USAID
OFFICE OF INSPECTOR GENERAL

Independent Auditor's Reports on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Year 2000

Audit Report (Report No. 0-000-01-006-F)
February 26, 2001

U.S. Agency for
International Development

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 26, 2001

MEMORANDUM FOR M/CFO, Michael T. Smokovich

FROM: IG/A/FA, Alvin A. Brown

SUBJECT: Independent Auditor's Reports on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Year 2000, Audit Report No. 0-000-01-006-F

The Office of Inspector General is transmitting its reports on the audit of U.S Agency for International Development's (USAID's) fiscal year 2000 financial statements, related internal controls, and compliance with applicable laws and regulations. As agreed, only selected items were reviewed, as set forth in the reports attached. An additional report on your Management Discussion and Analysis will be prepared and transmitted in spring 2001.

Under the Government Management Reform Act of 1994, USAID is required to prepare consolidated fiscal year-end financial statements. USAID is required to submit audited financial statements to the Office of Management and Budget and the Department of the Treasury by March 1 following fiscal year end.

We do not express an opinion on USAID's fiscal year 2000 financial statements because our audit scope was impaired. This impairment resulted because USAID has not implemented adequate financial management systems to produce complete, reliable, timely, and consistent financial information without making material year-end adjustments. Due to time constraints, we were unable to assess the reasonableness of the adjustments and the reliability of the balances reported.

USAID's internal controls have improved during the past 12 months. However, additional corrective actions are still needed to correct deficiencies reported in our previous reports. USAID had not fully implemented adequate internal controls to ensure that its financial information was reliable, complete, timely, and consistent. Concerning USAID's compliance, we noted 3 material instances of noncompliance with United States government laws and regulations.

Because USAID has embarked on a significant effort to improve the systems that produce its financial statements and has not fully implemented all corrective actions needed to improve its accounting and financial systems, we agreed that it would be most beneficial to concentrate fiscal year 2000 audit efforts in the following five significant areas:

- Reporting credit program receivables,
- Accounting for Advances to Grantees,
- Calculating and reporting accounts payable and accrued expenses,
- Reconciling and managing USAID's fund balance with the U.S. Treasury, and
- Preparing the Management Discussion and Analysis (MD&A) Section,

We issued individual reports for the first four areas[1] and you agreed to the recommendations contained within each of the reports. We will issue a report for the MD&A section in the spring of 2001.

We have evaluated and incorporated comments provided to our draft report in Appendix I & II.

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[1] (1) Audit on USAID's Credit Programs and Related Internal Controls for Fiscal Year 2000; (Audit Report No. 0-000-01-002-F), issued February 15, 2001; (2) Audit of USAID's Advances and Prepayments for Fiscal Year 2000, (Audit No.0-000-01-003-F), issued February 15, 2001; (3) Audit of USAID's Accounts Payable and Accrued Expenditures for Fiscal year 2000 (Audit No. 0-000-01-004-F), issued February 15, 2001, and (4) Audit of USAID's Fund Balance with Treasury for Fiscal Year 2000, (Audit No. 0-000-01-005-F), issued February 15, 2001.

I would like to express my sincerest appreciation for the courtesies extended by your staff to the auditors over the past year. The Office of the Inspector General is looking forward to working with you on the audit of the fiscal year 2001 financial statements and seeing improved systems and controls.

EXECUTIVE SUMMARY

The Government Management Reform Act of 1994 requires the U.S. Agency for International Development (USAID) to prepare and submit audited consolidated financial statements for inclusion in the government-wide financial statements. This law and applicable auditing standards require the Office of Inspector General to:

1. Audit the financial statements and issue an opinion on the fairness of presentation in accordance with generally accepted accounting principles,

2. Report on related internal controls, and

3. Report on compliance with applicable laws and regulations.

For fiscal year 2000, the Office of the Inspector General agreed with USAID's management to focus our audit effort on the high-risk balance sheet line items, the Management Discussion & Analysis (MD&A), general controls, and followup on prior recommendations. We issued a series of reports that communicated the results of our audits conducted on selected material line items reported in USAID's fiscal year 2000 balance sheet. In the individual reports, we made recommendations to improve USAID's ability to calculate and report its balances at fiscal year end. *(See Appendix IV for a listing of reports issued for fiscal year 2000).* Accordingly, we have not expressed an opinion on the fairness of USAID's financial statements.

Auditor's Opinion on USAID's Fiscal Year 2000 Financial Statements

We do not express an opinion on the consolidated financial statements[2] for the fiscal year ending September 30, 2000, because our audit scope was impaired. This impairment resulted because USAID has not implemented adequate financial management systems to produce complete, reliable, timely and consistent financial statements without material year-end adjustments. In an effort to address a deficiency reported in our previous audit reports, USAID changed its methodology for calculating and reporting accounts payable, which resulted in a material adjustment being made, which we were unable to validate.

