroviral therapy whenever a country's health care system capacity allows.

As part of a worldwide audit of USAID's PMTCT activities, as described in the FY 2009 annual plan, OIG conducted audits in Ethiopia, Kenya, and Tanzania. The audit objectives were to determine whether the programs had contributed toward meeting mandated targets and to determine whether the programs had procured, stored, and distributed PMTCT commodities to help ensure that intended results were achieved. The audits also assessed the activities' impact.

The audits found that, at all three missions, PMTCT activities had contributed to meeting targets and had made a positive impact on the PMTCT program. However, at all three missions, the audits also found areas that needed improvement.

*Ethiopia.* USAID/Ethiopia has used Intrahealth International, Inc., as a key implementing partner for its program activities through the use of a cooperative agreement. During FY 2008, the period covered by this audit, \$6.3 million had been allocated for the mission's program activities, of which approximately \$5 million went to Intrahealth International, Inc.

The audit found that USAID/Ethiopia's PMTCT activities had contributed toward meeting mandated targets for (1) pregnant women receiving HIV counseling and testing for prevention of mother-to-child transmission, (2) outlets providing the minimum package of program services according to standards, and (3) health workers providing program services according to standards. USAID/Ethiopia had procured buffer stocks for antiretroviral drugs, HIV test kits, and opportunistic-infection drugs to address emergency shortages and prevent running out of stock. USAID partners had assessed national commodity needs and provided technical training to health facility staff in Ethiopia. Further, the mission had taken action to address commodity storage problems by obtaining cold-storage space for commodities and renting warehouses.

However, the activities had been less successful in meeting the target for HIV-infected pregnant women receiving antiretroviral prophylaxis to prevent mother-to-child transmission. The audit also found that the program needed to improve data quality; produce a mission performance management plan that reflects the current program; help

health centers avoid shortages of opportunistic-infection drugs, lab supplies, and some types of HIV test kits; and improve inventory records to provide complete information on the status of commodities on hand.

The audit made five recommendations to address areas in need of improvement. USAID/Ethiopia concurred and developed plans to address the recommendations.

*(Audit Report No. 9-663-09-008-P)*

*Kenya.* USAID/Kenya's HIV/AIDS activities are structured on a provincial basis, each province having its own cooperative agreement implemented by a consortium of partners and comprehensively covering HIV/AIDS prevention, care, and treatment services as well as tuberculosis, child survival, and malaria. PMTCT activities in all provinces have expanded rapidly, increasing from 250 sites providing services in 2004 to 1,084 by mid-2006. PMTCT services in Kenya received \$21.9 million of U.S. Government funding in FY 2007 for FY 2008 activities, of which \$11.4 million was managed by USAID.

The mission reported that its activities had provided counseling and testing to 499,415 pregnant women for FY 2008, exceeding its target for that period. The mission also indicated that it had provided antiretroviral drugs to 21,600 HIV-infected women, a number far short of its target. However, that target was unrealistically high and was based upon assumptions that later were modified, so the shortfall should not be viewed as diminishing the mission's achievement in this area. Finally, the audit found that although USAID/Kenya had properly procured, stored, and distributed antiretroviral medications, the mission had also experienced significant challenges in ensuring that HIV test kits were available to meet demand.

Among the program's areas for improvement, the audit advised USAID/Kenya to (1) redistribute workload to increase technical oversight of program activities, (2) improve documentation of site visits, (3) reevaluate the mission's use of the Kenya Medical Supplies Agency for distribution of HIV test kits, (4) take steps to bring the warehousing and distribution of HIV test kits up to industry standards, (5) quantify the value of HIV test kits that have been lost since the program's inception and determine whether this or any amount is recoverable under existing agreements with the Government of Kenya, and (6) work with the Government of Kenya to monitor and evaluate systems for the procurement, storage, and distribution of HIV commodities.

The audit report included six recommendations to strengthen USAID/Kenya's program by addressing the areas described above. Management decisions were reached and final action taken on three recommendations. Management decisions have been reached on the remaining three recommendations.

*(Audit Report No. 4-615-09-007-P)*

*Tanzania.* USAID/Tanzania's FY 2008 PMTCT program involved 12 implementing partners, which received \$13.8 million under a variety of agreements. The program's strategy began in 2004 and runs through 2014.

Among its contributions to the countrywide PMTCT program, the mission began by establishing antenatal clinics, or service outlets, that furnish the minimum package of services to patients. By the end of FY 2008, USAID/Tanzania had established 1,111 of these outlets, surpassing its target of 765. USAID-supported service outlets constitute almost half of the 2,474 service facilities reported by the Government at the end of FY 2008 for all program donors and 53 percent of all antenatal clinics in the country. In addition, although data quality problems prevented the audit from determining the precise number of women who had received HIV counseling and testing or who had received antiretroviral prophylaxis to prevent mother-to-child transmission in a PMTCT setting, audit tests did indicate that a significant number of women had been counseled and tested and that HIV prophylaxis had been administered when necessary.

Among the areas for improvement, the audit advised USAID/Tanzania to (1) improve the accuracy of reported results, (2) prepare a complete performance management plan that provides for data quality testing, (3) complete

thorough data quality assessments in a timely manner, (4) conduct thorough site visits, and (5) improve PMTCT commodities management.

Management decisions have been reached on all seven recommendations in the audit report.

*(Audit Report No. 4-621-09-008-P)*

## *Education*

**Audit of USAID/Lebanon’s Lebanon Education Assistance for Development Program.** Lebanese schoolchildren are educated under two separate standards. Students attending private schools enjoy better classrooms and laboratories and better trained teachers. In contrast, students attending public schools frequently do not have well-equipped classrooms, which lack adequate laboratory equipment, computers, and the Internet. Furthermore, about 30 percent of the 1,405 Lebanese primary and secondary public schools do not meet minimum building code standards. According to USAID/Lebanon, this deteriorating situation has resulted in increased public school dropout rates.



**School classroom in Lebanon shown with mold and mildew on the wall (left), and after renovation (right). (Photos by project implementer)**

USAID funded the program under two cooperative agreements on December 6, 2006, to International Orthodox Christian Charities, Inc., and Cooperative Housing Foundation International. As of January 2009, USAID/Lebanon had obligated \$9.7 million, and the implementers had expended approximately \$3.6 million and \$3.1 million, respectively. The agreements have completion dates of June 5 and September 10, 2009.

The audit found that USAID/Lebanon’s Lebanon Education Assistance for Development Program achieved its intended results and had a significant impact on improving the learning environment in Lebanese public schools during 2007 and 2008. Specifically, this education program improved the learning capacity of public school students by:

- Rehabilitating public school physical infrastructure and providing school supplies and laboratory equipment.
- Providing educational material, awareness lectures, and performances on health, environment, civics, and computer technology.
- Establishing school clubs and parent-teacher associations.
- Providing educational posters and club newsletters.

Despite the program’s successes, OIG made eight recommendations for USAID/Lebanon to improve several management controls related to program management and oversight.

All recommendations received management decisions and final action.

(Audit Report No. 6-268-09-005-P)

## MANAGEMENT CAPABILITIES

### *Information Technology*

**Audit Finding on Funding for Information Technology Security and Upgrades.** Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), USAID received \$38 million for immediate information technology security and upgrades to support mission-critical operations. USAID determined that the funding would be used for the development and deployment of the Global Acquisition and Assistance System over a 2-year period. Although USAID implemented procedures for separating Recovery Act payments from other payments, it erroneously used Recovery Act funds to pay for services that were not related to the Recovery Act. Two invoices totaling \$116,700 were improperly paid with Recovery Act funds in August 2009. These invoices were for services rendered in February and March 2009, before USAID had received its Recovery Act funding, and thus should not have been paid with funds obligated under the Recovery Act. These payments reduced the funds available for satisfying current obligations incurred under the Recovery Act and have resulted in improper payments, as defined by the Improper Payments Information Act of 2002.<sup>12</sup> In September 2009, USAID corrected this error and reimbursed the \$116,700 to the Recovery Act Fund.

(Memorandum Report No. 0-000-009-01K)

## FINANCIAL MANAGEMENT

### *Management Accountability*

**Audit of USAID's Implementation of the Millennium Challenge Corporation's Threshold Program.** The Millennium Challenge Corporation (MCC) is a U.S. Government corporation established by Congress to further global development by promoting economic growth, eliminating extreme poverty, and strengthening good governance, economic freedom, and investments in people. Under the Threshold Program, MCC provides limited funding to help countries address weaknesses that may be preventing them from obtaining large-scale MCC assistance.

In cooperation with MCC, USAID is the primary agency implementing the Threshold Program. USAID's participation has expanded rapidly, from no countries in September 2004 to 18 countries in December 2008, and has obligated about \$431.5 million as of December 31, 2008. This audit was conducted to determine whether USAID was implementing MCC's Threshold Program in accordance with applicable policies, regulations, and memorandums of agreement.

In some areas, USAID has implemented the Threshold Program in accordance with applicable policies and regulations and is fulfilling the responsibilities contained in a memorandum of agreement with MCC. USAID provided useful assistance to develop various countries' Threshold plans, completed host-nation agreements within established timeframes, and efficiently integrated Threshold Program activities into existing mission operations.

<sup>12</sup> Public Law 107-300, 31 U.S.C. 3321 note.

In two areas, however, USAID's efforts were less successful. First, USAID did not submit fourth-quarter final trial balances on time or notify MCC of subsequent adjustments to reported final trial balances, which created a \$5.2 million discrepancy in MCC's financial statements and contributed to a material weakness related to MCC quality control over financial reporting. Second, data quality assessments for the Threshold Programs were not always performed, reducing the reliability of reported data. OIG made two recommendations.

Management decisions have been reached on both recommendations, and final action has been taken on one.

*(Audit Report No 9-000-09-010-P)*

**Audit of the MCC's Threshold Program Administered by USAID/Paraguay.** To help Paraguay meet a criterion for control of corruption, which would make Paraguay competitive for expanded funding from the MCC, the MCC approved a 2-year Threshold Program in February 2006 to help Paraguay fight corruption. The program was extended to May 30, 2009. Totalling \$34.6 million, the program was designed to focus on reducing impunity for corrupt practices in the public sector and informal economic activity. As of February 2009, \$34.6 million had been obligated and \$28.7 million had been spent.

According to the most current information available from the World Bank, the program did not achieve its overall goal of enabling Paraguay to exceed the median score on the World Bank's "control of corruption" indicator for low-income countries and thus become eligible for assistance through a compact with MCC. However, the program was successful in reducing informal economic activity and was partially successful in reducing impunity. Because of this progress, MCC has agreed to a second Threshold Program, estimated at more than \$30 million.



**As part of MCC's assisted enforcement effort, this wine was seized near the Asuncion border with Argentina from an importer that was allegedly attempting to evade customs duties. (Photo by OIG)**

More specifically, the program achieved planned results related to (1) average time required to process complaints, (2) reduction of value-added tax evasion rate, (3) value of seized merchandise for alleged infringement of customs regulations, (4) corruption cases properly submitted to the Public Ministry, and (5) number of days to start a business. The program partially achieved planned results related to the number of cases investigated using the forensics laboratory, number of government institutions implementing new standards for internal control, and number of government institutions exchanging public registry data. The program was not successful in increasing the number of government institutions subject to oversight by Congress.



OIG made eight recommendations, including advising USAID/Paraguay to (1) coordinate with implementing partners and the Government of Paraguay to establish an action plan to complete certain activities, (2) focus custom and border enforcement activities more closely on Ciudad del Este, which is thought to be the center of smuggling activity in Paraguay, (3) include indicators under the new program showing more impact toward the MCC scorecards, (4) work with the parties involved so that boats procured for the Government of Paraguay are functional and are being used, and (5) schedule a security system evaluation for the identification and passport system.

USAID/Paraguay agreed to implement the recommendations and has developed specific plans to address them. Final action has been taken on one recommendation, while a management decision has been reached on the remaining seven.

*(Audit Report No. I-526-09-010-P)*

**Approximately \$32,600 Recovered in Procurement Fraud Investigation.** OIG initiated an investigation after allegations that a locally employed procurement agent had submitted false invoices to the mission for local procurements. The investigation verified that the employee had used his position to make false claims and profit from the abuse of USAID funds. The employee was due to receive separation pay amounting to approximately \$32,600, but in collaboration with the Embassy's regional security officer, OIG documented that the stolen money amounted to at least this amount. As a result, no severance or other payout was made to the employee upon termination.

**Investigation Leads to Arrest and Contract Termination.** Allegations that USAID had been billed for Community Stabilization projects that were never implemented and/or completed prompted an OIG investigation. On the basis of interviews conducted by OIG and documents obtained during the course of the investigation, a foreign magistrate judge issued arrest warrants for 12 local nationals suspected of falsifying documents for the alleged fictitious Community Stabilization projects billed to USAID. OIG, the Major Crimes Task Force, and local law enforcement coordinated to obtain the arrest warrants.

Of the 12 arrest warrants issued, one arrest has been made of a dual U.S. citizen. Other arrests are pending. The total amount of which USAID was defrauded is yet to be determined. As a result of the investigation, the Community Stabilization contract was terminated.

**Investigation Leads to \$446,117 Bill of Collection.** Local Peruvian landowners, in conjunction with a contractor's employees, unlawfully obtained USAID funds by falsifying information regarding the eradication of coca plants and the true ownership of parcels and families participating in USAID's Alternative Development Program in Lima, Peru.

The investigation revealed that the contractor had made payments to individuals under fictitious names, double payments, payments to ineligible minors, and payments to people not on the original community lists and not eligible for benefits. Moreover, the investigation revealed that the contractor's employees had followed an unwritten policy to inflate the original community lists, addenda, and invoices to meet the targets and goals set by management.

As a result of the investigation, the contractor's chief of party and the deputy director resigned, and the contractor entered into a settlement agreement with USAID that required the contractor to pay more than \$440,000 to resolve all issues identified by this investigation.

**USAID Contract Subject to Debarment and Multiple Systemic Changes for Unlicensed Program Services and Prostitution.** An OIG investigation of a 14-year, multicontract, \$250 million program in Southeast Asia uncovered gross misconduct. The investigation disclosed that more than 100 construction subcontracts had been sold by winning subcontractors to unlicensed contractors with the knowledge of employees at the American

company that had presided over the program since 1995. A USAID employee, tasked with engineering oversight of many of these projects, admitted to OIG that over a period of 4 years he had accepted gifts of prostitution from employees of the prime contractor—including one employee who was later promoted to the second highest level of program command. In addition, the firm’s internal system for conducting fraud investigations was flawed and served to keep problem employees in place while discouraging complainants from coming forward. The investigation resulted in numerous systemic changes within the program. A referral sent to USAID for consideration of debarment from Federal programs of culpable local contracting firms and employees of the U.S. contractor is pending.

**Recovery of \$2.1 Million Sought and Two Arrested for Fraud, Theft, False Statements, and Witness Tampering.** OIG began an investigation after allegations were made that 90 percent of donated commodities distributed under a USAID-funded Democracy, Conflict, and Humanitarian Assistance Program had never reached the intended beneficiaries. The investigation revealed that some of the recipient communities for the food and building material commodities did not exist. Moreover, employees of several nongovernmental organizations (NGOs) tasked with implementing the program had falsified the supporting documentation for the distribution and receipt of the goods. As a result, USAID was billed for food distribution and community stabilization projects that had never been received by its intended recipients, implemented, or completed.

The OIG investigation led to two arrest warrants issued by the Department of Justice for foreign nationals associated with the fraud—one of them a former senior official for one of the NGOs. The targets were accused of selling the food in local markets and keeping the profits. They were also alleged to have used USAID-funded construction materials to build multiple homes for their private use. The former senior NGO official and one other foreign national have been arrested and charged with multiple criminal counts of fraud, theft, false statements, and witness tampering. As a result of the investigation, USAID also issued a demand letter to the NGO to remit \$2.1 million for the misuse of P.L. 480 Title II commodities.<sup>13</sup>

**Recovery of \$5,000 Kickback and Termination and Arrest of a Foreign Service National.** Allegations that a Foreign Service national (FSN) had solicited kickbacks from a USAID vendor led to an OIG investigation. The investigation confirmed the solicitation and receipt of the \$5,000 kickback payment by the FSN. Local law enforcement officials arrested the employee, and USAID terminated employment services. A U.S. Government claim has been made on the funds, to be returned to USAID at the conclusion of the local prosecutorial process.

### *Expanding Accountability*

Corruption and lack of accountability are major impediments to development. These issues threaten to negate years of economic growth, especially in areas of the world subject to political instability and violence. OIG audits and investigations afford one method of safeguarding USAID funds; however, OIG pursues additional methods to promote accountability and transparency. For example, OIG works with Supreme Audit Institutions (SAI) to expand their capabilities and provides training in cost principles and fraud awareness.

**Expanding Supreme Audit Institution Capabilities.** OIG works closely with selected SAIs in countries where USAID is present. SAIs are the principal government audit agencies in the recipient countries and are often the only organizations that have a legal mandate to audit the accounts and operations of their governments. Therefore, SAIs may be called upon to audit funds that USAID—or other donors—provide to host governments. OIG and USAID missions have now signed memorandums of understanding with SAIs in 21 countries.

Before SAIs can conduct audits for USAID, they must have professional capability and independence. OIG often provides training to SAIs in how to conduct financial audits of USAID funds in accordance with USAID guidelines and U.S. Government auditing standards. This training helps build capacity within SAIs to enhance their ability to

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<sup>13</sup> The Agricultural Trade Development and Assistance Act of 1954—Public Law 480, Title II, “Food for Peace.”

audit all public funds. The SAI, the USAID mission, and OIG then sign a memorandum of understanding (MOU) detailing standards and procedures to be used in auditing USAID funds provided to the host government. The MOU states that OIG will provide technical advice and can perform quality-control reviews of SAI work.