[2] See Appendix V for USAID's Consolidated Financial Statements for Fiscal year 2000.

Further, the Department of Health and Human Services, the agency that provides payment and management services to USAID for its advances to grantees, experienced system problems during the third and fourth quarters of fiscal year 2000. As a result, USAID's management had to develop a methodology to estimate the balances for the accrued expenses related to advances to grantees and the outstanding advances at yearend. This also resulted in material year-end adjustments being made, which we were unable to validate.

Due to time constraints, we were unable to evaluate the reasonableness of the new methodologies and the reliability of the balances reported. In addition, USAID had not completed its implementation of our recommendations made to correct previously identified deficiencies. The uncorrected system deficiencies and material adjustments created a consequential risk that the financial statements could contain material misstatements. Accordingly, we have not expressed an opinion on the fairness of the financial statements. *(See pages 3 to 5).*

Report on Internal Control Weaknesses

We found that USAID made improvements in some significant areas of its financial statements. However, USAID has not implemented adequate financial management systems to produce complete, reliable, timely and consistent financial statements without material year-end adjustments. Although USAID has made some improvements in its financial management systems over the past year, management had not fully implemented corrective actions previously recommended. As a result, USAID continues to make material —in excess of $3 billion—adjustments to its year-end accounts payable and advances balances.

In addition, USAID did not consistently report reliable financial information; and computer security deficiencies continue to exist. Finally, USAID needs to strengthen its internal controls over the performance information reported in the MD&A. Detailed information concerning the selected material line items reported on the balance sheet and the computer security issues identified can be found in the reports identified in the appendices of this report.

USAID Did Not Consistently
Report Reliable Financial Information

USAID did not consistently report reliable financial information. Although USAID has improved its credit program and fund balance internal controls, its managers need to strengthen their processes for recording and reporting financial information in accordance with generally accepted accounting principles. We found that certain financial information reported by USAID was not consistently complete, reliable, and timely. As a result, material adjustments were made after year-end. USAID reported that its financial management systems do not fully comply with some federal financial management system requirements, standards, and the U.S. Government Standard General Ledger at the

transaction level. USAID has identified the current primary accounting system as a material weakness in its fiscal year 1999 Accountability Report and has decided to report these same material weaknesses in the fiscal year 2000 Accountability Report, which will be issued on March 1, 2001.

Computer Security Deficiencies Continue to Exist

In the past year, USAID has made significant progress in improving its computer security program. However, additional work is required to fully implement an effective computer security program.

The OIG has issued several audit reports[3] identifying computer security deficiencies that expose USAID to unacceptable risks that resources and sensitive data might not be adequately protected from loss or destruction. The deficiencies exist because USAID has not implemented an effective computer security program as required by the Computer Security Act and OMB Circular A-130 "Management of Federal Information Resources".

Responding to OIG audits that identified computer security vulnerabilities, USAID identified its overall computer security program and NMS security and access controls as material weaknesses in its fiscal year 1997 Integrity Act Report, and its Accountability Reports for fiscal years 1998 and 1999. However, in the draft Accountability Report for fiscal year 2000, the NMS security and access controls weaknesses are no longer considered a material weakness by USAID. However, USAID's other computer security program deficiencies still represent a material weakness. *(See pages 6 to 16).*

Report on Compliance with Laws and Regulations

USAID did not comply with provisions of three laws affecting the financial statements. Consequently, USAID has no assurance that all transactions were executed in accordance with:

1. Laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the Principal Financial Statements or Required Supplementary Information.

2. Other laws, regulations, and government-wide policies identified in Appendix C of OMB bulletin 01-02.

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[3] Audit of USAID's Progress Implementing a Financial Management System That Meets Federal Financial Management Improvement Act Requirements (Audit Report No. A-000-99-003-P), issued March 1, 1999; Audit of General Controls Over USAID's Mainframe Computer Environment (Audit Report No. A-000-99-004-P) issued March 1, 1999; Audit of General Controls Over USAID's Client-Server Computer Environment (Audit Report No. A-000-99-005-P), issued on March 1, 1999; and Audit of USAID's Actions to Correct Financial Management System Planning Deficiencies (Audit Report No. A-000-00-003-P), issued August 24, 2000.

We have provided examples of noncompliance with the specific laws and regulations in the attached reports. *(See pages 17 through 27).*

For our audit of USAID's fiscal year 2000 financial statements, we statistically selected and reviewed the financial transactions at 10 missions. Specific details on reportable conditions found will be reported by the individual Regional Inspectors General to the responsible mission management officials.

Office of Inspector General
February 26, 2001

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INTRODUCTION

Background

The United States Agency for International Development (USAID) was created in 1961 to advance the United States' foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has an overseas presence in over 70 countries, 42 of which have fully operational and formal USAID missions. In fiscal year 2000, USAID had total obligation authority of $7.5 billion.[4]

Under the Government Management Reform Act of 1994, USAID is required to submit audited financial statements to the Office of Management and Budget (OMB) and appropriate Congressional Committees. Pursuant to this Act, USAID has prepared for FY 2000: (1) balance sheet, (2) statement of net cost, (3) statement of changes in net position, (4) statement of budgetary resources, (5) statement of financing, (6) notes to the principal statements, and (7) other accompanying information.

Objectives

OMB Bulletin No. 01-02 and related GAO guidance establish the minimum audit requirements for federal financial statements. For fiscal year 2000, this Bulletin required us to:

- Determine whether USAID's principal financial statements present fairly in all material respects, in conformity with federal accounting standards, the (1) assets; (2) liabilities and net position; (3) net costs; (4) change in net position; (5) budgetary resources; and (6) reconciliation of net costs and budgetary obligations.

- Report on USAID's internal control structure related to these financial statements, as well as, to the internal control structure related to the performance measures contained in the "USAID's Management Discussions and Analysis" section.

[4] See Appendix V for USAID's Consolidated Financial Statements for Fiscal year 2000 including its "Financial Report MD&A" section.

- Report on USAID's compliance with laws and regulations that could have a direct and material effect on the principal statements, and any other applicable laws and regulations.

For the first objective, in agreement with USAID management, our fiscal year 2000 audit focus was placed on the following material line items in USAID's balance sheet for which our audit risk was assessed as high: (1) Fund Balance with the U. S. Treasury; (2) Credit Programs; (3) Advances and Prepayments; and (4) Accounts Payable. If we were unable to determine whether, at a minimum, the financial statements were fairly presented, we would, to the extent practicable, obtain sufficient evidence about closing balances to help enable us to form an opinion on subsequent year's financial statements. We were not able to fully implement this objective because the scope of our work was impaired.

For the second objective mentioned above, we attempted obtained an understanding of the components of USAID's internal controls relating to the existence and completeness assertions relevant to the financial statements and the performance measures included in the Management Discussion and Analysis.

The third objective mentioned above included determining whether USAID's financial management systems comply substantially with federal requirements for financial management systems, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level, as required by Section 803(a) of the Federal Financial Management Improvement Act (FFMIA) of 1996. The scope of our work included those financial management systems that were operational in USAID during fiscal year 2000. To make this determination, we followed the implementation guidance for FFMIA issued by the OMB on September 9, 1997.

In accordance with the OMB audit requirements for federal financial statements, this combined audit report includes our separate reports on USAID's financial statements, internal control structure, and compliance with applicable laws and regulations.

REPORT ON USAID'S CONSOLIDATED FINANCIAL STATEMENTS

Based upon an agreement between USAID's Management and the Office of the Inspector General, we audited USAID's Financial Statements for the fiscal year ended September 30, 2000. USAID Management is responsible for the preparation of its financial statements; our responsibility is to express an opinion on the financial statements based on our audit. The opinions we can issue are:

- Unqualified—if we find that the financial statements are presented fairly in all material aspects.
- Qualified— if we find that the financial statements are fairly presented except for a material departure or exception that is explained in the report.
- Adverse— if we find that the financial statements are not fairly presented.

Instead of issuing one of the three above opinions, we may choose not to give an opinion because an audit of sufficient scope could not be conducted due to limitations or the condition of the financial records.

We were unable to conduct our audit in accordance with generally accepted government auditing standards and the OMB Bulletin 01-02 because we were unable to obtain reasonable assurance about the financial information presented in USAID's fiscal year 2000 Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether USAID's financial statements were free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We could not express an opinion on USAID's financial statements for the fiscal year ended September 30, 2000, because our audit scope was impaired. USAID has not implemented adequate accounting and financial management systems to produce complete, reliable, timely and consistent financial statements without material year-end adjustments. We found that USAID has changed its methodology for calculating accrued expenses. However, USAID had not changed its methodology and systems for valuing advances to grantees. As a result, USAID made about $3 billion in net adjustments *(see*

Table 1 below) to the figure reported in its general ledger. We were unable to fully evaluate the reasonableness of those adjustments to determine the reliability of the balances reported.

USAID's Net Adjustments to Balance Sheet Items Reviewed

Line Item	Net Adjusted Amounts (Billion)	Statements Affected
Accounts Payable	$2.350	Balance Sheet, Net Cost
Advance and Prepayments	0.767	Balance Sheet, Net Cost
Credit Programs	0.267	Balance Sheet, Net Cost
Fund Balance with Treasury	0.018	Balance Sheet, Budgetary Resources
Total Year-end Adjustments	**$3.402**	

Table 1

In addition, USAID had not completed its implementation of the recommendations made to correct previously identified deficiencies. The uncorrected system deficiencies created a consequential risk that the financial statements, including the performance MD&A information, could contain material misstatements.