**Training USAID Staff and Partners.** OIG remains committed to preventing losses before they occur and continues to provide cost principles and fraud awareness training to USAID employees, contractors, grantees, SAIs, and auditors from local accounting firms.

**Cost Principles Training.** USAID's contracts and grants include provisions (cost principles) that define what types of costs are legitimate charges to support USAID programs. Although the full text of these cost principles is contained in voluminous sections of the Federal Acquisition Regulation (FAR) and various Office of Management and Budget (OMB) circulars, USAID agreements generally contain only a single sentence that refers to the applicable section of the FAR or the applicable OMB circular. To increase awareness of—and compliance with—cost principles and to promote the highest audit standards, OIG presents training to overseas USAID staff, contractors, grantees, and others. This training provides a general overview of U.S. Government cost principles and specific real-world examples demonstrating concepts such as reasonableness, allocability, and various specific cost principles (e.g., travel expenses or entertainment costs). The training also includes financial audit requirements and accountability issues.

During this reporting period, OIG provided cost principles and related training in 4 countries and trained about 150 individuals, including USAID staff, local accounting firms, and contractors.

**Fraud Awareness Training.** In FY 2009, OIG conducted fraud awareness training in 16 countries for 1,668 individuals. See appendix II for more details.

### *Accountability Over Contractors and Grantees*

USAID is required by the FAR, the Single Audit Act,<sup>14</sup> OMB circulars, and its own internal policies and procedures to obtain appropriate and timely audits of its contractors, grantees, and Enterprise Funds. OIG provides oversight of these audit activities, ensuring that audits are conducted in accordance with appropriate quality standards and thereby enhancing accountability over USAID contractors and grantees. Also, in accordance with provisions in USAID contracts and agreements, OIG reviews audit reports of foreign organizations receiving USAID funds.

**Audits of U.S.-Based Contractors.** U.S.-based contractors carry out many USAID-funded activities. The Defense Contract Audit Agency (DCAA) conducts audits, reviews, and preaward surveys of U.S.-based contractors on USAID's behalf. OIG then reviews DCAA's reports and transmits them to USAID management.

For example, a DCAA cost-incurred audit of a USAID program in Afghanistan identified \$339,000 in questioned costs of \$18.5 million audited and four reportable internal control weaknesses. On the basis of a review of the audit report, OIG questioned an additional \$2.8 million that was not originally questioned by DCAA. OIG, therefore, recommended that USAID/Afghanistan recover more than \$339,000 in questioned costs billed to USAID and the \$2.8 million in additional questioned costs identified. The \$2.8 million in additional questioned costs pertained mainly to subcontractor costs incurred after the subcontract ended; the costs of acquiring and operating a helicopter, which should have been allocated and charged to a follow-on contract; and contract termination costs for which there was no USAID concurrence.

Management decisions have been reached on all report recommendations. For the questioned cost recommendations, the mission determined that (1) of the more than \$339,000 in questioned costs, about \$150,000 was unallowable, and (2) of the \$2.8 million in additional questioned costs, about \$355,000 was unallowable.

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<sup>14</sup> Single Audit Act of 1984, Public Law 98-502, as amended.

During this reporting period, OIG reviewed and transmitted 21 DCAA reports on U.S.-based contractors. These reports covered approximately \$462.5 million in costs incurred by contractors and questioned more than \$93 million.

**Audits of U.S.-Based Grantees and Enterprise Funds.** U.S.-based nonprofit organizations also receive significant USAID funds to implement development programs overseas. As required by OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” non-Federal auditors perform annual financial audits of USAID grantees that spend more than \$500,000 of Federal funds annually. These auditors are required to identify

- Significant deficiencies involving major programs.
- Material noncompliance with laws and regulations.
- Known fraud affecting a Federal award.
- Misrepresentations of the status of prior audit findings.
- Reasons why the auditor’s report on compliance for major programs is other than unqualified.

OIG provides oversight for the non-Federal auditors performing these audits and reviews to determine whether the auditors prepared audit reports in accordance with OMB Circular A-133 reporting requirements. OIG also conducts quality-control reviews to determine whether the underlying audits have complied with Circular A-133 audit requirements and U.S. Government Auditing Standards. In some instances, OIG contracts with DCAA to perform special financial audits and, with independent public accounting firms, to perform Agency-contracted financial audits of U.S.-based grantees.

Enterprise Funds are U.S.-based nonprofit organizations established under the Support for Eastern European Democracy Act of 1989 (SEED Act).<sup>15</sup> USAID has established 11 Enterprise Funds, 10 of which invest in countries in Eastern Europe and Eurasia, while the 11th invests in South Africa. Enterprise Funds are subject to annual financial statement audits performed by private accounting firms and reviewed by OIG.

During the current reporting period, OIG

- Issued 33 desk review reports for 28 Agency-contracted audit reports and 5 A-133 single audit reports covering USAID funds of approximately \$937 million spent by U.S.-based grantees.
- Completed one quality-control review covering approximately \$80 million in grantee expenditures.
- Issued four reports completed by DCAA covering more than \$68 million spent by U.S.-based grantees.
- Identified more than \$27.9 million in questioned costs.

**Audits of Foreign-Based Contractors and Grantees.** OMB Circular A-133 does not apply to foreign-based contractors and grantees. Given the high-risk environment in which USAID operates, however, USAID has extended similar audit requirements to its foreign-based contractors and grantees through standard provisions included in grants, cooperative agreements, and contracts and through OIG’s “Guidelines for Financial Audits Contracted by Foreign Recipients.” Financial audits of foreign-based contractors and grantees are normally conducted by independent audit firms approved by OIG’s regional offices overseas.

Under the Recipient-Contracted Audit Program, audits are required for all foreign nonprofit organizations that spend \$300,000 or more per their fiscal year. USAID may also request financial audits of nonprofit organizations that fall below the \$300,000 threshold.

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<sup>15</sup> Public Law 101-179, 103 Stat. 1298.

For example, at USAID/Namibia, OIG reviewed a recipient-contracted closeout audit of a project to support a mechanism for increased and informed interactions among elected leaders, government institutions, civil society groups, and the public on legislative and public affairs. OIG recommended that USAID/Namibia recover, as appropriate, about \$1 million in questioned costs, covering about \$2.4 million audited, and correct five material internal control weaknesses and seven instances of material noncompliance. The questioned costs were related to unsupported expenses for salaries and costs related to subgrants. Management decisions are pending for the audit recommendations.

USAID's financial audit requirements concerning its contracts, grants, and cooperative agreements are normally satisfied under the recipient-contracted audit program. However, Agency-contracted audits may be initiated by either USAID or OIG to provide additional audit coverage or to address specific concerns regarding USAID's contracts, grants, or other agreements.

At USAID/Mozambique, OIG reviewed an agency-contracted closeout audit for a contract to oversee the management and implementation of various financial services and essential maternal and child health and family planning. OIG recommended that USAID/Mozambique recover, as appropriate, about \$2 million in questioned costs, covering about \$7.2 million audited, and correct six material internal control weaknesses and two instances of material noncompliance. Most questioned costs were related to salaries, overhead, and travel costs. Management decisions are pending for the audit recommendations.

OIG reviews all audit reports and, if they are found to be in compliance with the "Guidelines for Financial Audits Contracted by Foreign Recipients," transmits the report to the appropriate USAID mission for corrective actions. Audit firms are also notified of any problems identified in the audit reports.

During the most recent reporting period, OIG reviewed and transmitted 111 audits of foreign-based organizations, resulting in approximately \$27 million in questioned costs. OIG also completed three quality-control reviews to ensure that the audits were completed in accordance with appropriate audit standards.



## USADF

**Audit of United States African Development Foundation's Compliance With Provisions of the Federal Information Security Management Act of 2002<sup>16</sup> for FY 2009.** An audit was conducted to determine whether USADF's information system security program met FISMA requirements. OIG found that USADF's information security program generally complied with the requirements, but weaknesses were identified in six areas. OIG made six recommendations to address these weaknesses. USADF's actions in response to the recommendations will be reviewed in the FISMA audit for FY 2010.

Management decision was reached on the six recommendations.

*(Audit Report No. A-ADF-09-002-P)*

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<sup>16</sup> Public Law 107-347.





## **IAF**

**Audit of Inter-American Foundation's Compliance With Provisions of FISMA for FY 2009.** An audit was conducted to determine whether IAF's information system security program met FISMA requirements. OIG found that IAF's information security program generally complied with the requirements. However, OIG made six recommendations to strengthen IAF's information security program. IAF's actions in response to the recommendations will be reviewed in the FISMA audit for FY 2010.

Management decision was reached on the six recommendations.

*(Audit Report No. A-IAF-09-003-P)*



# APPENDIX I

## REPORTING REQUIREMENTS

### *USAID, USADF, and IAF*

#### *List of Tables*

1. Financial Audit Reports Issued.....	41
2. Performance Audit Reports Issued.....	60
3. Miscellaneous Audit Reports Issued.....	62
4. Afghanistan and Iraq Audits Issued .....	63
5. Unsupported, Questioned, or Disallowed Costs of Over \$10 Million or Other Significant Findings .....	65
6. Audit Reports Over 6 Months Old With No Management Decision .....	67
7. Significant Audit Recommendations Described in Previous Semiannual Reports Without Final Action.....	69
8. Reports Issued With Questioned and Unsupported Costs .....	72
9. Reports Issued With Recommendations That Funds Be Put to Better Use .....	74



# FINANCIAL AUDIT REPORTS ISSUED USAID

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)</b>				
0-000-09-001-K	09/30/09	Audit Finding on Funding for Information Technology Security and Upgrades	117	QC
<b>FOREIGN-BASED ORGANIZATIONS</b>				
0-118-09-012-R	04/16/09	Audit of the Center for Social and Labor Rights, Program under USAID Cooperative Agreement No. 118-A-00-04-00047, for Fiscal Year Ended December 31, 2007	14 13	QC UN
0-118-09-017-R	04/21/09	Audit of the Institute for Urban Economics, Program under USAID Cooperative Agreements Nos. 118-A-00-01-00135, 118-A-00-07-00039-00, and 118-A-00-07-0060-00 for Fiscal Year Ended December 31, 2007		
0-118-09-018-R	04/07/09	Audit of RCO “GOLOS” under USAID Cooperative Agreement No. 118-A-00-07-00028-00 for Fiscal Year Ended December 31, 2007		
0-000-09-019-R	05/19/09	Audit of AVSI Rwanda, under USAID Cooperative Agreement No. GPO-A-00-05-00020-00, for the Period April 1, 2006 through September 30, 2007		
0-118-09-020-R	05/28/09	Audit of AVSI Uganda, Program under USAID Cooperative Agreement No. GPO-A-00-05-00020-00, for the Period April 1, 2006 through September 30, 2007		
0-118-09-021-R	06/23/09	Audit of AVSI Kenya, Program under USAID Cooperative Agreement No. GPO-A-00-05-00020-00, for the Period April 1, 2006 through September 30, 2007		
0-000-09-022-R	07/28/09	Audit of AVSI Italy, Program under USAID Cooperative Agreement No. GPO-A-00-05-00020-00, for the Period April 1, 2006 through September 30, 2007		
0-121-09-023-R	08/12/09	Audit of Voluntary Union of Local Governments “Association of Ukrainian Cities and Communities” under USAID Cooperative Agreement No. 121-G-00-05-0v712-00 for Fiscal Year Ended December 31, 2007		
0-000-09-024-R	07/20/09	Audit of Merlin, under Multiple USAID Agreements for Fiscal Year Ended December 31, 2007		
0-000-09-025-R	07/20/09	Audit of Merlin, Under USAID Cooperative Agreement No. PPG-002-BSHN-C2-MERLIN-BPHS-AF-0-041, for Fiscal Year Ended December 31, 2007		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I — Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
0-165-09-026-R	06/12/09	Audit of The Foundation Open Society Institute Macedonia under USAID Grant Nos. 165-G-00-02-00113-00 and 165-A-00-04-00101-00 and Cooperative Agreement No. 165-G-00-05-00102-00 for Fiscal Year Ended December 31, 2007		
0-000-09-027-R	09/24/09	Audit of Handicap International, Under Multiple USAID Agreements, for Fiscal Year Ended December 31, 2007		
0-000-09-028-R	09/16/09	Audit of Tuberculosis Control Assistance Program under USAID Cooperative Agreement No. GHS-A-00-05-00019-00 for Fiscal Year Ended September 30, 2006		
0-000-09-029-R	07/29/09	Audit of Solidarites, Under Multiple USAID Agreements for Fiscal Year Ended December 31, 2007		
0-000-09-030-R	07/20/09	Audit of Action Contre La Faim, Under Multiple USAID Agreements, for Fiscal Year Ended December 31, 2007		
0-000-09-031-R	07/28/09	Audit of Concern Worldwide Ltd. of Ireland, Under Multiple USAID Agreements, for Fiscal Year Ended December 31, 2007	8	QC
0-000-09-032-R	09/18/09	Audit of International HIV/AIDS Alliance, Under Multiple USAID Agreements, for Fiscal Year Ended December 31, 2007		
0-000-09-033-R	09/24/09	Audit of Premiere Urgence, Under Multiple Agreements, for Fiscal Year Ended June 30, 2007		
0-118-09-034-R	09/14/09	Audit of the New Eurasia Foundation, under Multiple Agreements, for Fiscal Year Ended December 31, 2007		
I-504-09-001-N	05/15/09	Audit of the Fund Accountability Statement of the Contract No. 504-C-00-07-00100-00, Managed by the Community Support and Development Services Inc. (CSDS), for the Period From May 25, 2007 to June 30, 2008		
I-527-09-049-R	06/11/09	Close-Out Audit of the Program "Program Opportunities for Regional Economic Development to Reduce Social Exclusion," Agreement No. FFP-A-00-02-00023-00 for the Period January 1 Through December 31, 2007 and "Emergency Humanitarian Aid," Agreement No. 527-A-00-07-00062-00 for the Period August 23 Through December 15, 2007	163 70	QC UN
I-517-09-051-R	04/14/09	Financial Audit of the Project Activities to Improve Teacher Effectiveness, Under Cooperative Agreement No. 517-A-00-06-00102-00, Managed by the Pontificia Universidad Catolica Madre y Maestra, for the Period From July 1, 2007 to June 30, 2008		
I-512-09-052-R	05/11/09	Close-Out Audit of the Agreement No. 512-A-00-06-00022-00, Managed by Fundacao Centro de Estudos do Comercio Exterior (FUNCEX), for the Period From October 1, 2006 to September 30, 2008	238	QC
I-532-09-053-R	05/21/09	Audit of the Fund Accountability Statement of the Expanding Education Horizons Project No. 532-0012, Managed by the Ministry of Education, for the Period September 1, 2006 to June 30, 2007	418 417	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
I-518-09-054-R	05/22/09	Audit of the Cooperative Agreement No. 518-A-00-07-00056-00, "Program for the Protection of Water Resources to Keep the Biodiversity: Financial Mechanisms for the Protection of the Watersheds of Ecuador," Managed by the Fideicomiso Mercantil Fondo Ambiental Para la Proteccion de las Cuencas y Agua, for the Period From September 15, 2007 to September 30, 2008		
I-522-09-055-R	05/29/09	Audit of the Fund Accountability Statement of the USAID/ Trade Investment and Competitiveness Program, Cooperative Agreement No. 522-A-00-05-00303-00, Managed by the Foundation for Investment and Development of Exports, for the Period From January 1 to December 31, 2008		
I-520-09-056-R	06/02/09	Close-Out Audit of the Cooperative Agreement No. 596-A-00-04-00205-00 for the "Sustainable Management of the Usumacinta River mid Basin Project," Managed by Fundacion Defensores de la Naturaleza, for the Period From September 27, 2004 to September 26, 2006	I	QC
I-519-09-057-R	06/09/09	Audit of the Fund Accountability Statement of the Project "National Survey of Family Health - FESAL," Cooperative Agreement No. 519-A-00-07-00049-00, Managed by the Asociacion Demografica Salvadorena, for the Period From September 3, 2007 to December 31, 2008		
I-518-09-058-R	06/11/09	Audit of the Fund Accountability Statement of the Environmental Support Program, Limited Scope Agreement No. 518-0126, Managed by the Galapagos National Park, for the Year Ended December 31, 2007		
I-596-09-059-R	06/16/09	Audit of the Fund Accountability Statement of the Project No. 596-A-00-06-00099-00, Managed by the Water Center for the Humid Tropics of Latin America and the Caribbean, for the Period From September 18, 2006 to September 30, 2007		
I-527-09-060-R	08/14/09	Audit of the Fund Accountability Statement of Cooperative Agreement No. 527-A-00-08-00014-00: "Youth Development in Peruvian Coca Growing Areas," Managed by the Information and Education Center for the Prevention of Drug Abuse (CEDRO), for the Period from March 1, 2008 to February 28, 2009		
I-520-09-061-R	08/20/09	Audit of the Fund Accountability Statement of the Program to Strengthen Competitiveness of Guatemalan Business and Products, Cooperative Agreement No. 520-A-00-05-00009-00, Administered by the Asociacion Guatemalteca de Exportadores (AGEXPORT), for the Year Ended December 31, 2008		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I — Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
I-532-09-062-R	08/26/09	Closeout Audit of the Fund Accountability Statement of the Bridging Activity for the Uplifting Adolescents Project, Cooperative Agreement No. 532-C-00-05-00097-00, Managed by the People's Action for Community Transformation (PACT), for the Period from September 16, 2005 to February 28, 2006	1	QC
I-511-09-063-R	08/27/09	Audit of the Fund Accountability Statement of the Project "Hydra, Forest and Biodiversity Resources Managed for Sustainable Economic Development" Sub Agreement Managed by the Amazonian Forest Development Center (CADEFOR) Under the Cooperative Agreement No. 511-A-00-02-00200-00, for the Year Ended December 31, 2007		
4-674-09-012-N	05/11/09	Agency Contracted Audit of USAID Resources Managed by Wits Health Consortium (WHC) under the Cooperative Agreement Nos. 674-A-00-05-00003-00 and 674-A-00-05-00004-00 and Agency Contracted Closeout Audit of USAID Resources Managed by Wits Health Consortium (WHC) under the Bilateral Grant Agreement No. 674-0320-G-00-5053-10, Project Implementation Letters Nos. 10, 14, 15, 16, 17, 19, 20, 21 and 23 for the period January 1, 2004 to December 31, 2005	1,419 5	QC UN
4-615-09-013-N	06/24/09	Agency Contracted Audit of USAID Resources Managed by Mission for Essential Drugs and Supplies (MEDS) under Contract No. 623-C-00-05-00008-00 for the period November 8, 2004 to March 31, 2008	97 95	QC UN
4-674-09-015-N	08/11/09	Agency Contracted Audit of USAID Resources Managed By Southern African Development Community Parliamentary Forum (SADC-PF) Under Strategic Objective Grant Agreement (SOAG) No. 690-0305 for the Period April 1, 2007 to March 31, 2009	11 1	QC UN
4-656-09-016-N	09/14/09	Close-out Audit of USAID Resources Managed by Ernst & Young Under Contract No. 656-I-00-01-00080-00 for the Period October 10, 2001 to March 31, 2005	73 2	QC UN
4-656-09-017-N	09/14/09	Close-out Audit of USAID Resources Managed by Deloitte & Touche Under Contract Nos. 656-I-00-01-00078-00 Task Order No. 01 (Health) for the Period March 11, 2002 to June 30, 2004, 656-I-00-01-00078-00 Task Order No. 08 Center for Promotion of Rural Financial Services for the Period August 1, 2003 to March 31, 2005, and 656-C-00-00-00066-00 Project Management Unit for the Period August 21, 2000 to December 31, 2002	1,980 3	QC UN
4-656-09-036-R	04/08/09	Audit of USAID Resources Managed by Foundation for Community Development, Maputo Development Corridor Project under Cooperative Agreement No. 656-A-00-04-00041-00 for the year ended September 30, 2006		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I



Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
4-663-09-037-R	04/08/09	Recipient Contracted Audit of USAID Resources Managed by the Amhara National Regional State Food Security Coordination and Disaster Prevention Office (AFSCDPO) under Strategic Grant Agreement (SOAG) No. 663-016-016 for the year ended December 31, 2007		
4-656-09-038-R	04/08/09	Audit of USAID Resources Managed by Foundation for Community Development, Maputo Development Corridor Project under Cooperative Agreement No. 656-A-00-04-00041-00 for the year ended September 30, 2007		
4-674-09-039-R	04/09/09	Closeout Audit of USAID Resources Managed by Transparency International Zimbabwe under Cooperative Agreement No. 690-A-00-05-00104-00 for the thirty months ended December 15, 2007	12	QC
4-621-09-040-R	05/11/09	Audit of USAID Resources Managed by Pastoral Activities and Services for People with AIDS Dar es Salaam Archdiocese (PASADA), To Provide Support for a Program in Scaling up HIV/AIDS Services Including Support to Orphans and Vulnerable Children (OVC), Community Education and Voluntary Counseling and Testing (VCT), Cooperative Agreement No. 621-A-00-06-00011-00 for the period October 1, 2006 to December 31, 2007		
4-621-09-041-R	05/11/09	Audit of USAID Resources Managed by Deloitte Consulting Limited for TUNAJALI program to HIV/AIDS Care and Treatment and Rapid Funding Envelope under Contract No. 621-C-007-00002-00, Community Care for People Living With HIV/AIDS (PLWHA) and Orphans/Vulnerable Children (OVC) under Cooperative Agreement No. 621-A-00-07-00023-00, and the winding up of Quick Start Care & Treatment and Rapid Funding Envelope for HIV/AIDS under Strategic Objective Agreement No. 621001-01 under Contract No. 623-C-00-03-00004-00 for the period October 26, 2006 to December 31, 2007	25	QC
4-615-09-042-R	05/11/09	Audit of USAID Resources Managed by The Children of God Relief Institute (COGRI) under Lea Toto Orphans and Vulnerable Children (OVC) programs, Cooperative Agreement No. 623-A-00-06-00037-00 for the year ended June 30, 2008	3	QC
4-617-09-043-R	05/11/09	Recipient Contracted Audit of USAID Resources Managed by Hospice Africa Uganda, under Cooperative Agreement No. 617-A-00-05-00010-00 for the year ended March 31, 2008		
4-674-09-044-R	05/11/09	Closeout Audit of USAID Resources Managed by Educational Opportunities Council under Cooperative Agreement No. 674-A-00-90-00038, for the period January 1, 2003 to March 31, 2004	558 506	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
4-674-09-045-R	05/11/09	Recipient Contracted Close-Out Audit of USAID Resources Managed by Right To Care, under Cooperative Agreement No. 674-A-00-02-00018-00 for the 21-month period January 1, 2006 to September 30, 2007	2	QC
4-613-09-046-R	05/26/09	Recipient Contracted Audit of USAID Resources Managed by Counseling Services Unit, under Grant Agreement No. 613-G-00-01-00244-00 for the period October 1, 2005 to December 31, 2007	11 11	QC UN
4-615-09-047-R	06/08/09	Recipient Contracted Audit of USAID Resources Managed by Mildmay International-Kenya under Cooperative Agreement No. 623-A-00-07-00014-00, USAID support for strengthening the home based care services in Kenya for the period January 1, 2007 to March 31, 2008	58	QC
4-615-09-048-R	06/10/09	Recipient Contracted Audit of USAID Resources Managed by Kenya Wildlife Services (KWS), under Development Assistance Grant Agreement No. 615-005, Implementation Letter No. 8, for the period July 1, 2006 to June 30, 2007	65 25	QC UN
4-615-09-049-R	06/19/09	Recipient Contracted Audit of USAID Resources Managed by Lewa Wildlife Conservancy under Cooperative Agreement No. 623-A-00-05-00010-00 for the period December 1, 2004 to December 31, 2007	19	QC
4-621-09-050-R	06/24/09	Audit of USAID Resources managed by the Government of the United Republic of Tanzania's Ministry of Health and Social Welfare—Primary Health Care Institute (PHCI) Iringa Project Under Strategic Objective Grant Agreement No. 621-0011-01, Implementation Letters No. 6 and 10 for the period July 1, 2007 to June 30, 2008		
4-621-09-051-R	06/24/09	Audit of USAID Resources Managed by the Ministry of Health and Social Welfare—Centre for Educational Development in Health Arusha (CEDHA) under Strategic Objective Grant Agreement No. 621-0001-01, Implementation Letter No. 11 for the July 1, 2007 to June 30, 2008		
4-673-09-052-R	07/06/09	Recipient Contracted Close-Out Audit of USAID Resources Managed by Namibia Institute for Democracy under the Program: Strengthening the Interaction between Civil Society and Selected Government Institutions Cooperative Agreement No. 690-A-00-04-00267-00 for the period January 1, 2006 to June 30, 2008	1,021 348	QC UN
4-623-09-053-R	07/06/09	Recipient Contracted Audit of USAID Resources Managed by the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) under Cooperative Agreement No. 623-A-00-06-00082-00 for the year ended December 31, 2008		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
4-000-09-054-R	07/20/09	Recipient Contracted Audit of USAID Resources Managed by Kara Counseling and Training Trust (KCTT), under Cooperative Agreement No. GHH-A-00-07-00012-00, for year ended December 31, 2007	1	QC
4-615-09-055-R	07/20/09	Audit of the USAID Resources Managed by Kenya Agricultural Research Institute under USAID the Strategic Objective and Development Assistance Grant Agreement No. 615-007 (PIL Nos. 3 and 7) for the period July 1, 2006 to June 30, 2007		
4-621-09-056-R	07/20/09	Recipient Contracted Audit of USAID Resources Managed by Mildmay International Tanzania under Cooperative Agreement No. 621-A-00-07-00008-00 for the 15 months period ended March 31, 2008	124 19	QC UN
4-623-09-057-R	07/20/09	Recipient Contracted Audits of USAID Resources Managed by Regional Centre for Quality of Health Care under Limited Scope Grant Agreement No. 6230010.40-00002 and the Strategic Objective Grant Agreement No. 623SAOG6230011.02-60088 for the year ended June 30, 2008	32 7	QC UN
4-663-09-058-R	07/22/09	Audit of USAID Resources Managed by the Ministry of Health's Improved Family Health under Strategic Objective Grant Agreement (SOGA) No. 663-008 & 0017 for the period July 8, 2004 to July 7, 2007	14 7	QC UN
4-674-09-059-R	07/24/09	Audit of USAID Resources Managed by Right to Care under Cooperative Agreement No. 674-A-00-08-00007-00 for the year ended September 30, 2008	15	QC
4-623-09-060-R	07/27/09	Recipient Contracted Audit of USAID Resources Managed by Commonwealth Regional health Community for East, Central and Southern Africa (CRHC-ECSA) under Limited Scope Grant Agreement No. 6980483.23.80003 and Strategic Objective Grant Agreement No. 6230011.02-60087 for the year ended June 30, 2008		
4-617-09-061-R	07/27/09	Audit of USAID Resources Managed by Joint Clinical Research Centre under Cooperative Agreement No. 617-A-00-04-00003-00 for the year ended June 30, 2008	939 4	QC UN
4-674-09-062-R	07/29/09	Audit of USAID Resources Managed by Business Against Crime under Cooperative Agreement No. 674-A-00-02-00012-00 for the year ended May 31, 2008	688 688	QC UN
4-663-09-063-R	09/15/09	Recipient Contracted Audit of USAID Resources Managed by Afar Pastoral, Agriculture and Rural Development Bureau, under Limited Scope Grant Agreement (LSGA) No. 663-016, for the Period November 15, 2006 to July 7, 2008	14	QC

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
4-615-09-064-R	09/15/09	Recipient Contracted Audit of USAID Resources Managed by Kenya Plant Health Inspectorate Services, Under the Agribusiness Development Support Project (ADSP) No. 615-0268-024 & 047 and Increased Rural Household Incomes (SO7) Project No. 615-007-009, for the Period March 1, 2001 to September 30, 2005		
4-663-09-065-R	09/21/09	Recipient Contracted Audit of USAID Resources Managed by Addis Ababa Fistula Hospital under Grant No. 663-G-00-06-00418-00 for the year ended June 30, 2008	1 1	QC UN
4-615-09-066-R	09/21/09	Close-out Audit of USAID Resources Managed by Coast Development Authority under Development Assistance Grant Agreement No. 615-005, Implementation Letter No. 2 for Kenya Coastal Management Program and Limited Scope Agreement No. 615-007-LSGA-001 Implementation Letter No. 1 for Coastal Microenterprise Development Program for the period August 19, 2003 to June 30, 2007	26	QC
4-656-09-067-R	09/21/09	Recipient Contracted Audit of USAID Resources Managed by CTA-Confederacao das Associacoes Economicas de Mocambique under Cooperative Agreement No. 656-A-00-04-00050-00 for the period October 1, 2005 to September 30, 2008	379 340	QC UN
4-674-09-068-R	09/28/09	Recipient Contracted Audit of USAID Resources Managed by Olive Leaf Foundation 1989 under Cooperative Agreements Numbered GPO-A-00-05-00007-00 and GPO-A-00-00014-00, as well as Sub Agreement No. M5-G-002 for the year ended December 31, 2006	439 420	QC UN
4-623-09-069-R	09/28/09	Recipient Contracted Audit of USAID Resources Managed by Inter-Governmental Authority on Development (IGAD)/Conflict Early Warning and Response Mechanism (CEWARN) under Limited Scope Grant Agreement (LSGA) No. 6230009.02-03-600082 for the year ended December 31, 2008		
4-615-09-070-R	09/28/09	Recipient contracted close-out audit of USAID resources managed by Egerton University under Strategic Objective Grant Agreement No. 615-007 and Project Agreement No. 615-0268 for the period October 1, 2005 to September 30, 2006	1,434 1,292	QC UN
5-367-09-003-N	05/13/09	Financial Audit of USAID Resources Managed by the Department of Health Services, Government of Nepal, Under USAID Strategic Objective Grant Agreement Project No. 367-02A1, Implementation Letter No. 41 for the Period from July 16, 2004, to July 15, 2005, and Implementation Letter No. 44 for the Period from July 16, 2005 to July 15, 2006	29 8	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
5-391-09-006-N	08/13/09	Financial Audit of the Budgetary Support, USAID/Pakistan Program Assistance Agreement Nos. 391-005-ES-05 and 391-005-ES-06, Managed by the Ministry of Finance, Government of Pakistan, for the years ended June 30, 2006 and 2007		
5-391-09-007-R	04/29/09	Financial Audit of the Aga Khan University - Examination Board (AKU-EB), USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from January 1, 2006, to December 31, 2006		
5-391-09-008-R	04/30/09	Financial Audit of the College Improvement Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore (FCC), for the Period from August 23, 2004 to June 30, 2007	1,164	QC
5-442-09-009-R	05/08/09	Financial Audit of Institutional Development/Maternal/Child Health/Reproductive Health, USAID's Cooperative Agreement No. 493-A-00-04-00005-00, Managed by Reproductive and Child Health Alliance (RACHA), for the Year Ended December 31, 2007	283 283	QC UN
5-442-09-010-R	05/08/09	Financial Audit of the Institutional Development and Service Delivery Support Project, USAID/Cambodia Cooperative Agreement No. 442-A-00-99-00033-00, Managed by the Reproductive Health Association of Cambodia (RHAC), for the Year Ended December 31, 2007	58 58	QC UN
5-386-09-011-R	05/12/09	Financial Audit of USAID Funds Managed by the ICICI Bank Limited, for the Years Ended March 31, 2008 and May 31, 2008		
5-386-09-012-R	05/13/09	Closeout Financial Audit of the Strengthening Support Service and Institutional Infrastructure for India's Microfinance Sector, Award No. 386-A-00-02-00205-00, Managed by Sa-Dhan (Societies Registered under the Andhra Pradesh, Telengana Area, Public Societies Registration Act 1350), for the Period April 1, 2007 to March 31, 2008		
5-391-09-013-R	06/25/09	Financial Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank, for the Period from January 1 to December 31, 2007		
5-492-09-014-R	07/07/09	Financial Audit of the Grant Funds Received by UPecon Foundation, Inc. pertaining to the Health Policy Development Program funded by United States Agency for International Development under Cooperative Agreement No. 492-A-00-06-00031 for the period October 6, 2006 to December 31, 2007	95	QC
5-388-09-015-R	07/23/09	Financial Audit of the National Integrated Population and Health (NIPH) Program, USAID/Bangladesh Cooperative Agreement No. 388-A-00-97-00033-00, Managed by the Social Marketing Company (SMC) for the 36-month period ended September 30, 2006	48	QC

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
5-388-09-016-R	07/23/09	Closeout Audit of the National Integrated Population and Health (NIPH) Program, USAID/Bangladesh Cooperative Agreement No. 388-A-00-97-00033-00, Managed by the Social Marketing Company (SMC) for the Period from October 1, 2006 to December 31, 2007	1	QC
5-386-09-017-R	07/31/09	Financial Audit of the AVERT Project, USAID/India Project No. 386-0544, Managed by the AVERT Society, for the Period from April 1, 2007 to March 31, 2008	4	QC
5-386-09-018-R	08/10/09	Financial Audit of the CAP Foundation, USAID/India Award No. 386-G-00-06-00125-00 for the Workforce Development Initiative Project and USAID Award No. 386-A-00-06-00180-00 for the Madrasa Project, Managed by the CAP Foundation, for the Periods from September 12, 2006 to March 31, 2008 and September 29, 2006 to March 31, 2008, respectively		
5-492-09-019-R	09/03/09	Closeout Audit of the Project Titled “Targeted Intervention Economic Reform and Governance—Institutional Grant for Policy Development” USAID/Philippines Cooperative Agreement No. 492-A-00-04-00024-00, Managed by the Ateneo de Manila University (AdMU), for the Period from April 1, 2007 to June 30, 2008		
5-386-09-020-R	09/04/09	Financial Audit of USAID Resources Managed by Voluntary Health Services (VHS), for the Year Ended March 31, 2008	171 7	QC UN
5-306-09-021-R	09/29/09	Financial Audit of the Program “Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City,” USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust (TMT), for the Period from November 2, 2008 to December 31, 2008	5	QC
6-294-09-009-N	05/21/09	Examination Procedures Related to Resources Provided to the Palestinian Authority Through the Ministry of Finance Under the Cash Transfer Grant Agreement Dated March 19, 2008, For the Period From March 19, 2008 to April 30, 2008		
6-294-09-010-N	05/27/09	Audit of the Cost Representation Statement of USAID Resources Managed by DPK Consulting, Under Contract Number DFD-I-00-04-00173-00, “NETHAM Rule of Law Program,” for the Period From September 30, 2006 to September 30, 2007		
6-263-09-011-R	04/07/09	Final Financial Audit of the National Law Commission, Financial Sector Modernization Program, Competitive Environment for Investment, Under USAID Agreement Number 263-0289-02, Implementation Letter No. 3, for the Period From October 1, 2007 to January 31, 2009	182 157	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