OIG and USAID officials agreed to focus the fiscal year 2000 audit efforts on the material line items on USAID's balance sheet. We issued a series of reports that communicated the results of our audits conducted on selected line items reported in USAID's fiscal year 2000 balance sheet. In the individual reports, we made recommendations, when applicable, to improve USAID's ability to calculate and report its balances at fiscal year-end *(See Appendix IV for a listing of reports issued for fiscal year 2000)*. Accordingly, we have not expressed an opinion on the fairness of the financial statements.

Finally, with respect to the internal controls relating to the performance information reported in the Management Discussion and Analysis (MD&A), we attempted to gain an understanding of the design of the significant internal controls relating to the existence and completeness assertions as required by OMB Bulletin No. 01-02. However, our scope was impaired because we selected and reviewed a sample of Agency level performance indicators, which USAID officials informed us would be reported in the MD&A. Subsequently—after our fieldwork was almost complete—USAID officials informed us that the performance information previously identified would *not* be reported in the MD&A, but USAID officials instead decided to report on operating unit level indicators in the MD&A.

Based on OIG performance audits,[5] we were able to comment on the internal controls over the performance information reported in the MD&A. Based on those audits, we know that USAID's operating units did not consistently report credible performance information—which was the basis for the MD&A. Also, based on our limited review, the MD&A was not prepared in accordance with OMB Bulletin No. 97-01.[6]

The following Report on Internal Controls briefly discusses three significant problems:

1. The financial management systems at USAID cannot produce complete, reliable, timely and consistent financial statements without material year-end adjustments. *(See table 1)*

2. Computer security deficiencies continue to exist.

3. Internal controls over MD&A performance information must be strengthened.

As described in the preceding paragraphs, the scope of our work was impaired to such an extent that we are unable to express and do not express an opinion on the accompanying un-audited financial statements, and their related footnotes, due to time constraints, we were unable to evaluate the reasonableness of the material balance sheet adjustments made by USAID. The table on the preceding page shows the adjustments that were made to USAID's account balances at the end of fiscal year 2000.

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February 26, 2001

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[5] Audit of USAID/Malawi's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report; (Report No. 4-612-01-001-P), issued October 19, 2000; Audit of Global Bureau's Center for Economic Growth and Agricultural Development's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report; (Report No. 9-000-00-003-P), issued September 26, 2000; Audit of USAID/Ghana's Performance Monitoring for Indicators Appearing in the FY 2001 Results Review and Resource Request; (Report No. 7-641-00-007-P), issued June 30, 2000; Audit of USAID/Brazil's Performance Monitoring for Indicators; (Report No. 1-512-00-005-P), issued July 17, 2000.

[6] We reviewed and are commenting on the draft MD&A dated November 14, 2000. Subsequent MD&As have been received; however, the contents of those subsequent MD&As have not affected the results of our initial review.

REPORT ON USAID'S INTERNAL CONTROLS

As stated previously, we attempted to audit the accompanying financial statements of USAID as of September 30, 2000 but our report on the financial statements disclaims an opinion on whether it was presented fairly because the scope of our work was impaired. In planning and performing our work to report on USAID's financial statements, we obtained an understanding of the internal control structure by:

- reviewing the design of relevant policies and procedures,
- determining whether they have been placed in operation, and
- assessing control risk.

We gained an understanding of the internal controls only to determine the extent of our auditing procedures for reporting on USAID's fiscal year 2000 financial statements. We do not express an opinion on USAID's overall internal control structure.

As a result of problems noted in previous years' audits, and because USAID had not yet completed actions to correct these deficiencies, the OIG agreed with USAID to focus the fiscal year 2000 audit efforts on the material line items on the balance sheet, the Management Discussion and Analysis, and compliance with applicable laws and regulations. We issued a series of reports that communicated the results of our audits conducted on the selected line items reported in USAID's fiscal year 2000 Financial statements. In the individual reports, we made recommendations to improve USAID's ability to calculate and report its balances at fiscal yearend *(See Appendix IV for a listing of reports issued for fiscal year 2000)*.

Background on Internal Controls

Under the *Accounting and Auditing Act* of 1950, the *Federal Managers' Financial Integrity Act* (FMFIA) of 1982 and implementing policies established by the Office of Management and Budget (OMB), USAID's management is responsible for establishing and maintaining effective systems of internal control. To fulfill this responsibility,

management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The General Accounting Office has issued *Standards for Internal Controls in the Federal Government* that executive agencies must follow in establishing and maintaining an effective internal control structure as required by law and executive branch policies.