<b>Report Number</b>	<b>Date of Report</b>	<b>Report Title</b>	<b>Amount of Findings (\$000)</b>	<b>Type of Findings</b>
6-263-09-012-R	04/09/09	Financial Audit of USAID Resources Managed by Credit Guarantee Company, Small & Medium Scale Enterprise, Cooperative Agreement No. 263-A-00-03-00020-00, for the Period From January 1, 2005 Through December 31, 2006		
6-263-09-013-R	04/30/09	Financial Audit of USAID Resources Managed and Expenditures Incurred by the State Information Service/ Information, Education and Communication Center Under USAID/Egypt Grant Agreement Number 263-0287.05, Implementation Letter Number 1, for the Period From October 1, 2006 to December 31, 2007		
6-263-09-014-R	05/19/09	Financial Audit of USAID Resources Managed and Expenditures Incurred by Financial Sector Modernization Program/Competitive Environment for Investment/Advisory and Monitoring Unit, USAID/Egypt Grant Agreement No. 263-0289.02, Implementation Letter No. 2, for the Period From January 1, 2007 to December 31, 2007		
6-263-09-015-R	06/18/09	Financial Audit of USAID Resources Managed and Expenditures Incurred by the Ministry of Health and Population, Strengthening Avian Influenza Detection and Response Project, USAID/Egypt Grant Agreement Number 263-0287, Element Number A050, Implementation Letter Number 1, for the Period From October 1, 2007 Through December 31, 2008		
6-263-09-016-R	06/16/09	Financial Audit of USAID Resources Managed and Expenditures Incurred by Forum for Development and Human Rights Dialogue, Under “An Eye on the Community” Program, Grant Agreement Number 263-G-00-07-00087-00, for the Period From September 5, 2007 to October 31, 2008		
6-263-09-017-R	07/21/09	Financial Audit of the Fund Accountability Statement of the American Chamber of Commerce in Egypt, Trade Related Assistance Center, Grant Agreement Number 263-G-00-06-00001-00, for the Period From January 1, 2008 Through December 31, 2008		
6-263-09-018-R	09/17/09	Financial Audit of Ministry of Health and Population, Integrated Maternal Child Health, Reproductive Health Services, Family Planning Project, Under USAID Agreement Number 263-0287.07, Implementation Letter No. 1, for the Period From January 1, 2006 Through December 31, 2007		
6-263-09-019-R	09/28/09	Financial Audit of USAID/Egypt Resources Managed and Expenditures Incurred by Financial Sector Modernization Program/Financial Services Project, Mortgage Finance Authority Experts, Grant Agreement Number 263-0289.01, Implementation Letter No. 4, for the Period From January 1, 2007 to December 31, 2008		

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
6-263-09-020-R	09/28/09	Final Financial Audit of USAID/Egypt Resources Managed and Expenditures Incurred by the Customs Reform Unit, Grant Agreement Number 263-0284, Implementation Letter Number 3, for the Period From July 1, 2008 to August 31, 2009		
6-294-09-023-N	09/29/09	Audit of Massar Associates Cost Representation Statement, Subcontract Number PITA-WBG-002, Under Chemonics International Incorporated, Contract Number PCE-I-00-98-00015-00, Task Order Number 22, With Palestinian Integrated Trade Arrangement, for the Period From October 7, 2005 to May 15, 2008		
6-294-09-024-N	09/30/09	Audit of USAID Resources Managed by Holy Family Hospital, Under Cooperative Agreement Number 294-A-00-05-00236-00, "Partnership for Expanded Access to Quality Maternal and Neonatal Health Care for Palestinian Women and Infants," for the Period From October 1, 2006 to September 30, 2007	11	QC
6-294-09-027-N	09/30/09	Close-Out Audit of the Fund Accountability Statement of USAID Resources Managed by Maan Development Center, Under Sub-Grant From World Vision, Inc., Cooperative Agreement Number 294-A-00-02-00226-00, "Job Opportunities Through Basic Services," for the Period From September 1, 2005 to December 31, 2006		
7-635-09-001-N	06/30/09	Closeout Audit of the USAID Resources Managed by Concern Universal under Program No. 688-A-00-03-00028-00, Enhancing Economic Stability and Social Unity in The Gambia for the period March 14, 2003 to July 31, 2006	257 75	QC UN
7-681-09-001-O	07/31/09	Agreed-upon Procedures Review of USAID Funds Managed by "Le Soutien" in Cote d'Ivoire under Cooperative Agreement No. GHH-A-00-07-00022-00 for the Period December 1, 2006 through June 30, 2008	285	QC
7-688-09-005-R	05/29/09	Audit of the Fund Accountability Statement of "Office du Niger" for the Construction of the Canal KL IV under the Sustainable Economic Growth Objective Program (CED—688-0273) and the Accelerated Economic Growth (SOAG No. 688-009-00) for the Period from January 20, 2004 through December 31, 2006	7	QC
7-620-09-006-R	09/03/09	Recipient Contracted Audit of USAID Resources Managed by the Gembu Centre for HIV/AIDS Advocacy Nigeria Under Grand Agreement No. 620-A-00-08-00076-00 for the period beginning January 15, 2008 and ending January 14, 2009	27 25	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I



Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
E-267-09-012-D	06/02/09	Audit of Costs Recorded by Sabre International Security under USAID Cooperative Agreement No. 267-A-00-06-00507-00 for the Period of September 30, 2006 through September 30, 2007; and USAID Agreement No. 267-A-00-06-00503-00 for the Period May 29, 2006 through September 30, 2007	14,067 13,986	QC UN
<b>LOCAL CURRENCY TRUST FUND</b>				
5-391-09-002-N	05/11/09	Financial Audit of USAID/Pakistan's Rupee Trust Fund for Operating Expenses, for Fiscal Years Ended September 30, 2005 and 2006		
<b>U.S.-BASED CONTRACTORS</b>				
0-000-09-029-D	04/07/09	ECIAfrica Consulting (Pty) Ltd. (ECI), Report on Audit of Fiscal Year 2005 Incurred Costs		
0-000-09-030-D	04/08/09	ECIAfrica Consulting (Pty) Ltd. (ECI), Report on Audit of Fiscal Years 2002 through 2004 Incurred Costs		
0-000-09-031-D	04/08/09	IFES, Inc., Report on Review of Adequacy and Compliance of Initial Disclosure Statement		
0-000-09-032-D	04/17/09	CH2M HILL International Services, Inc., Report on Final Indirect Rates and Corporate Home Office Allocations for Fiscal Year 2005		
0-000-09-033-D	04/24/09	Partnership for Supply Chain Management, Inc., Review of Incurred Direct Costs for Contract GPO-I-00-05-00032-00, Task Orders 1 and 2		
0-000-09-034-D	04/22/09	IBM Global Business Services, Public Sector - Federal Report on IBM Federal Cost Accounting Standard (CAS) 405 Noncompliance—Fiscal Year 2006		
0-000-09-035-D	05/04/09	BearingPoint, Inc., Report on Audit of Financial Capability		
0-000-09-036-D	05/14/09	MacFadden and Associates, Inc., Flash Report on Accounting System Deficiencies Fiscal Years 2002 through 2006		
0-000-09-037-D	05/18/09	Abt Associates, Inc., Review of Compliance with Cost Accounting Standard (CAS) 403—Allocation of Home Office Expenses to Segments		
0-000-09-038-D	06/10/09	Tetra Tech EM, Inc., Report on Audit of Costs Incurred from September 29, 2003 through October 28, 2007 under Contract No. 492-C-00-03-00022, Fisheries Improved for Sustainable Harvest	234	QC
0-000-09-039-D	06/23/09	BearingPoint, Inc., Flash Report on Accounting System Deficiencies Disclosed During Fieldwork on Direct Cost, Financial Capability, and Labor Floor Check Testing		
0-000-09-040-D	07/17/09	TCG International, LLC, Post-Award Accounting System Audit		
0-000-09-041-D	08/06/09	Report on Audit of Direct Costs of Pricewaterhouse, LLP for Fiscal Years Ended June 30, 1995 and 1996		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
0-000-09-042-D	08/27/09	IBM Global Business Services, Public Sector/Federal, Audit Report on Calendar Year 2006 Incurred Cost Rate Proposal		
0-000-09-043-D	09/14/09	University Research Corporation, LLC, Report on Adequacy of Initial Disclosure Statement Dated May 19, 2008		
5-306-09-001-D	06/18/09	Audit of Costs Incurred in the United States by The Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007 to May 31, 2008	3,143 1,908	QC UN
5-306-09-002-D	08/19/09	Audit of Costs Incurred and Billed by BearingPoint, Inc., USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period from November 1, 2002 to December 15, 2005		
5-497-09-004-N	05/29/09	Financial Audit of the Specified Line Items of the Statement of Costs Incurred and Billed to USAID/Indonesia by Development Alternatives, Inc. to Implement the Support a Peaceful Process of Democratization in Indonesia Program, USAID/Indonesia Contract No. DOT-I-03-800-00004-00, Task Order No. 800, for the Period From August 1, 2004 to January 31, 2007	192 18	QC UN
5-306-09-005-N	06/25/09	Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517, for the Period from August 25, 2006 to September 30, 2007	268 259	QC UN
6-294-09-018-N	09/23/09	Audit of the Cost Representation Statement of USAID Resources Managed by Development Alternatives, Inc., Under Task Order Number DFD-I-00-04-00129-00, "Strengthening the Accountability and Transparency of the Legislative Process," for the Period From September 30, 2005 to September 30, 2007	1	QC
6-294-09-019-N	09/24/09	Close-Out Audit of USAID Resources Managed by Development Alternatives, Inc., Under Contract Number 294-C-00-99-00060-00, "Market Access Program," for the Period From September 1, 2004 to July 1, 2005		
6-294-09-022-N	09/29/09	Audit of the Cost Representation Statement of USAID Resources Managed by Chemonics International Incorporated, Contract Number PCE-I-0098-0015-00, Task Order Number 22, Palestinian Integrated Trade Arrangement Project, Covering Locally Incurred Costs, for the Period From September 29, 2006 to May 15, 2008		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
6-294-09-028-N	09/30/09	Close-Out Audit of the Cost Representation Statement of USAID Resources Managed by Camp Dresser & McKee International, Inc., Under Task Order 803, Contract Number HRN-I-803-99-0001 I-00, "Village Water and Sanitation Program," for the Period From February 1, 2005 to February 28, 2005		
6-294-09-029-N	09/30/09	Close-Out Audit of the Cost Representation Statement of USAID Resources Managed by Camp Dresser & McKee International, Inc., Under Task Order 806, Contract Number HRN-I-806-99-0001 I-00, "Village Water and Sanitation Program and Emergency Water Operations Center," for the Period From February 1, 2005 to February 28, 2005		
E-267-09-010-D	05/08/09	Report on the Application of Agreed-Upon Procedures on Bechtel National Inc.'s Settlement of Subcontractors' Requests for Equitable Adjustments-Iraq Infrastructure Reconstruction Project Phase I and II Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00		
E-267-09-013-D	06/25/09	Audit of Direct Costs Incurred by Research Triangle Institute under Contract No. 267-C-00-05-00505-00 from January 1, 2007 through December 31, 2007	848	QC
E-267-09-016-D	07/20/09	Audit on Costs Verified for BearingPoint, Inc. Under USAID Contract No. 267-C-00-04-00405-00 for the Period October 1, 2007 through May 15, 2009	73,363 73,363	QC UN
E-267-09-017-D	08/03/09	Audit of Costs and Payments Made to Business Systems House (BSH) by Research Triangle Institute (RTI) for the Period from March 23, 2003, to September 30, 2007	15,530 13,550	QC UN
<b>U.S.-BASED GRANTEES</b>				
0-000-09-001-N	07/08/09	Report on Audit of Incurred Costs of the University of Texas at San Antonio for the Period October 1, 2005 to March 31, 2009	9	QC
0-000-09-002-N	07/08/09	Report on Audit of Incurred Costs of Chicago State University for the Period October 1, 2005 to March 31, 2009	189 46	QC UN
0-000-09-003-N	07/08/09	Report on Audit of Incurred Costs of South Carolina State University for the Period October 1, 2005 to March 31, 2009	8 5	QC UN
0-000-09-004-N	07/08/09	Report on Audit of Incurred Costs of Mississippi Consortium for International Development for the Period October 1, 2005 to March 31, 2009	7	QC
0-000-09-005-N	05/18/09	Audit Report on Audit of Incurred Costs of CubaNet News, Inc. for the Three Year Period Ending June 30, 2008	336 184	QC UN
0-000-09-005-T	06/12/09	A-133 Audit Reports of CARE USA for Fiscal Years Ending June 30, 2004, 2006, and 2007	21,527 18,302	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
0-000-09-006-N	05/18/09	Audit Report on Audit of Incurred Costs of the National Democratic Institute for International Affairs for the Three Year Period Ending June 30, 2008	1 1	QC UN
0-000-09-006-T	04/09/09	Review of U.S. Ukraine Foundation for the Fiscal Year Ending August 31, 2003		
0-000-09-007-N	05/18/09	Audit Report on Audit of Incurred Costs of Georgetown University for the Three Year Period Ending June 30, 2008		
0-000-09-007-T	04/09/09	Review of Audit Report of Center for Economic Initiatives, Inc. for Fiscal Year Ended December 31, 2003		
0-000-09-008-N	05/18/09	Audit Report on Audit of Incurred Costs at Freedom House, Inc. for the Three Year Period Ending June 30, 2008	55 55	QC UN
0-000-09-008-T	09/22/09	Review of Audit Reports of Christian Children's Fund, Inc., for Fiscal Years Ending June 30, 2007 and June 30, 2008	14	QC
0-000-09-009-N	05/18/09	Audit Report on Incurred Costs of Center for a Free Cuba for the Three Year Period Ending June 30, 2008	41 10	QC UN
0-000-09-009-T	09/24/09	Review of Audit Reports of ACCION International for the Years Ended December 31, 2004, December 31, 2006 and December 31, 2007		
0-000-09-010-N	05/18/09	Audit Report on Incurred Costs of Loyola University Chicago for the Three Year Period Ending June 30, 2008	19 19	QC UN
0-000-09-011-N	05/18/09	Audit Report on Audit of Incurred Costs at Plantados until Freedom and Democracy in Cuba for the Three Year Period Ending June 30, 2008	143 98	QC UN
0-000-09-012-N	05/18/09	Audit Report on Audit of Incurred Costs at Pan American Development Foundation, Inc. for the Three Year Period Ending June 30, 2008	67 67	QC UN
0-000-09-013-N	04/03/09	Audit Report on Audit of Incurred Costs at the University of Miami for the Three Year Period Ending June 30, 2008		
0-000-09-014-N	05/18/09	Audit Report on Audit of Incurred Costs of Florida International University for the Three Year Period Ending June 30, 2008	33 30	QC UN
0-000-09-015-N	07/08/09	Report on Audit of Incurred Costs of Elizabeth City State University for the Period October 1, 2005 to March 31, 2009	60	QC
0-000-09-016-N	07/08/09	Report on Audit of Incurred Costs of Alabama A&M University for the Period October 1, 2005 to March 31, 2009		
4-650-09-014-N	07/06/09	Agency Contracted Agreed-Upon Procedures Review of USAID Resources Managed by John Snow Incorporation Research and Training Institute (JSI) under the Cooperative Agreement No. 623-A-00-04-00042-00, Sudan Health Transformation Program, for the period April 23, 2004 to December 31, 2007	3,732 2,834	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
6-294-09-011-N	07/22/09	Audit of the Fund Accountability Statement of USAID Resources Managed by the International Foundation for Election Systems, Under USAID Associate Cooperative Agreement Number 294-A-00-05-00202-00, for the Period From January 1, 2006 to December 31, 2006	4	QC
6-294-09-012-N	08/30/09	Audit of the Fund Accountability Statement of USAID Resources Managed by John Snow Incorporated Research and Training Institute Inc., Under Cooperative Agreement No. 294-A-00-05-00201-00, "Maternal Child Health and Nutrition Project (Hanan)," for the Year Ended December 31, 2005		
6-294-09-013-N	08/31/09	Audit of the Fund Accountability Statement of USAID Resources Managed by America-Mideast Educational and Training Services, Under Cooperative Agreement Number 294-A-00-07-00214-00, Model School Networks Program, for the Period from September 30, 2007 to June 30, 2008		
6-294-09-014-N	08/31/09	Audit of USAID Resources Managed by Save the Children Federation, Inc., Under Cooperative Agreement Number 294-A-00-07-00210-00, "Vocational Training and Education Development Program," for the Period from September 30, 2007 to June 30, 2008		
6-294-09-015-N	09/16/09	Audit of the Fund Accountability Statement of USAID Resources Awarded to CARE International, Under Cooperative Agreement Number 294-A-00-05-00235-00, "Emergency Medical Assistance Program-Phase III," for the Period from October 1, 2005 to September 30, 2006		
6-294-09-016-N	09/22/09	Audit of the Fund Accountability Statement of USAID Resources Awarded to International Foundation for Election Systems, Under Cooperative Agreement Number 294-A-00-05-00202-00, "Technical Assistance to the Central Election Commission of the Palestinian Authority and to the Elections Reform Support Group," for the Period From December 10, 2004 to December 31, 2005		
6-294-09-017-N	09/23/09	Audit of the Fund Accountability Statement of USAID Resources Managed by Internews Networks, Associate Award Number 294-A-00-06-00208-00, Under Leader Award Agreement Number GEG-A-00-01-00005-00, With PACT Inc., "Independent Media Program in West Bank and Gaza," for the Period From October 24, 2006 to September 30, 2007		
6-294-09-020-N	09/29/09	Close-Out Audit of USAID Resources Managed by American Jewish Joint Distribution Committee, Under Grant Agreement No. 294-G-00-05-00222-00, for the Period From September 2, 2006 to May 2, 2007		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
6-294-09-021-N	09/29/09	Audit of the Fund Accountability Statement of USAID Resources Awarded to Cooperative Housing Foundation, Under Cooperative Agreement Number 294-A-00-04-00223-00, "Palestinian Infrastructure for Needed Employment," for the Period From October 1, 2004 to September 30, 2005		
6-294-09-025-N	09/30/09	Audit of the Fund Accountability Statement of USAID Resources Managed by Academy for Educational Development, Under Cooperative Agreement Number 294-A-00-02-00228-00, for the Period From September 1, 2003 to January 15, 2006		
6-294-09-026-N	09/30/09	Audit of the Fund Accountability Statement of Locally Incurred Costs of USAID Resources Managed by World Vision, Inc., Under Cooperative Agreement Number 294-A-00-02-00226-00, "Job Opportunities Through Basic Services," for the Period From October 1, 2005 to December 31, 2006		
E-267-09-011-D	05/28/09	Audit of Direct Costs Incurred and Billed by CHF International under USAID Agreement No. AFP-A-00-03-00004-00 (ICAP I) for August 1, 2005 through April 30, 2007, and USAID Agreement No. 267-A-00-06-00507-00 (ICAP II) for September 30, 2006 through September 30, 2007	1,648 95	QC UN
E-267-09-014-D	06/25/09	Audit of Costs Incurred and Billed by International Business and Technical Consultants, Inc. Under USAID Contract No. 267-C-00-05-00508-00 for the Period of January 1, 2007 through December 31, 2007		
E-267-09-015-D	07/14/09	DCAA Evaluation Report on Floor Checks of BearingPoint's Financial Management Information System Project Employees in Iraq		
E-267-09-018-D	08/10/09	DCAA Evaluation Report on BearingPoint, Inc.'s Purchase Existence and Consumption Practices in Baghdad, Iraq		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table I

FINANCIAL AUDIT REPORTS ISSUED  
*USADF and IAF*

April 1–September 30, 2009

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000)</i>	<i>Type of Findings</i>
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***NOTHING TO REPORT***

# PERFORMANCE AUDIT REPORTS ISSUED USAID

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>ECONOMY AND EFFICIENCY</b>				
I-598-09-008-P	05/05/09	Audit of Reporting on Operational Costs by Selected Missions and Offices in the Bureau for Latin America and the Caribbean		
I-522-09-009-P	06/04/09	Audit of USAID/Honduras' Democracy and Governance Program	377 377	QC UN
I-526-09-010-P	09/02/09	Audit of the Millennium Challenge Corporation Threshold Program Administered by USAID/Paraguay	357	BU
4-650-09-006-P	05/21/09	Audit of USAID/Sudan's Civil Society Program		
4-615-09-007-P	08/17/09	Audit of USAID/Kenya's PEPFAR-Funded Activities and Commodities for the Prevention of Mother-to-Child Transmission of HIV		
4-621-09-008-P	08/28/09	Audit of USAID/Tanzania's PEPFAR-Funded Activities and Commodities for the Prevention of Mother-to-Child Transmission of HIV		
4-650-09-009-P	09/28/09	Audit of USAID/Sudan's Road Infrastructure Activities		
5-306-09-003-P	05/11/09	Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan		
5-306-09-004-P	06/08/09	Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project		
6-268-09-005-P	07/14/09	Audit of USAID/Lebanon's Lebanon Education Assistance for Development Program		
7-624-09-002-P	05/08/09	Audit of USAID/West Africa's Procurement and Distribution of Commodities in Côte d'Ivoire for the President's Emergency Plan for AIDS Relief		
9-000-09-006-P	04/30/09	Audit of USAID's Commodities for Avian Influenza Activities	106	BU
9-000-09-007-P	06/04/09	Audit of USAID's Reporting on Global Development Alliances		
9-663-09-008-P	06/25/09	Audit of USAID/Ethiopia's PEPFAR-Funded Activities and Commodities for the Prevention of Mother-to-Child Transmission of HIV		
9-000-09-009-P	07/17/09	Audit of USAID's Faith-Based and Community Initiatives		
9-000-09-010-P	08/12/09	Audit of USAID's Implementation of the Millennium Challenge Corporation's Threshold Program		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table 2



<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000)</i>	<i>Type of Findings</i>
9-000-09-011-P	08/13/09	Worldwide Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief		
E-267-09-003-P	05/31/09	Audit of USAID/Iraq's Local Governance Program II Activities		
E-267-09-004-P	06/03/09	Audit of USAID/Iraq's Economic Governance II Program		
E-267-09-005-P	08/16/09	Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP)		

## PERFORMANCE AUDIT REPORTS ISSUED USADF

April 1–September 30, 2009

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000)</i>	<i>Type of Findings</i>
A-ADF-09-002-P	09/30/09	Audit of the United States African Development Foundation's Compliance With Provisions of the Federal Information Security Management Act of 2002 for FY 2009		

## PERFORMANCE AUDIT REPORTS ISSUED IAF

April 1–September 30, 2009

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000)</i>	<i>Type of Findings</i>
A-IAF-09-003-P	09/30/09	Audit of Inter-American Foundation's Compliance With Provisions of the Federal Information Security Management Act for FY 2009		

**MISCELLANEOUS AUDIT REPORTS ISSUED  
USAID**

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>QUALITY CONTROL REVIEWS</b>				
0-000-09-002-Q	05/15/09	Quality Control Review of Raffa, P.C.'s Audit of International Relief and Development, Inc., Fiscal Year Ended December 31, 2006		
4-674-09-002-Q	08/31/09	Quality Control Review of the USAID Resources Managed by Right to Care under Cooperative Agreement No. 674-A-00-08-00007-00 for the year ended September 30, 2008		
5-391-09-001-Q	04/30/09	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by A.F. Ferguson & Co. of the College Improvement Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore (FCC), for the Period from August 23, 2004 to June 30, 2007		
6-263-09-004-Q	09/10/09	Quality Control Review of KPMG Hazem Hassan Financial Audit Report Covering the American Institutes for Research, Under USAID Agreement No. 263-A-00-04-00005-00, for the Period From October 1, 2005 through September 30, 2007		

**MISCELLANEOUS AUDIT REPORTS ISSUED  
USADF and IAF**

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
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**NOTHING TO REPORT**

# AFGHANISTAN AND IRAQ AUDIT REPORTS ISSUED USAID

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>AFGHANISTAN</b>				
5-306-09-001-D	06/18/09	Audit of Costs Incurred in the United States by The Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/ Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007 to May 31, 2008	3,143 1,908	QC UN
5-306-09-002-D	08/19/09	Audit of Costs Incurred and Billed by BearingPoint, Inc., USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period from November 1, 2002 to December 15, 2005		
5-306-09-005-N	06/25/09	Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517, for the Period from August 25, 2006 to September 30, 2007	268 259	QC UN
5-306-09-003-P	05/11/09	Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan		
5-306-09-004-P	06/08/09	Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project		
5-306-09-021-R	09/29/09	Financial Audit of the Program "Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City," USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust (TMT), for the Period from November 2, 2008 to December 31, 2008	5	QC
<b>IRAQ</b>				
E-267-09-010-D	05/08/09	Report on the Application of Agreed-Upon Procedures on Bechtel National Inc.'s Settlement of Subcontractors' Requests for Equitable Adjustments-Iraq Infrastructure Reconstruction Project Phase I and II Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00		
E-267-09-011-D	05/28/09	Audit of Direct Costs Incurred and Billed by CHF International under USAID Agreement No. AFP-A-00-03-00004-00 (ICAP I) for August 1, 2005 through April 30, 2007, and USAID Agreement No. 267-A-00-06-00507-00 (ICAP II) for September 30, 2006 through September 30, 2007	1,648 95	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I — Table 4

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
E-267-09-012-D	06/02/09	Audit of Costs Recorded by Sabre International Security under USAID Cooperative Agreement No. 267-A-00-06-00507-00 for the Period of September 30, 2006 through September 30, 2007; and USAID Agreement No. 267-A-00-06-00503-00 for the Period May 29, 2006 through September 30, 2007	14,077 13,996	QC UN
E-267-09-013-D	06/25/09	Audit of Direct Costs Incurred by Research Triangle Institute under Contract No. 267-C-00-05-00505-00 from January 1, 2007 through December 31, 2007	848	QC
E-267-09-014-D	06/25/09	Audit of Costs Incurred and Billed by International Business and Technical Consultants, Inc. Under USAID Contract No. 267-C-00-05-00508-00 for the Period of January 1, 2007 through December 31, 2007		
E-267-09-015-D	07/14/09	DCAA Evaluation Report on Floor Checks of BearingPoint's Financial Management Information System Project Employees in Iraq		
E-267-09-016-D	07/20/09	Audit on Costs Verified for BearingPoint, Inc. Under USAID Contract No. 267-C-00-04-00405-00 for the Period October 1, 2007 through May 15, 2009	73,363 73,363	QC UN
E-267-09-017-D	08/03/09	Audit of Costs and Payments Made to Business Systems House (BSH) by Research Triangle Institute (RTI) for the Period from March 23, 2003, to September 30, 2007	15,530 13,550	QC UN
E-267-09-018-D	08/10/09	DCAA Evaluation Report on BearingPoint, Inc.'s Purchase Existence and Consumption Practices in Baghdad, Iraq		
E-267-09-003-P	05/31/09	Audit of USAID/Iraq's Local Governance Program II Activities		
E-267-09-004-P	06/03/09	Audit of USAID/Iraq's Economic Governance II Program		
E-267-09-005-P	08/16/09	Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP)		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix I —Table 4

**UNSUPPORTED, QUESTIONED,  
OR DISALLOWED COSTS OF OVER \$10 MILLION  
OR OTHER SIGNIFICANT FINDINGS  
USAID**

April 1–September 30, 2009

<i>Report Number</i>	<i>Instrument</i>	<i>Report Title/Description</i>	<i>Questioned Costs (\$000)</i>
5-306-09-002-D	Contract	Audit of Costs Incurred and Billed by BearingPoint, Inc., USAID/ Afghanistan Contract No. 306-C-00-03-00001-00, for the Period From November 1, 2002, to December 15, 2005. Description—The Defense Contract Audit Agency (DCAA) audited the incurred and billed costs for this contract. DCAA disclaimed an opinion on this audit because of problems in obtaining required information from BearingPoint. In addition, BearingPoint’s computerized general ledger had numerous blank files and manual adjustments that could not be explained. Also, direct costs in the general ledger did not reconcile to USAID invoices, and direct-labor hours did not reconcile to employee timesheets. As a result, DCAA could not express an opinion on the audit, and OIG questioned the entire \$95.8 million as unsupported costs.	95,800
E-267-09-016-D	Contract	Audit of Costs Verified for BearingPoint, Inc., Under USAID Contract No. 267-C-00-04-00405-00 for the Period October 1, 2007, Through May 15, 2009. Description—DCAA audited the incurred and billed costs for this contract. DCAA determined that BearingPoint’s accounting system did not ensure that current, complete, and accurate accounting records and supporting documentation were maintained to support the allowability and reasonableness of costs charged to Government contracts. In addition, BearingPoint’s billing system lacked policies and procedures for excluding nonbillable items from the billings. The cumulative effect of the matters identified in the report provided sufficient cause to question the entire costs billed by BearingPoint. BearingPoint, Inc., filed a voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code in February 2009.	73,400
E-267-09-017-D	Contract	Audit of Costs and Payments Made to Business Systems House (BSH) by Research Triangle Institute (RTI) for the Period From March 23, 2003, to September 30, 2007. Description—Human resource and payroll services, outsourcing services, software and licensing fees, and indirect costs of more than \$15.5 million were inadequately supported or ineligible. USAID/Iraq requested this audit.	15,500

<i>Report Number</i>	<i>Instrument</i>	<i>Report Title/Description</i>	<i>Questioned Costs (\$000)</i>
E-267-09-012-D	Subcontract issued under a Cooperative Agreement	Audit of Costs Recorded by Sabre International Security Under USAID Cooperative Agreement No. 267-A-00-06-00507-00 for the Period of September 30, 2006, through September 30, 2007; and USAID Agreement No. 267-A-00-06-00503-00 for the Period May 29, 2006, through September 30, 2007. Description—Rates charged for fuel and insurance were not included in the subcontract, billed labor costs could not be substantiated, and travel costs were billed at a higher rate than specified in the grant agreement.	14,100
0-000-09-005-T	Grants and Cooperative Agreements	A-133 Audit Reports for CARE USA for Fiscal Years Ending June 30 in 2004, 2006, and 2007. Description—As the Federal cognizant agency for CARE USA, OIG performed a review of the A-133 audit reports for the fiscal years ending June 30 in 2004, 2006, and 2007. For FY 2007, we reported 17 significant deficiencies in internal control for major programs, 15 of which were classified instances of noncompliance with requirements. The OIG review for FY 2007 disclosed a pattern of repeat findings.	21,500

**UNSUPPORTED, QUESTIONED,  
OR DISALLOWED COSTS OF OVER \$10 MILLION  
OR OTHER SIGNIFICANT FINDINGS  
*USADF and IAF***

April 1–September 30, 2009

<i>Report Number</i>	<i>Instrument</i>	<i>Report Title/Description</i>	<i>Questioned Costs (\$000)</i>
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**NOTHING TO REPORT**

# AUDIT REPORTS OVER 6 MONTHS OLD WITH NO MANAGEMENT DECISION USAID

April 1–September 30, 2009

Report Number	Auditee	Issue Date	Current Recommendation Status
9-000-08-001-P	Office of Security (SEC)	11/06/07	<p>Recommendation No. 5—Pursuant to the provisions of the Privacy Act of 1974 (5 U.S.C. 552a), USAID established new system of records entitled the “Partner Vetting System” (PVS). The information collected would be used to conduct screening to ensure that USAID funds and USAID-funded activities are not purposefully or inadvertently used to provide support to entities or individuals deemed to be a risk to national security. On November 6, 2007, OIG made a recommendation to USAID’s Office of Security to develop a plan to expand and then implement its antiterrorism vetting database for worldwide use.</p> <p>On January 2, 2009, USAID published a proposed Rule in the Federal Register, exempting the proposed PVS from certain provisions of the Privacy Act. This Rule, after certain extensions, was effective on August 4, 2009. On June 26, 2009, USAID also published a proposed Rule in the Federal Register, seeking to apply vetting to acquisition instruments. USAID is drafting the Final Rule for acquisition instruments on the basis of comments received from the public. The Office of Security, General Counsel, and the Office of Acquisition and Assistance have developed draft policy and related procedures to support a vetting program in USAID. The Acting Administrator further formed a vetting steering committee headed by the Office of the Chief Operating Officer. The steering committee has met weekly to review progress on the effort; address concerns raised by congressional officials and nongovernmental organizations; and to review policy, procedures, and legal matters. The committee has drafted an implementation plan and identified a small number of missions that would serve as pilot locations for screening the PVS. The pilot implementation plan is expected to be undertaken early in FY 2010.</p>

AUDIT REPORTS OVER 6 MONTHS OLD  
WITH NO MANAGEMENT DECISION  
*USADF and IAF*

April 1–September 30, 2009

<i>Report Number</i>	<i>Auditee</i>	<i>Issue Date</i>	<i>Current Recommendation Status</i>
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**NOTHING TO REPORT**



**SIGNIFICANT AUDIT RECOMMENDATIONS  
DESCRIBED IN PREVIOUS SEMIANNUAL  
REPORTS WITHOUT FINAL ACTION  
USAID**

April 1–September 30, 2009

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
I-598-08-006-P	Audit of Compliance with Forward Funding Requirements by Missions in the Latin America and the Caribbean Bureaus	07/29/08	1.9	12/19/08	11/09
A-000-08-009-P	Audit of USAID's Compliance with the Federal Information Security Management Act for Fiscal Year 2008	09/29/08	4 17	09/29/08 09/29/08	04/10 12/09
4-654-08-006-P	Audit of USAID/Angola's Democracy and Governance Activities	09/30/08	3	09/30/08	12/09
0-000-09-001-C	Audit of USAID's Financial Statements for Fiscal Years 2008 and 2007	11/14/08	1	11/14/08	09/10
9-000-09-002-P	Audit of USAID/Ukraine's Displaced Children and Orphans Fund Activities	11/20/08	1	11/20/08	11/09
5-306-09-002-P	Audit of USAID/Afghanistan's Higher Education Project	12/04/08	2	12/04/08	12/09
I-511-09-004-P	Audit of Engender Health's Management of Activities Financed by USAID/Bolivia	01/15/09	1 2 3 4 5 6 7 8	01/15/09 01/15/09 01/15/09 01/15/09 01/15/09 01/15/09 04/27/09 04/27/09	01/10 01/10 01/10 01/10 01/10 01/10 04/10 04/10
I-522-09-006-P	Audit of the USAID/Honduras Trade, Investment, and Competitiveness Program	02/26/09	1 2 3 4 5 6 8	05/18/09 05/18/09 05/18/09 05/18/09 05/18/09 05/18/09 05/18/09	03/10 03/10 03/10 03/10 03/10 03/10 03/10

<b>Report Number</b>	<b>Subject of Report</b>	<b>Issue Date</b>	<b>Rec. No.</b>	<b>Management Decision Date</b>	<b>Final Action Target Date</b>
I-514-09-007-P	Audit of USAID/Colombia's Human Rights Program	03/06/09	1	03/06/09	02/10
			2	03/06/09	02/10
			3	03/06/09	10/09
			4	03/06/09	01/10
			5	03/06/09	10/09
			6	03/06/09	12/09
			7	03/06/09	01/10
			8	03/06/09	11/09
			9	03/06/09	10/09
4-621-09-005-P	Audit of USAID/Tanzania's Basic Education Program	03/30/09	1.1	06/26/09	11/09
			1.2	06/26/09	11/09
			2	05/11/09	11/09
			4.1	03/30/09	11/09
			4.2	03/30/09	11/09
			5.1	03/30/09	11/09
			5.2	03/30/09	11/09
			6.1	03/30/09	11/09
			6.2	03/30/09	11/09
			7	03/30/09	11/09
8	03/30/09	11/09			
9	03/30/09	11/09			
10	03/30/09	11/09			

Appendix I — Table 7

SIGNIFICANT AUDIT RECOMMENDATIONS  
DESCRIBED IN PREVIOUS SEMIANNUAL  
REPORTS WITHOUT FINAL ACTION  
*USADF and IAF*

April 1–September 30, 2009

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
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***NOTHING TO REPORT***

# REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS USAID

April 1–September 30, 2009

Reports	Number of Audit Reports	Questioned Costs (\$)	Unsupported Costs <sup>1</sup> (\$)
A. For which no management decision had been made as of April 1, 2009	48	\$9,695,218 <sup>2,3</sup>	\$5,438,234 <sup>2,3</sup>
B. Add: Reports issued, April 1–September 30, 2009	81	148,957,864 <sup>4</sup>	130,094,978 <sup>4</sup>
<i>Subtotal</i>	129	158,653,082	135,533,212
C. Less: Reports with a management decision made, April 1–September 30, 2009	82 <sup>5</sup>	22,508,021 <sup>6</sup>	12,388,480 <sup>6</sup>
<i>Value of recommendations disallowed by Agency officials</i>		6,094,250	2,188,857
<i>Value of recommendations allowed by Agency officials</i>		16,413,771	10,199,623
D. For which no management decision had been made as of September 30, 2009	47	136,145,061 <sup>7</sup>	123,144,732 <sup>7</sup>

<sup>1</sup> Unsupported costs are included in questioned costs, but they are provided as additional information, as required by the Inspector General Act, as amended 1988 (Public Law 100–504).