The objectives of an internal control structure, according to the OMB's Bulletin No. 01-02, are to provide management with reasonable assurance about the:

- Reliability of financial reporting—transactions are properly recorded, processed, and summarized to permit the preparation of the Principal Statements in accordance with the federal accounting standards, and the safeguarding of assets against loss from authorized acquisition, use, or disposition.

- Reliability of performance reporting—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

- Compliance with applicable laws and regulations—transactions are executed in accordance with (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the Principal Statements, and (b) any other laws, regulations and government-wide policies identified by OMB in Appendix C of Bulletins 01-02.

Because of inherent limitations in any internal control structure, errors or irregularities may still occur and not be detected. Also, predicting whether the internal controls will be effective in the future is risky because changes in conditions may require additional controls and the effectiveness of the design and operation of policies and procedures may deteriorate.

Scope of Our Consideration of USAID's Internal Controls

We obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation to meet the objectives of an internal control structure noted above. We also assessed control risk for the areas noted above.

Because USAID had not completed actions to correct deficiencies noted in previous audits[7] we focused our fiscal year 2000 audit efforts on selected material line items reported on its balance sheet, the MD&A, general controls, and follow-up on prior recommendations.

[7] See Appendix III of this report.

We do not express an opinion on the internal control structure because the purpose of our audit was to: (1) determine our auditing procedures for reporting on the financial statements, and (2) identify areas where we could assist the agency with improving its accounting policies and procedures and the reliability of its financial reports. We assessed control risk, performed tests, and issued a series of reports that communicated the results of our audits conducted on the selected material line items and made recommendations to improve USAID's ability to calculate and report its balances at fiscal year end *(See Appendix IV, for a listing of reports issued for fiscal year 2000)*. In assessing risks, we considered material internal control weaknesses identified by USAID's management in its Accountability Report, and our prior and current audit efforts related to financial and internal control matters.

We do not express an opinion on the performance information identified in the MD&A section of USAID's financial statements, as the expression of such an opinion was not the purpose of our work. Although OMB requires the OIG to gain an understanding of internal controls over the performance information and report deficiencies that come to our attention, scope impairments prevented us from conducting our work as required. Nevertheless, we are able to comment on the internal controls related to the performance information reported in the MD&A. (See "Internal controls over MD&A performance information must be strengthened" section of this report.)

Even though our work was impaired as discussed above, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect USAID management's ability to demonstrate that the control objectives noted above were met.

Some are serious enough to be considered material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties.

The following section briefly summarizes our findings for those matters that we consider reportable conditions and material weaknesses. Our work would not necessarily disclose all material weaknesses in the internal control structure.

Audit Findings

USAID Has Made Improvements In Its Financial Management Systems, But Additional Corrective Actions Are Needed

USAID has made improvements in its financial management systems, but additional corrective actions are needed to produce complete, reliable, timely, and consistent financial information.[8] USAID had not fully implemented corrective actions previously reported and, as a result, made material year-end adjustments that may make the financial statements unreliable. We found that USAID has made improvements in reporting its Credit Program Receivables and reduced the differences between its records and the U.S. Treasury's records. However:

- Financial management systems still need improvements,
- Computer security deficiencies continue to exist, and
- Internal controls over MD&A performance information must be strengthened.

We have provided additional information regarding these areas below. USAID reported most of these material weaknesses in its fiscal year 1998, 1999, Accountability Reports and in its 2000 Accountability Report, which will be issued on March 1, 2001. USAID has also properly reported the systems deficiencies to OMB.

USAID's Financial Management Systems Still Need Improvements

Over the past year, USAID has continued to strengthen its financial management systems related to reporting credit program receivables and fund balance with the U.S Treasury. However, improvements are still needed for: (1) calculating and reporting accounts payable and (2) accounting for advances to grantees with letter-of-credit agreements. *Appendix IV lists the reports that address each area in detail.*

[8] See Appendix III for the status of uncorrected findings and recommendations from prior audits that affect the current audit objectives.

Reporting Credit Program Receivables - USAID continues to improve its processes and procedures for reporting credit program receivables. However, despite its improvements in this area, we identified significant discrepancies between the loan information maintained by Riggs Bank[9] and USAID's records. At September 30, 2000, USAID had absolute discrepancies totaling approximately $459 million ($267 million net) between its general and subsidiary ledgers.

These discrepancies occurred because:

- Riggs Bank posted adjustments to its loan system throughout fiscal years 1999 and 2000, under USAID direction, without adequate support.

- USAID used the September 30, 1999, closing balances from its legacy systems and adjusted those balances with only the current year activities recorded in Riggs Bank's loan system to prepare its Credit Program trial balance for fiscal year 2000. USAID did not record all the adjustments posted to the Riggs Bank loan system during 1999 and 2000.