<sup>2</sup> The ending balance at March 31, 2009, for questioned costs totaling \$10,706,161 and for unsupported costs totaling \$5,358,240 was decreased by \$1,010,943 and increased by \$79,994, respectively, to reflect adjustments in recommendations from prior periods.

<sup>3</sup> Amounts include \$3,040,867 in questioned costs and \$537,118 in unsupported costs for audits performed for OIG by other Federal audit agencies.

<sup>4</sup> Amounts include \$110,896,543 in questioned costs and \$10,408,047 in unsupported costs for audits performed for OIG by other Federal audit agencies.

<sup>5</sup> Unlike the monetary figures of this row, this figure is not being subtracted from the subtotal. Some audit reports counted here may be or may not be again counted in the figure below it.

<sup>6</sup> Amounts include \$6,417,641 in questioned costs and \$2,445,614 in unsupported costs for audits performed for OIG by other Federal audit agencies.

<sup>7</sup> Amounts include \$105,455,834 in questioned costs and \$100,993,791 in unsupported costs for audits performed for OIG by other Federal audit agencies.

REPORTS ISSUED WITH QUESTIONED  
AND UNSUPPORTED COSTS  
*USADF and IAF*

April 1–September 30, 2009

<i>Reports</i>	<i>Number of Audit Reports</i>	<i>Questioned Costs (\$)</i>	<i>Unsupported Costs' (\$)</i>
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**NOTHING TO REPORT**

**REPORTS ISSUED WITH RECOMMENDATIONS  
THAT FUNDS BE PUT TO BETTER USE  
USAID**

April 1–September 30, 2009

<i>Reports</i>	<i>Number of Audit Reports</i>	<i>Amount (\$)</i>
A. For which no management decision had been made as of April 1, 2009	0	0
B. Add: Reports issued April 1–September 30, 2009	2	\$463,320
<i>Subtotal</i>	2	463,320
C. Less: Reports with a management decision made, April 1–September 30, 2009	2	463,320
<i>Value of recommendations agreed to by agency officials</i>		463,320
<i>Value of recommendations not agreed to by Agency officials</i>		0
D. For which no management decision had been made as of September 30, 2009	0	0

**REPORTS ISSUED WITH RECOMMENDATIONS  
THAT FUNDS BE PUT TO BETTER USE  
USADF and IAF**

April 1–September 30, 2009

<i>Reports</i>	<i>Number of Audit Reports</i>	<i>Amount (\$)</i>
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**NOTHING TO REPORT**

**APPENDIX II**

**REPORTING REQUIREMENTS**  
***USAID, USADF, and IAF***

*List of Tables*

1. Summary of Audits Conducted and Results ..... 77

2. Summary of Investigative Activity and Results ..... 78

3. Fraud Awareness Briefings Conducted Worldwide ..... 79





The following tables show summary data related to OIG audits and investigations.

## SUMMARY OF AUDITS CONDUCTED AND RESULTS

As of September 30, 2009

<i>Type of Report</i>	<i>Number of Reports</i>	<i>Amount of Recommendations (\$)*</i>
<b>Financial Audits</b>		
USAID (ARRA)	1	\$116,710
USAID Programs and Operations	0	0
Foundations' Programs and Operations	0	0
U.S.-Based Contractors	28	93,577,487
U.S.-Based Grantees	37	27,892,928
Quality Control Reviews	1	0
Foreign-Based Organizations	111	26,993,883
Quality Control Reviews	3	0
Enterprise Funds	0	0
<b>Performance Audits</b>		
USAID Economy and Efficiency	20	840,176
Foundations' Economy and Efficiency	2	0
<b>Other</b>	1	0
<b><i>Total</i></b>	<b>204</b>	<b>\$149,421,184</b>

\* Monetary recommendations include questioned costs and funds put to better use.

# SUMMARY OF INVESTIGATIVE ACTIVITY AND RESULTS USAID

As of September 30, 2009

<i>Workload</i>		<i>Civil</i>	
Investigations opened	66	Civil referrals	1
Investigations closed	53	Civil declinations	0
		Complaints	0
		Judgments / Recoveries	0
		Settlements	0
<i>Criminal</i>		<i>Administrative</i>	
Prosecutive referrals	10	Reprimands / Demotions	0
Prosecutive declinations	3	Personnel suspensions	4
Arrests	6	Resignations / Terminations	1
Indictments	1	Other administrative actions	0
Convictions	3	Recoveries	2
Sentencing		<i>Procurements</i>	
Fines	0	Suspensions / Debarments	1
Restitutions	0	Terminations	1
		Savings	2
		Recoveries	2
		Systemic changes	1

Judicial recoveries	0
Administrative recoveries	\$9,995,285
Savings	62,063,278
<b>Total investigative savings and recoveries</b>	<b>\$72,058,563</b>

Appendix II — Table 2

## FRAUD AWARENESS BRIEFINGS CONDUCTED WORLDWIDE

As of September 30, 2009

<i>Month</i>	<i>Location</i>	<i>Sessions</i>	<i>Attendees</i>	<i>Professional Affiliation</i>
<b>Apr.</b>	Baghdad, Iraq	1	32	USAID contractors
	Islamabad, Pakistan	6	242	USAID contractors
	Washington, DC	2	58	USAID personnel
<b>May</b>	Washington, DC	1	48	USAID personnel
<b>June</b>	Addis Ababa, Ethiopia	7	120	USAID contractors
	Kigali, Rwanda	3	73	USAID contractors
	Pristina, Kosovo	2	84	USAID contractors
	Washington, DC	1	39	USAID personnel
<b>July</b>	Baghdad, Iraq	3	75	USAID personnel
	Chisinau, Moldova	1	20	USAID personnel
	Nairobi, Kenya	1	57	USAID personnel
	Washington, DC	1	24	USAID personnel
<b>Aug.</b>	Washington, DC	2	65	USAID personnel
	Jakarta, Indonesia	3	133	USAID contractors
	Lilongwe, Malawi	3	53	USAID personnel
<b>Sept.</b>	Pretoria, South Africa	4	66	USAID contractors
	Lusaka, Zambia	10	129	USAID contractors
	Cairo, Egypt	1	25	USAID contractors
	Dar es Salaam, Tanzania	4	137	USAID contractors
	Washington, DC	5	48	USAID personnel
	Ulaanbaatar, Mongolia	1	5	USAID personnel
	Conakry, Guinea	6	86	USAID contractors
	Addis Ababa, Ethiopia	3	49	USAID personnel
<b>Total</b>		71	1,668	

Appendix II — Table 3



## SEMIANNUAL REPORT TO THE CONGRESS

*Millennium Challenge Corporation (MCC)*



# INTRODUCTION

## MCC

As MCC's operations have begun to mature, with many compacts well underway, OIG has used several audit mechanisms to oversee the Corporation's financial and performance accountability. This oversight has resulted in tangible benefits to improve MCC's operations. Financial audits of U.S. taxpayer monies granted to compact recipients continue to be an important component of OIG's audit activities. With the assistance of independent public accounting firms, OIG issued 10 audit reports covering approximately \$146.9 million expended by compact recipients. The audits identified questioned costs of about \$1.4 million.

During this period, OIG completed limited-scope reviews in Cape Verde, El Salvador, Lesotho, and Nicaragua. We identified questioned costs of \$159,000 and determined that MCC has significantly reduced outstanding cash balances held by the accountable entities.<sup>17</sup>

Notable activity during this reporting period included an audit of MCC's Threshold Program. The audit found no clear indication that the program was assisting countries in becoming eligible for compacts. The audit also found that the program, as designed and implemented, contained several deficiencies. Performance audits were also carried out for compact programs in Ghana (Agricultural Credit Program) and Georgia (Regional Infrastructure Rehabilitation Project and Regional Development Fund).

OIG also contracted with an independent public accounting firm to determine whether MCC's information security program was in compliance with FISMA requirements. The audit disclosed that MCC is not meeting all FISMA requirements.

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<sup>17</sup> An "accountable entity" is an organization or entity with 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. The accountable entity is usually known as a "Millennium Challenge Account" and is chosen by the compact recipient.





# SIGNIFICANT ACCOMPLISHMENTS

## MCC

### ECONOMIC GROWTH AND PROSPERITY

#### *Economic Security*

**Audit of the Millennium Challenge Corporation’s Management of the Threshold Program.** The Threshold Program of the Millennium Challenge Corporation (MCC) was established by the Millennium Challenge Act of 2003<sup>18</sup> to assist countries that are close to qualifying for eligibility for compact assistance and have demonstrated a significant commitment to improving their performance on eligibility criteria. MCC assists countries by funding their Threshold country plans, which are designed to improve country performance in targeted policy areas that prevent the country from becoming compact eligible. The objectives of this audit were to determine whether the Threshold Program had assisted countries in becoming compact eligible by improving a targeted policy area (control of corruption), and whether the Threshold Program had achieved its planned results. The audit also assessed the impact of the program. The Threshold Program in Albania was selected as part of this audit.

The audit did not find that the MCC Threshold Program was assisting countries in becoming compact eligible. The program does assist countries by ensuring that programmatic interventions focus on the targeted policy indicators when countries fall below the qualifying median point in comparison with their peers. However, the use of the corruption policy indicator to measure the program’s success is problematic for several reasons, including attribution of MCC’s efforts and other factors such as ongoing government reforms and other donor activity.

MCC’s guidance provided general criteria for selecting countries to participate in the Threshold Program, but the criteria may not be stringent enough to ensure that the selected countries can become eligible for compacts within 3 years. Also, MCC did not develop guidance on the use of the indicator analysis, which would have reinforced the importance of linking identified weaknesses to the targeted policy indicators. Finally, unlike the compact development process, the Threshold Program does not require a consultative process with a wide range of stakeholders to identify and prioritize specific projects, even though such a process could achieve a greater sense of country ownership and help sustain the changes.

MCC acknowledges that the selection process allows countries to become eligible for compacts without completing their Threshold Program. Even so, MCC continues with a country’s Threshold Program because the country has invested extensive effort and money in developing its program. Countries have also become eligible and received compacts without participating in the Threshold Program. The following analysis, conducted during the audit, shows that country eligibility for compact assistance cannot be attributed to Threshold Program results:

- Eight of the twelve countries that will complete the Threshold Programs as of the end of FY 2009 became compact eligible before completing their Threshold Programs. Three of the eight countries became eligible as early as about 1 month before or after their Threshold Program started.
- Three of the twelve countries did not become compact eligible. Two of the three countries did not become eligible after completing their Threshold Programs; instead, MCC approved another Threshold agreement (stage II). Both of these countries were approved for stage II agreements between 3 and 5 months before their first Threshold Programs ended. Also, a program in one of the three countries is ongoing and is

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<sup>18</sup> Public Law 108–199.

scheduled to end in September 2009.

- One of the twelve countries received compact assistance about 11 months before its Threshold Program ended.

In Albania, the program did not achieve MCC's goal of improving the targeted policy indicator (control of corruption) so that Albania could become compact eligible. The corruption indicator for Albania was at the 23rd percentile at the start of the Threshold Program and declined to the 22nd percentile when it was being considered for a stage II Threshold Program. Nonetheless, according to MCC, the program did reduce corruption and bribery in tax administration, public procurement, and business registration by 23 percent, 25 percent, and 19 percent, respectively. Furthermore, only 6 out of 38 indicators (16 percent) did not meet their targets.

The audit identified some issues specific to the Albania Threshold Program. Performance indicators that were initially developed by Albania, USAID, and MCC were not always measurable, relevant, or attributable to the project intervention. An assessment of performance indicators that were developed in January 2006 resulted in removal of almost half the indicators from the Albanian Threshold Program in April 2008. The Albanian Threshold Program also included developing an information technology system to help reduce corruption in tax administration, public procurement, and business registration (electronic government or e-government), but the system lacked internal controls. Finally, data quality assessments were not performed on Threshold Program data to ensure that accurate data were being reported and indicators were being met. The lack of a data quality assessment may affect the accuracy of the data that MCC used to report the results of the Albanian Threshold Program and that OIG used to analyze the program results.

Of the nine recommendations, MCC agreed with eight and disagreed with one. OIG considers that final action has been taken on one recommendation and management decisions on seven recommendations. A management decision is pending on one recommendation.

*(Audit Report No. M-000-09-003-P)*

## *Compact Programs*

The compact is the chief grant instrument for MCC. Compact recipients must ensure that certain conditions are met after the agreement is signed, which can take several months to resolve. When the agreement conditions are met, the agreement timeline begins, and the agreement is said to "enter into force." According to MCC officials, "entry into force" is the point at which a binding commitment is recognized and compact funds are obligated. Each compact recipient identifies an agency or entity that will manage the compact funds or accounts. Such organizations are usually called "Millennium Challenge Accounts" (MCA) and refer to the funds of the compact.

**Audit of Agricultural Credit Program in Ghana.** On August 1, 2006, MCC and the Government of Ghana signed a 5-year agreement that totaled more than \$547 million and entered into force on February 16, 2007. The compact goals are to reduce poverty through economic growth by enhancing the profitability of agricultural production, improve the delivery of business and technical services that support commercial agriculture expansion, reduce transportation costs affecting agricultural commerce, and strengthen rural institutions that provide services to agricultural projects under the compact. The Government of Ghana designated the Millennium Development Authority (MiDA) as the accountable entity to implement the compact goals.

One way MiDA plans to achieve the compact goal is through implementation of the Agricultural Credit Program (ACP), which began on March 31, 2008, and will end February 16, 2012.

The audit found that although MiDA has met the targets for five of the six program indicators within the first year of implementation, the following implementation problems could prevent the program from achieving its planned program and compact goals: (1) 7 of the 11 participating banks have not begun repaying their loans to the Bank of Ghana (central bank), the implementing entity, as required by the program's manual, (2) the central bank has not established borrowing limits to ensure that no participating bank receives more loans than it is able to manage, (3) the central bank has not conducted annual reviews of participating banks to ensure that they continue to meet



**A MiDA sign for the Yilo Krobo District, 1 of 23 districts in the intervention zone where beneficiaries can benefit from loans through the Agricultural Credit Program in Ghana. (Photo by OIG)**

certain criteria for continued eligibility for the program, (4) the central bank and MiDA have overlooked the business practices of one participating bank that approved loans to borrowers with a high credit risk, refinanced and preapproved loans, and approved inappropriate use of ACP loans, and (5) the MiDA fiscal agent did not provide program bank statements to the program unit at the central bank, which would have allowed that unit to notify participating banks of loan terms promptly.

MCC agreed with all five recommendations. OIG considers that management decisions have been reached on four of them, but final action has not been taken because MCC and implementing partners are in the process of resolving them. In addition, a management decision was reached for the remaining recommendation, but final action will not be taken until MCC provides additional documentation as support for improvement.

*(Audit Report No. M-000-09-005-P)*

**Audit of MCC's Regional Infrastructure Rehabilitation Project.** In September 2005, MCC signed a 5-year, \$295.3 million compact with the Government of Georgia to improve the two main barriers to economic growth—a lack of reliable infrastructure and the slow development of businesses, particularly agribusiness. The MCC compact in Georgia entered into force in April 2006. In November 2008, MCC and the Georgian Government signed a compact amendment providing up to \$100 million of additional funds to the Millennium Challenge Georgia Fund (MCG) and increasing the overall value of the compact to \$395.3 million. These funds will be used to complete works in the Samtskhe-Javakheti Roads Rehabilitation, Regional Infrastructure Development (RID), and Energy Infrastructure Development Projects contemplated by the original compact. The audit reviewed only the roads and regional infrastructure development projects.



**New pipe being laid in Kutaisi, Georgia. (Photo by OIG)**

As of June 30, 2009, \$9.2 million of a total budget of \$64.5 million had been disbursed. The project planned to rehabilitate water supply systems in the cities of Poti, Kobuleti, Kutaisi, Bakuriani, and Borjomi. The audit could not determine whether the project will achieve its intended results in Kobuleti, Bakuriani, and Borjomi because rehabilitation works are ongoing and not scheduled to be completed until the fourth quarter of 2010. However, the project is achieving its intended results of rehabilitating water supply systems in Poti and Kutaisi. For example, the mayor of Poti noted that the city had once received water only every 2 days for 5 to 6 hours, but now the city has water 24 hours a day. The mayor of Kutaisi noted that, before MCC assistance, the city did not have a proper water supply. During a site visit, the audit team noted that pipes were being laid and connected to individual homes.

The Samtskhe–Javakheti Road Rehabilitation Project (the Road Project) aimed at restoring the road and transport network in the region. With a total budget of \$183.6 million, the project plans to rehabilitate the 223.9-kilometer road in the Kvemo Kartli and Samtskhe–Javakheti Regions. Through May 31, 2009, MCC had disbursed \$23.7 million (12.9 percent) of the compact funds for the Road Project. However, the Road Project may not achieve its intended results of fostering economic development in the Samtskhe–Javakheti area as a result of the following factors:

- A major contractor, responsible for 50 percent of the Road Project, fell seriously behind schedule. The contractor had completed only 13.8 percent of road construction within a 12-month period and had about 13 months to complete the remaining road projects—nearly 86 percent. With the original contractor behind schedule on one of its three road sections, MCG awarded a contract for one section of road to another contractor in an attempt to complete the Road Project within the compact timeframe.
- A road design was flawed because the initial design had not been physically validated before it was finalized.
- Procurements were delayed because the initial bids were rejected for being too high. Rebidding delayed the commencement of three sections of the road projects by about 8 months.
- Team leaders did not provide sufficient oversight to ensure that the Road Project was on schedule for completion.



**An old Soviet tank buried in the hillside near the Turkish border and town of Kartsakhi, Georgia, would be in the path of the planned road.  
(Photo by OIG)**

The major contractor also received an advance payment of \$6.5 million for mobilization; however, supporting documentation on the use of these funds was not available in order to determine whether the funds were not used for other purposes. The contractor still had not fully mobilized a year after signing a contract with MCG.

The report included four recommendations. As a result of MCC's response to the draft report, OIG has withdrawn the issue related to one of them and revised another. Management decisions have not been reached on the three remaining recommendations, and OIG has requested that MCC provide written notice within 30 days of any additional information related to the actions planned or taken to implement them.

*(Audit Report No. M-000-09-007-P)*

**Audit of the Georgia Regional Development Fund.** The September 12, 2005, compact between MCC and the Government of Georgia established the Georgia Regional Development Fund (GRDF) to provide access to long-term risk capital on viable terms and develop management skills in small and medium enterprises. The compact provided \$30 million in committed capital for investment in enterprises and \$2 million for technical assistance. The primary objective of GRDF is to maximize development impact, as well as to earn a reasonable and positive financial return, from investments in small and medium enterprises in agribusiness, tourism, and other sectors, primarily outside of Tbilisi, Georgia's capital city.

The audit found that GRDF was pursuing its intended purpose of investing in small and medium enterprises in rural Georgia to foster development and earn a positive financial return. Currently, the fund's investments are making an impact at the firm level. The investments in firms ranged from \$1.5 million to \$3 million, and the funds have been used to purchase equipment and renovate facilities. However, OIG believes that development impact is being sacrificed in the pursuit of higher financial returns by the fund manager, because the structure of the compensation in the fund management agreement provides compensation on the basis of the financial returns of the investments. Under this arrangement, the fund manager receives a fixed payment during the first 5 years of the contract, and during the second 5 years receives no fixed payment but instead receives 20 percent of the fund's profits. Further, the fund manager has acknowledged that the twin goals of development impact and financial return may not be compatible and that tough choices will have to be made. MCC did not provide the fund manager guidance as how to balance these goals.

In addition, OIG identified problems with the implementation of the program in Georgia. The objective of the program—maximizing development impact and achieving a positive and reasonable financial return—was not clearly defined, and MCC did not have targets in place to measure performance against the program’s objective. Also, the due diligence performed by the fund manager was not always supported as to the nature and extent of work done on portfolio companies, including character and environmental due diligence and antiterrorism vetting of potential investees, so that OIG could independently verify these efforts. Also, proper precautions were not taken in handling asbestos roofing and its disposition at facilities being renovated by an investee. Lastly, one investment did not meet the intent of the fund to provide risk capital to firms otherwise unable to obtain funding.

Of the eight recommendations, MCC agreed with four, disagreed with three, and chose not to make a management decision on one pending further research. We consider that final action has been taken on one recommendation and management decisions on four others. Management decisions are pending on the three remaining recommendations.

*(Audit Report No. M-000-09-006-P)*

## MANAGEMENT CAPABILITIES

**MCC Federal Information Security Management Act FY 2009 Independent Audit.** OIG contracted with an independent public accounting firm, Cotton & Company LLP, to conduct an audit to determine whether MCC’s information security program meets FISMA requirements for an agencywide information security program to protect MCC’s information and assets. The audit disclosed that MCC’s information security program does not meet all FISMA requirements. As a result, 22 recommendations were made to address the deficiencies. Three of the recommendations were the result of problems that had been identified in FISMA audits conducted in previous years. Cotton & Company did not feel that action taken had properly addressed the issues identified. Therefore, Cotton & Company advised that the recommendations be reopened.

*(Audit Report No. M-000-09-004-P)*

### *Financial Management*

**Audit of MCC’s Financial Statements, Internal Controls, and Compliance for the Periods Ending September 30 in 2009 and 2008.** OIG contracted with an independent public accounting firm to conduct an audit of MCC’s financial statements, internal controls, and compliance with laws and regulations for the periods ending September 30, 2009, and September 30, 2008. This audit will be issued no later than November 16, 2009.

**Limited-Scope Review of El Salvador’s and Nicaragua’s Common Payment System.** In Audit Report No. M-000-06-001-C (December 6, 2005), OIG recommended that MCC management “develop policies and procedures to ensure that the payment schedules and other agreements entered into with grantees are reflective of the Treasury requirements concerning advances and immediate cash needs.” This recommendation arose because OIG observed that several of MCC’s accountable entities had cash balances that exceeded their immediate cash needs. In response, MCC piloted the common payment system (CPS) at MCA-Mali in June 2007 and implemented the CPS at the other accountable entities in 2008, including MCA-Nicaragua (July 2008) and Fondo del Milenio (FOMILENIO/MCA-El Salvador) in April 2008. Under this system, once the fiscal agent has received and approved an original invoice from the vendor, MCC’s accountable entities use CPS to request U.S. Treasury funds through the National Business Center. As a result, MCC does not need to transfer large cash balances to its accountable entities before funds are needed to pay vendors, employees, and others. The overall goal of CPS is to eliminate cash balances that are greater than the immediate cash needs of the accountable entities. OIG elected to review the CPS implementation and operations in Nicaragua and El Salvador in conjunction with other OIG work being performed at these locations.

The audit found that once CPS had been implemented, MCC significantly reduced the excess cash balances held by the accountable entities. This reduction was reflected in the total amount of cash held by the accountable entities at the end of FY 2007, compared with the first quarter of FY 2009. Specifically, at fiscal yearend 2007 (September 30, 2007), 9 accountable entities maintained cash balances totaling \$22 million, whereas at the end of the first quarter of FY 2009 (December 31, 2008), 15 accountable entities maintained cash balances totaling \$7.5 million. This represents a decrease of \$14.5 million in cash outstanding, even though during the period the number of accountable entities increased from 9 to 15.

The range of cash balances held by the accountable entities also showed significant improvement. To illustrate, the cash balances maintained by the 9 accountable entities at fiscal yearend 2007 ranged from \$515,500 to \$4.5 million, whereas the cash balances maintained by the 15 accountable entities at the end of the first quarter of FY 2009 ranged from \$1,300 to \$3.3 million.

The audit also found that the fiscal agent at FOMILENIO did not comply with all of MCC's "Policies and Procedures for Common Payment System" nor with its own fiscal accountability plan (FAP). In contrast, MCA-Nicaragua complied with both MCC's "Policies and Procedures for Common Payment System" and its own FAP. OIG made no recommendations for MCC to take action regarding FOMILENIO's noncompliance with the CPS. Instead, OIG issued guidance to the independent audit firms to include steps to assess compliance with the CPS during all semiannual audits of the accountable entities.

The audit also found that the expenditures at both FOMILENIO and MCA-Nicaragua were in compliance with MCC's "Cost Principles for Government Affiliates Involved in MCC Compact Implementation."

In its comments to the draft report, MCC noted that its own evaluation of CPS came to conclusions similar to those in the OIG review. MCC also noted that FOMILENIO had been informed to stop the prohibited practice of submitting payment request forms before the invoices were received. MCC was in agreement with the independent auditors to include steps in its semiannual audits to test for compliance with the CPS.

*(Audit Report No. M-000-09-001-S)*

**Limited-Scope Review of Lesotho.** OIG performed this review in part to determine whether (1) MCA-Lesotho was complying with MCC's "Policies and Procedures for Common Payment System" and its own individual fiscal accountability plan (FAP) and (2) MCA-Lesotho's expenditures were allowable, allocable, and reasonable per MCC's "Chapter 37: Cost Principles for Government Affiliates Involved in MCC Compact Implementation."

The review verified that MCA-Lesotho had complied with both MCC's "Policies and Procedures for Common Payment System" and its own FAP.

However, our review also identified numerous instances in which MCA-Lesotho's expenditures were not allowable, allocable, or reasonable per MCC's "Chapter 37: Cost Principles for Government Affiliates Involved in MCC Compact Implementation." We identified questioned costs of \$159,244 at MCA-Lesotho for taxes paid of \$90,120, a luxury vehicle in the amount of \$51,789, business class airfare of \$14,067, and travel per diem of \$3,268. We recommended that MCC recover any portion of the \$159,244 in questioned costs determined to be unallowable.

*(Audit Report No. M-000-09-002-S)*

**Limited-Scope Review of Cape Verde.** OIG performed this review, in part, to determine whether MCA-Cape Verde was complying with (1) the "Cost Principles for Government Affiliates Involved in MCC Compact Implementation" and (2) the establishment of policies and procedures to ensure that MCC's accountable entities' employees were hired at reasonable salary levels.

The review identified unallowable travel expenditures; however, because the amounts were insignificant, we did not issue actionable audit recommendations.

The results of the salary review, as well as other MCC countries, will be consolidated and issued in a future audit report.

*(Audit Report No. M-000-09-003-S)*

## ***Fund Accountability Statements***

**Fund Accountability Statement Audits.** OIG’s financial audit team is responsible for reviewing and issuing semiannual fund accountability statement audits of accountable entities. The audits are conducted by independent public auditors as required by compact agreements. The team also performs limited-scope audits of accountable entities different from those audited by independent public auditors, reviews the quality of audit work performed by independent public auditors (quality control reviews), and approves audit firms to ensure their eligibility to conduct audits of compact funds. This section discusses the audit reports issued and the supporting work under the financial audit program.

Under the terms of MCC’s compacts, funds expended by a recipient country are required to be audited at least annually but are usually audited twice a year. The recipient establishes a fund—often titled “MCA”—and produces financial statements documenting account activity. The audit of the fund accountability statement is conducted by a firm that OIG has approved. The audits include four elements that may or may not be applicable in all compacts. The main elements are as follows:

- Expressing an opinion on the fund accountability statement produced by the entity that oversees the financial aspects of compact administration.
- Evaluating and obtaining an understanding of the entity’s internal control structure and issuing findings of internal control deficiencies that may be of such size or scope as to potentially influence the financial statements, making them material.
- Determining whether the compact complies with its terms and applicable laws and regulations and issuing findings of noncompliance.
- Determining whether cost-sharing contributions were provided and accounted for in accordance with the terms of the compact and supplemental agreements, where applicable.

The auditor issues an opinion on whether the financial statements present fairly, in all material respects, the program revenues and costs incurred and reimbursed in conformity with the terms of a compact agreement and related supplemental agreements for the period being audited. The audit is required to employ generally accepted government auditing standards in performing the audits. All audit reports are reviewed and issued by OIG.

During the reporting period, audits for incurred costs were issued for MCC-funded programs in Armenia, Benin, Cape Verde, El Salvador, Georgia, Ghana, Lesotho, Mali, Nicaragua, and Vanuatu.

**Armenia.** The MCA-Armenia audit covered fund balances of nearly \$11.8 million for the period from July 1 through December 31, 2008. The \$235.65 million, 5-year compact will focus on reducing rural poverty through a sustainable increase in the economic performance of the agricultural sector.

The auditors reported that, except for questioned costs of \$46,800, the fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited. The questioned costs pertained to unsupported bonuses paid to MCA employees. On the basis of its review of the audit report,



the OIG recommended that the responsible MCC official make a management decision on the \$46,800 in unsupported costs and recover any amounts determined to be unallowable.

*(Audit Report No. M-000-09-015-N)*

**Benin.** The MCA-Benin audit covered incurred costs of nearly \$10.6 million for the period from July 1 to December 31, 2008. The 5-year compact for approximately \$307.3 million addresses key constraints to economic growth and poverty reduction. The auditors reported that the fund accountability statement presented fairly, in all material respects, program revenue and costs incurred for the period audited. The auditors questioned \$3,999 associated with travel advances that MCA employees have not accounted for within the timeframe required by the FAP.

The auditors documented an internal control deficiency that fully adequate travel policies and procedures were not prepared and adopted. In addition, MCA-Benin did not comply with its existing travel policies and procedures because not all international travel expenditures were adequately supported with appropriate documentation. Additional deficiencies and weaknesses in the internal control structure involved

- Employment contracts that reflected employees' net salary, instead of gross salary.
- Fuel coupons and fuel consumption that were not monitored effectively.

In addition, the auditors identified material instances of noncompliance pertaining to

- FAP requirements related to travel advances.
- FAP requirement related to physical counts of fixed assets.

OIG recommended that the responsible MCC official make a management decision on the \$3,999 in questioned costs and recover any amounts determined to be unallowable. In addition, OIG issued a recommendation requesting that MCC have MCA-Benin correct the internal control deficiencies and noncompliance issues.

*(Audit Report No. M-000-09-020-N)*

**Cape Verde.** The MCA-Cape Verde audit covered incurred costs of \$6.5 million from January 30 through July 30, 2008. The 5-year compact for \$110 million supports watershed management, agriculture, infrastructure, and private sector development.

The MCA-Cape Verde fund accountability statement presented fairly, in all material respects, program revenue received and expenses incurred and reimbursed during the period under audit. In addition, no internal control or compliance problems were reported during this period.

However, previous audits had identified internal control deficiencies that persist, relating to the following:

- Value-added tax reimbursement.
- Bank reconciliation.
- Government contribution report.
- Quarterly report.

Moreover, three areas of noncompliance previously identified persist, relating to property and equipment and a tax refund.

*(Audit Report No. M-000-09-016-N)*

**El Salvador.** The MCA-El Salvador audit covered incurred costs of nearly \$10.7 million from July 1 through December 31, 2008. The 5-year compact for \$460.9 million contains projects to increase human and physical capital, expand production and employment, and reduce travel time and costs.

The fund accountability statement presented fairly, in all material respects, program revenues as well as costs incurred and reimbursed. The audit did not disclose internal control deficiencies or noncompliance issues.

*(Audit Report No. M-000-09-014-N)*

**Georgia.** The MCA-Georgia audit covered incurred costs of nearly \$38.6 million from July 1 through December 31, 2008. The 5-year, \$294.7 million compact provides funding for projects in the following areas:

- Samtskhe–Javakheti Road.
- Energy rehabilitation.
- Regional infrastructure development.
- Georgian Regional Development Fund.
- Agribusiness development.

Additional funding of \$100 million was granted to the Government of Georgia in November 2008.

The auditors reported that, except for unsupported questioned costs of almost \$1.2 million, the fund accountability statement presented fairly, in all material respects, program revenues as well as costs incurred and reimbursed.

The audit questioned the following costs:

- The Samtskhe–Javakheti Road civil works project lacked support documentation for interim payments of nearly \$1.2 million.
- The remaining amounts relate to lack of support for the allocation of costs to the Georgian Regional Development Fund (GRDF) and ineligible expenses paid to the Board of Directors.

The audit found the following material and significant internal control deficiencies:

- The Samtskhe–Javakheti Road civil works lacked sufficient documentation for interim payments.
- Agribusiness Development project activity lacked documentation for the milestone achievements.
- Costs allocated from GRDF's fund manager to the Georgian Regional Development Fund were not properly documented.

The audit found a material noncompliance issue centering on inconsistencies between the GRDF management agreement and the GRDF Board of Directors travel and compensation guidelines.