USAID identified and reconciled approximately $366 million ($182 million net) of the $459 million differences, which existed between its subsidiary and general ledger. USAID made the necessary adjustments for these differences. With our concurrence, USAID also posted a one-time unsupported adjustment of approximately $93 million ($85 million net) for the remaining unreconciled differences between its general ledger and its subsidiary ledger. These entries were necessary to bring USAID's general ledger into agreement with its subsidiary ledger.

Reporting Fund Balance with the U.S Treasury - USAID has also improved its internal controls in this area. However, we identified reportable conditions that if corrected, would enable USAID to provide a more reliable account of its Fund Balance with the U.S. Treasury and more reliable financial information to its oversight agencies at fiscal yearend. These reportable conditions do not have a material impact on the USAID Fund Balance with Treasury line item reported on its financial statements. The significant reportable conditions are:

- USAID did not consistently and completely reconcile differences, of about $18 million, between its records and the U.S. Treasury records, and

- USAID did not consistently comply with OMB reporting requirements for submitting quarterly budgetary reports.

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[9] In 1998, USAID entered into a contract with Riggs National Bank to provide loan servicing and financial management services for USAID's loan portfolios. As of October 1, 1999, USAID's legacy systems were discontinued and Riggs National Bank's loan system became USAID's subsidiary ledger for its loan portfolio.

USAID needs to continue researching and resolving all outstanding reconciling items and develop and implement procedures to obtain the necessary information needed from its overseas missions to submit quarterly budget reports to OMB.

Calculating and Reporting Accrued Expenditures and Accounts Payable – We were unable to determine whether USAID properly calculated and reported accounts payable to permit the preparation of reliable financial statements as of September 30, 2000. Initially, USAID's plan was to calculate its accounts payable using a statistical model for its Washington activities based on the obligations recorded in the New Management System (NMS). However, USAID officials abandoned this plan because of uncertainties about the reliability of the scheduled completion dates for the grants and contracts recorded in NMS, needed for the model.

On December 12, 2000, USAID informed us that a new methodology was used to calculate accounts payable, which resulted in an adjustment in excess of $1.9 billion. Subsequently, on December 20, 2000, USAID informed us that this methodology was further modified, and an additional adjustment of about $0.4 billion was recorded, for a total adjustment of approximately $2.3 billion. The amount of substantive testing needed to determine the reasonableness of the new methodology and the reliability of the adjustment would have been prohibitive and unattainable by the statutory deadline for submitting the audited financial statements to the Office of Management and Budget. Accordingly, we were unable to determine the reliability of the amounts reported for accounts payable. This is unacceptable under any conditions.

We were unable to determine whether USAID's methodology for calculating accounts payable for its Washington activities complied with the generally accepted accounting principles. Under USAID's planned statistical methodology, accounts payable estimates calculated for its Washington activities would not be supported by actual or constructive receipt of goods and services.

Under its new methodology, USAID's Office of Financial Management performed a trend analysis to establish its accounts payable balance for fiscal year 2000 based on the accounts payable calculated and reported during fiscal years 1997 through 1999 and the disbursements for the subsequent accounting periods. As a result of the new methodology, for fiscal year 2000, USAID made an adjustment in excess of $2.3 billion to more accurately report accounts payable balances in its financial statements. Due to time constraints, we were unable to determine the reasonableness of the new methodology and the reliability of the adjustment.

Accounting for Advances to Grantees – We were unable to determine whether USAID's advance account balance was reliable as of September 30, 2000, because:

(1) USAID's use of the cash pooling method of accounting for advances may hinder its ability to report reliable status of financial and budgetary resources at the obligation and appropriation level.

(2) USAID did not promptly record 603 grant agreements and modifications, totaling approximately $633 million, in the grant financial accounting system.

(3) USAID transferred unliquidated obligations totaling about $1.3 billion to the Department of Health and Human Service's Payment Management System without verifying the accuracy of the transferred balances.

(4) USAID did not follow its established policy of performing a monthly reconciliation between the advance subsidiary ledger and its general ledger. At September 30, 2000, there was an unexplained difference of $126 million between USAID's general ledger and its advance subsidiary ledger. USAID did not know which, if either, had the correct balance.

(5) USAID's general ledger system did not provide an adequate audit trail for the $1.3 billion advance balance reported.

(6) USAID did not promptly record expenses totaling about $767 million in its general ledger.

USAID agreed with our prior recommendations to change its methodology for disbursing advance to grantees, which would have corrected items one to four above. However, in fiscal year 2000, OMB issued a proposed amendment to Circular A-110 that proposed mandatory requirements for Federal Agencies to offer the pooled advance method to grantees. Because of this proposed change in regulations, USAID decided, with our concurrence, that the only practical course of action was to suspend its conversion of grantees to the obligation method of disbursing advances to grantees pending a final ruling by OMB. Therefore, USAID continues to use the pooled method for disbursing advances to grantees.