*(Audit Report No. M-000-09-018-N)*

**Ghana.** The Millennium Development Authority (MiDA)-Ghana audit covered incurred costs of \$24.3 million from July 1 through December 31, 2008. The 5-year compact for \$547 million is designed to reduce poverty and promote economic growth in the Republic of Ghana.

The auditors reported that, except for unsupported and ineligible costs of \$73,051, the fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited. The questioned costs of \$73,051 relate to unsupported outstanding travel advances of \$52,910, ineligible costs connected to uninsured assets of \$12,100, and value-added taxes paid of \$8,041.

The independent auditors found a material weakness in internal controls regarding inadequate monitoring of employee travel advances.

The independent auditors also disclosed the following material instances of noncompliance:

- Assets procured with MCC assets were not insured, as required by the compact.
- Value-added taxes were paid with MCC resources.

*(Audit Report No. M-000-09-023-N)*

**Lesotho.** The MCA-Lesotho audit covered incurred costs of \$3.7 million from July 1 through December 31, 2008. The 5-year compact for \$362.6 million addresses poverty reduction by improving the health system, removing barriers to foreign and local private sector investment, and providing a water supply for industrial and domestic use.

The auditors reported that, except for unsupported questioned costs of \$21,730, the fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited. The questioned costs pertained to \$22,510 for outstanding value-added tax claims due to MCA-Lesotho from the Lesotho Revenue Authority and an offset of \$780 in overstated funds in petty cash, for which MCA-Lesotho failed to produce supporting documents.

The auditors identified the following six significant deficiencies in internal control, one of which was a material weakness:

- Check preparation (material weakness).
- Reconciliation with suppliers' statements.
- Staff advances.
- Recording of contract proposals.
- Correction of contract tender documents.
- Confirmation of deliverables/outputs.

In addition, the auditors identified the multiple material instances of noncompliance pertaining to:

- Procurement plan compliance.
- Fiscal agent invoice verification.
- Fiscal agent invoice approval.
- Invoices on which payments are based.
- Excluded parties' checking procedures.
- Value-added tax.

OIG recommended that MCC make a management decision on the \$21,730 in questioned (unsupported) costs and recover any amounts deemed unallowable. In addition, OIG issued a recommendation requesting that MCC have MCA-Lesotho correct the internal control deficiencies and noncompliance issues.

*(Audit Report No. M-000-09-017-N)*

**Mali.** The MCA-Mali audit covered \$6.8 million of costs incurred from July 1 through December 31, 2008. The 5-year compact for \$460.8 million is designed to reduce poverty and promote economic growth in the Republic of Mali.

The auditors reported that, except for unsupported questioned costs of \$74,702, the fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited. The unsupported questioned costs of \$74,702 relate to salaries and social charges (payroll contributions) paid for eight employees whose employment contracts had expired.

The independent auditors disclosed multiple significant material deficiencies in internal controls:

- The new Procurement Operating Manual applied by MCA-Mali does not provide any guidelines for procurements with a budget of less than \$50,000.
- Salaries and social charges for the eight employees whose employment contracts had expired totaled \$74,702.

OIG recommended that MCC request that MCA-Mali submit a corrective action plan designed to correct the internal control deficiencies described in the Report on Internal Control. In addition, OIG recommended that MCC make a management decision on the \$74,702 in unsupported questioned costs described in the Report on the Fund Accountability Statement and recover any amounts determined to be unallowable.

*(Audit Report No. M-000-09-019-N)*

**Nicaragua.** The MCA-Nicaragua audit covered incurred costs of approximately \$21 million from July 1 through December 31, 2008. The 5-year compact for \$175 million addresses economic growth and poverty reduction. The auditors reported that the MCA-Nicaragua fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited.

The audit found deficiencies in internal controls related to the following:

- Weaknesses in the control system for the Rural Business Project.
- Lack of formal documentation for the creation of the user profiles (authorized users) in the Financial Accounting Information System.

OIG recommended that MCC request that MCA-Nicaragua submit a corrective action plan for the internal control deficiencies.

*(Audit Report No. M-000-09-022-N)*

**Vanuatu.** The MCA-Vanuatu audit covered incurred costs totaling \$12.9 million from July 1 through December 31, 2008. The 5-year compact for \$65.69 million is designed to strengthen infrastructure and institutions.

The auditors reported that, except for unsupported questioned costs of \$1,619, the fund accountability statement presented fairly, in all material respects, program revenues and expenditures for the period audited. The questioned costs relate to the failure of MCA-Vanuatu to secure funds that were subject to misappropriation.

The audit disclosed no deficiencies in internal control or compliance.

*(Audit Report No. M-000-09-021)*

**Quality-Control Review—El Salvador.** OIG conducted a quality-control review of work by the audit firm that conducts the semiannual audits of the compact funds in El Salvador. The review found that the audit work was adequately planned and that the working papers generally supported the audit report's conclusions in accordance with generally accepted government auditing standards and other guidelines. Seven matters for comment were discussed, and concurred to, with the audit firm to improve future audits.

*(Quality-Control Review Report No. M-000-09-004-Q)*

**Quality-Control Review—Cape Verde.** OIG conducted a quality-control review of work by the audit firm that conducts the semiannual audits of the compact funds in Cape Verde. The review found that the audit work was adequately planned and that the working papers generally supported the audit report conclusions in accordance with generally accepted government auditing standards and other guidelines. Three matters for comment were discussed, and concurred to, with the audit firm to improve future audits.

*(Quality-Control Review Report No. M-000-09-005-Q)*

**Quality-Control Review—Lesotho.** OIG conducted a quality-control review of work by the audit firm that conducts the semiannual audits of the compact funds in Lesotho. The review found that the audit work was adequately planned and that the working papers generally supported the audit report conclusions in accordance with generally accepted government auditing standards and other guidelines. Eight matters for comment were discussed, and concurred to, with the audit firm to improve future audits.

*(Quality-Control Review Report No. M-000-09-006-Q)*



## APPENDIX III

# REPORTING REQUIREMENTS AND SUMMARY MCC

### *List of Tables*

1. Financial Audit Reports Issued.....	101
2. Performance Audit Reports Issued.....	103
3. Miscellaneous Audit Reports Issued.....	104
4. Limited-Scope Review Audit Reports Issued .....	105
5. Audit Reports Over 6 Months Old With No Management Decision .....	106
6. Significant Audit Recommendations Described in Previous Semiannual Reports Without Final Action .....	107
7. Reports Issued With Questioned and Unsupported Costs .....	108
8. Reports Issued With Recommendations That Funds Be Put to Better Use .....	109
9. Summary of Audits Conducted and Results.....	110
10. Fraud Awareness Briefings Conducted.....	111





# FINANCIAL AUDIT REPORTS ISSUED MCC

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>MCA AUDITS AND REVIEWS</b>				
M-000-09-014-N	04/15/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—El Salvador (MCA-El Salvador), Under the Compact Agreement Between the MCC and The Government of El Salvador from July 1, 2008 to December 31, 2008		
M-000-09-015-N	05/12/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—Armenia S.N.C.O. (MCA-Armenia), Under the Compact Agreement between The MCC and The Government of Armenia from July 1, 2008 to December 31, 2008	47	QC
M-000-09-016-N	05/12/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—MCA-Cape Verde, Under the Compact Agreement between the MCC and the Government of Cape Verde from January 1, 2008 to June 30, 2008		
M-000-09-017-N	06/23/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—Lesotho (MCA-Lesotho), Under the Compact Agreement between the MCC and the Government of Lesotho from July 1, 2008 to December 31, 2008	22	QC
M-000-09-018-N	06/24/09	Audit of the Millennium Challenge Corporation (MCC) Resources managed by Millennium Challenge Fund Georgia (MCG), Under the Compact Agreement between the MCC and the Government of Georgia from July 1, 2008 to December 31, 2008	1,154 1,154	QC UN
M-000-09-019-N	06/25/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—Mali (MCA-Mali), Under the Compact Agreement Between the MCC and the Government of the Republic of Mali from July 1, 2008 to December 31, 2008	75 75	QC UN
M-000-09-020-N	07/20/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed By Millennium Challenge Account—Benin (MCA-Benin), Under the Compact Agreement dated February 22, 2006 between the MCC and the Government of Benin from July 1, 2008 to December 31, 2008	4 4	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix III —Table I

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
M-000-09-021-N	08/06/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—Vanuatu (MCA-Vanuatu), under the Compact Agreement between the MCC and the Government of Vanuatu from July 1, 2008 to December 31, 2008		
M-000-09-022-N	08/26/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account—Nicaragua (MCA-Nicaragua), Under the Compact Agreement Between the MCC and the Government of the Republic of Nicaragua from July 1, 2008 to December 31, 2008		
M-000-09-023-N	09/10/09	Audit of the Millennium Challenge Corporation (MCC) Resources Managed by Millennium Development Authority—Ghana (MiDA), Under the Compact Agreement between the MCC and the Government of the Republic of Ghana from July 1, 2008 to December 31, 2008	73 53	QC UN

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix III —Table I

# PERFORMANCE AUDIT REPORTS ISSUED MCC

April 1–September 30, 2009

<i>Report Number</i>	<i>Date of Report</i>	<i>Report Title</i>	<i>Amount of Findings (\$000)</i>	<i>Type of Findings</i>
<b>ECONOMY AND EFFICIENCY</b>				
M-000-09-003-P	04/29/09	Audit of the Millennium Challenge Corporation's Management of the Threshold Program		
M-000-09-004-P	09/30/09	Millennium Challenge Corporation Federal Information Security Management Act, Fiscal Year 2009, Independent Audit Report No. M-000-09-004-P		
M-000-09-005-P	09/30/09	Audit of Agricultural Credit Program in Ghana		
M-000-09-006-P	09/30/09	Audit of the Georgia Regional Development Fund		
M-000-09-007-P	09/30/09	Audit of the Millennium Challenge Corporation's Regional Infrastructure Rehabilitation Project In Georgia		

# MISCELLANEOUS AUDIT REPORTS ISSUED MCC

April 1–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>QUALITY-CONTROL REVIEWS (QCR)</b>				
M-000-09-004-Q	04/02/09	QCR of the audit report and documentation related to the audit titled Audit of the Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Challenge Account, El-Salvador (MCA-El Salvador also referred to as: FOMILENIO) Under the Compact Agreement Between the Government of the Republic of El Salvador from January 1, 2008 to June 30, 2008		
M-000-09-005-Q	09/21/09	QCR of the audit report and documentation related to the audit titled Audit of the Fund Accountability Statement of the Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Challenge Account-Cape Verde (MCA-Cape Verde) under the Compact Agreement dated July 4, 2005 between MCC and the Government of Cape Verde for the audit period from January 1, 2008 to June 30, 2008		
M-000-09-006-Q	09/30/09	QCR of the audit report and documentation related to the audit titled Audit of the Fund Accountability Statement of the Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Challenge Account—Lesotho (MCA-Lesotho) under the Compact Agreement between MCC and the Government of Lesotho for the audit period from July 1, 2008 to December 31, 2008		

Appendix III —Table 3

# LIMITED-SCOPE REVIEW AUDIT REPORTS ISSUED MCC

April I–September 30, 2009

Report Number	Date of Report	Report Title	Amount of Findings (\$000)	Type of Findings
<b>LIMITED-SCOPE REVIEWS</b>				
M-000-09-001-S	09/28/09	Report on (a) MCC's reduction of the excess balances held by accountable entities once the common payment system was implemented, (b) selected accountable entities' compliance with the MCC's "Policies and Procedures for Common Payment System" and the applicable fiscal accountability plans, and (c) selected accountable entities' compliance with "Cost Principles for Government Affiliates Involved in MCC Compact Implementation."		
M-000-09-002-S	09/30/09	Report on (a) MCA-Lesotho's compliance with "Chapter 37: Cost Principles for Government Affiliates Involved in MCC Compact Implementation," (b) MCA-Lesotho's compliance with the MCC "Policies and Procedures for Common Payment System" and its fiscal accountability plan, and (c) the establishment of policies and procedures to ensure that MCC's accountable entities' employees were hired at reasonable salary levels.	159	QC
M-000-09-003-S	09/30/09	Report on (a) MCA-Cape Verde's compliance with the "Cost Principles for Government Affiliates Involved in MCC Compact Implementation," and (b) the establishment of policies and procedures to ensure that MCC's accountable entities' employees were hired at reasonable salary levels.		

BU—Better Use of Funds

QC—Questioned Costs

UN—Unsupported Costs

Note: UN is part of QC

Appendix III —Table 4

**AUDIT REPORTS OVER 6 MONTHS OLD  
WITH NO MANAGEMENT DECISION  
MCC**

As of September 30, 2009

<i>Report Number</i>	<i>Auditee</i>	<i>Issue Date</i>	<i>Current Recommendation Status</i>
M-000-09-001-P	MCC—Dep't of Compact Implementation	12/24/08	A Management Decision has not been reached on Recommendation No. 2 until MCC provides a detailed analysis of how the Rural Development Project caused the increase in farm and employment income.
M-000-09-013-N	MCA-Mali	03/19/09	A Management Decision has not been reached for Recommendations Nos. 1 and 2. Specifically, Recommendation No. 1 addressed the need for MCC to request MCA-Mali to submit a corrective action plan to address an internal control deficiency described in the Independent Auditor's Report on Internal Control. Recommendation No. 2 addressed the need for MCC to make a management decision on \$20,975 in questioned costs and recover any amounts determined to be unallowable.

**SIGNIFICANT AUDIT RECOMMENDATIONS  
DESCRIBED IN PREVIOUS SEMIANNUAL  
REPORTS WITHOUT FINAL ACTION  
MCC**

As of September 30, 2009

<i>Report Number</i>	<i>Subject of Report</i>	<i>Issue Date</i>	<i>Rec. No.</i>	<i>Management Decision Date</i>	<i>Final Action Target Date</i>
M-000-09-001-P	Audit of the Millennium Challenge Corporation Programs in Honduras	12/24/08	1	12/24/08	06/09
			2	None	NA
			3	12/24/08	12/09
			4	12/24/08	12/09
			5	12/24/08	12/09

## REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS MCC

April 1–September 30, 2009

Reports	Number of Audit Reports	Questioned Costs (\$)	Unsupported Costs (\$)
A. For which no management decision had been made as of April 1, 2009	5	\$206,201	\$133,996
B. Add: Reports issued, April 1–September 30, 2009	7	1,533,215	1,285,166
<i>Subtotal</i>	12	1,739,416	1,419,162
C. Less: Reports with a management decision made, April 1–September 30, 2009	4	185,226	113,021
<i>Value of recommendations disallowed by Agency officials</i>		55,018	6,355
<i>Value of recommendations allowed by Agency officials</i>		130,208	106,666
D. For which no management decision had been made as of September 30, 2009	8	1,554,190	1,306,141

Appendix III —Table 7



**REPORTS ISSUED WITH RECOMMENDATIONS  
THAT FUNDS BE PUT TO BETTER USE  
MCC**

April 1–September 30, 2009

<i>Reports</i>	<i>Number of Audit Reports</i>	<i>Amount (\$)</i>
A. For which no management decision had been made as of April 1, 2009	0	0
B. Add: Reports issued April 1–September 30, 2009	0	0
<i>Subtotal</i>	0	0
C. Less: Reports with a management decision made, April 1–September 30, 2009	0	0
<i>Value of recommendations agreed to by agency officials</i>		0
<i>Value of recommendations not agreed to by Agency officials</i>		0
D. For which no management decision had been made as of September 30, 2009	0	0

# SUMMARY OF AUDITS CONDUCTED AND RESULTS MCC

As of March 31, 2009

<i>Type of Report</i>	<i>Number of Reports</i>	<i>Amount of Recommendations (\$)*</i>
<b>Financial Audits</b>		
MCC Fund Accountability Statement Audits	10	\$1,373,971
Limited-Scope Reviews	3	159,244
Quality Control Reviews	3	0
<b>Performance Audits</b>		
MCC Economic Growth and Prosperity	4	0
Management Capabilities	1	0
<b>Other</b>	0	0
<b>Total</b>	<b>21</b>	<b>\$1,533,215</b>

\* Monetary recommendations include questioned costs.

# FRAUD AWARENESS BRIEFINGS CONDUCTED MCC

As of September 30, 2009

<i>Month</i>	<i>Location</i>	<i>Sessions</i>	<i>Attendees</i>	<i>Professional Affiliation</i>
<b>Apr.</b>	NA	NA	NA	NA
<b>May</b>	Washington, DC	1	6	MCC personnel
<b>June</b>	NA	NA	NA	NA
<b>July</b>	NA	NA	NA	NA
<b>Aug.</b>	Washington, DC	2	4	MCC personnel
<b>Sept.</b>	Washington, DC	1	3	MCC personnel
	Ulaanbaatar, Mongolia	5	88	MCC personnel
<b>Total</b>		9	101	



## APPENDIX IV

### ABBREVIATIONS

COTR	contracting officer's technical representative
DCAA	Defense Contract Audit Agency
FAP	fiscal accountability plan
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act of 2002 (Public Law 107-347)
FSN	Foreign Service national
FY	fiscal year
HIV/AIDS	human immunodeficiency virus/acquired immunodeficiency syndrome
IAF	Inter-American Foundation
LES	locally employed staff
MCC	Millennium Challenge Corporation
MOU	memorandum of understanding
NGO	nongovernmental organization
OMB	Office of Management and Budget
PEPFAR	President's Emergency Plan for AIDS Relief
PMTCT	prevention of mother-to-child transmission (of HIV)
PRT	provincial reconstruction team
SAI	Supreme Audit Institution
USADF	United States African Development Foundation
USAID	United States Agency for International Development





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