To date, OMB has not issued a final ruling on the pooling of advance issue. However, per the Federal Register Notice on the Federal Financial Assistance Management Improvement Act of 1999 dated January 17, 2001, the CFO Council's Grants Management Committee is clarifying differing positions on the pooled method issue for advances and will specify when pooling is applicable.

Mission Activity – For fiscal year 2000, we statistically selected and reviewed financial-related activities at 10 USAID missions.[10] The reportable conditions identified at the missions were communicated to management at the individual missions and are not repeated in this report.

[10] The ten missions selected for review were those in Jordan, Egypt, Ghana, Guinea, the Philippines, Indonesia, Russia, El Salvador, Botswana, and Mozambique.

Computer Security
Deficiencies Continue to Exist

Computer security deficiencies continue to exist at USAID. We have issued several audit reports[11] identifying certain computer security deficiencies that exposed USAID to unacceptable risks that resources and sensitive data may not be adequately protected from loss or destruction. The deficiencies exist because USAID has not implemented an effective computer security program as required by the Computer Security Act and OMB Circular A-130 "Management of Federal Information Resources".

As previously stated, in its Accountability Reports, USAID identified its overall computer security program and NMS security and access controls as material weaknesses in its fiscal year 1997 Integrity Act Report, and its Accountability Reports for fiscal years 1998 and 1999. At the date of this report, the NMS security and access controls weakness is no longer considered a material weakness because USAID made security improvements to the NMS software, developed a detailed NMS Security Plan and conducted a comprehensive Security Certification and Accreditation of NMS. Since 1997, USAID has also made progress in developing a computer security program. These efforts, which include long-term and short-term improvements, are still underway.

The OIG identified general control weaknesses during three of the four audits mentioned above, which were conducted at USAID/Washington during fiscal year 1999. During fiscal year 2000, the OIG's evaluation was based largely on USAID's progress in addressing the general control and security deficiencies identified in previous reports. The review concluded that eleven of the recommendations, from the three general control audit reports, were not closed until September 2000. More importantly, USAID's own computer security assessments identified numerous vulnerabilities through its network scans of systems located in USAID/Washington and overseas missions. As a result, USAID's computer systems and the operations that rely on these systems were vulnerable to disruption and misuse. Of particular concern is the need to improve and fully test USAID's plans for maintaining continuity of operations. In the event of a disaster, USAID does not have an adequate disaster contingency plan that could affect its continuing operations.

General controls are the structure, policies, and procedures that apply to an entity's overall computer operations. These controls create the environment in which application systems and controls operate. If general controls are weak or ineffective, they severely diminish the reliability of controls associated with individual applications. Without effective general controls, application controls may be rendered ineffective by circumvention or modification.

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[11] Audit of USAID's Progress Implementing a Financial Management System That Meets Federal Financial Management Improvement Act Requirements (Audit Report No. A-000-99-003-P), issued March 1, 1999: Audit of General Controls Over USAID's Mainframe Computer Environment (Audit Report No. A-000-99-004-P), issued March 1, 1999: Audit of General Controls Over USAID's Client-Server Computer Environment (Audit Report No. A-000-99-005-P), issued on March 1, 1999; and Audit of USAID's Actions to Correct Financial Management System Planning Deficiencies (Audit Report No. A-000-00-003-P), issued August 24, 2000.

Progress Correcting Financial Management System Planning Deficiencies - In August 2000, an OIG audit[12] disclosed that USAID made progress in correcting the five financial management system planning deficiencies identified in a prior audit[13], but only two of the five deficiencies have been fully corrected. The remaining three deficiencies have been only partially corrected by USAID management.

The five planning deficiencies that were identified in the March 1, 1999, FFMIA audit report included the following:

(1) the lack of an agency-wide information technology target architecture,

(2) the lack of a financial management system portfolio that met OMB's guidelines for selecting information technology investments,

(3) the lack of a modular acquisition strategy,

(4) an inadequate financial management system remediation plan, and

(5) the lack of a program management office to oversee the development of an integrated financial management system.

Since we reported the above deficiencies, USAID has developed (1) an agency-wide information technology target architecture, (2) a financial management system portfolio, (3) a modular acquisition strategy, and (4) a financial management system remediation plan. USAID also established a program management office to oversee the development of an integrated financial management system.

However, we found that USAID's financial management system portfolio was not developed in accordance with OMB guidelines, and that the remediation plan was not adequate. In addition, we found that the lines of authority for the program management office need to be clarified.

The OIG's analysis of the FFMIA remediation plan in the USAID CFO FY 2002 document[14] disclosed that USAID's remediation plan does not fully comply with OMB Circular No. A-11 requirements. There was significant improvement from the prior year's plan in disclosing resources, remedies, and target dates; but the world-wide deployment of the core financial system plan does not have specific target dates and required resources. The remediation plan states that USAID will achieve compliance

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[12] Audit of USAID's Actions to Correct Financial Management System Planning Deficiencies (Audit Report No. A-000-00-003-P), issued August 24, 2000.

[13] Audit of USAID's Progress Implementing a Financial Management System That Meets Federal Financial Management Improvement Act Requirements (Audit Report No. A-000-99-003-P), issued March 1, 1999.

[14] USAID CFO FY 2002 Financial Management Budget Justification, dated January 2001.

with FFMIA in FY 2003 by implementing an integrated financial management system at USAID/Washington and 2 pilot Missions; however, USAID may not achieve this goal until the system is implemented world-wide. In addition, the plan does not identify officials responsible for bringing the system into compliance as required in the July 19, 2000 revision of OMB Circular No. A-11, *"The Preparation and Submission of Budget Estimates"*.

The January 4, 2001, revision to Implementation Guidance for FFMIA of 1996, effective for financial and audit reports for fiscal year 2000, requires auditors to report on agency failures to meet deadlines in remediation plans. Our comparison of the prior and current year's remediation plans indicates that USAID will not meet milestones outlined in the previous year's plan. See *table 2 below:*

Comparison of Prior and Current Year's Remediation Plans

System	FY 2000 Target Dates	FY 2001 Target Dates
Core Financial System, USAID/W	4th Quarter 2000	*1st Quarter 2001
Managerial Cost Accounting System	2000	2002
Procurement System	2002	2003
Core Financial System at 2 Pilot Missions	March, 2001	4th Quarter 2001
Core Financial System World-wide	4th Quarter 2002	None

* Actual deployment date **Table 2**

USAID officials stated that the slippage of the target dates was primarily due to a re-evaluation of their product acquisition process and a decision to mitigate the risk of proceeding too quickly with the implementation of a complex and key system.

Internal Controls Over MD&A
Performance Information Must be Strengthened [15]

USAID did not prepare the MD&A in accordance with OMB Bulletin No. 97-01, as amended, "Form and Content of Agency Financial Statements," dated October 16,1996. For example, the MD&A did not:

- Compare actual results to goals or benchmarks or
- Report results that relate to the performance measures developed in USAID's 1997 Strategic Plan[16], which was current for fiscal year 2000.

[15] The OIG will issue a separate audit report that will further explain the details relating to this section.

[16] The USAID 1997 Strategic Plan was subsequently revised and the Agency began reporting against the objectives of the individual operating units.

The Chief Financial Officer (CFO) worked collaboratively with USAID's Bureau for Policy and Program Coordination (PPC) to develop a plan to prepare the MD&A for fiscal year 2000. As agreed to in the plan, PPC provided the CFO with USAID's draft Performance Overview.[17] However, because USAID's draft Performance Overview did not include all of the information needed for the MD&A, the CFO was not able to prepare the MD&A in accordance with OMB Bulletin No. 97-01. As a result, USAID's MD&A for fiscal year 2000 did not provide financial statement users with a fair presentation of its program performance.

In addition, as discussed previously, we were not able to review the performance information because of the scope impairment. However, the OIG is conducting a series of audits relative to the operating units' performance reports—which forms the basis of the performance information reported in the MD&A. Based on the audits completed to date,[18] we determined that the operating units did not consistently report credible performance information as required by Automated Directives System E203.5.5, "Performance Monitoring"[19]. Credible performance information was not consistently reported because the operating units needed to develop and implement a proper system of internal controls for monitoring program performance. Specifically, operating units needed to prepare performance-monitoring plans and perform data quality assessments—two key elements of USAID's performance monitoring system. As a result of USAID's reliance on the operating units' performance information, the MD&A may not consistently provide financial statement users with credible performance information for decision-making purposes.[20]

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[17] The Performance Overview, a Government Performance and Results Act of 1993 document, is intended to discuss the performance of USAID's programs in fiscal year 2000.

[18] Audit of USAID/Malawi's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report; (Report No. 4-612-01-001-P), issued October 19, 2000; Audit of Global Bureau's Center for Economic Growth and Agricultural Development's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report; (Report No. 9-000-00-003-P), issued September 26, 2000; Audit of USAID/Ghana's Performance Monitoring for Indicators Appearing in the FY 2001 Results Review and Resource Request; (Report No. 7-641-00-007-P), issued June 30, 2000; Audit of USAID/Brazil's Performance Monitoring for Indicators; (Report No. 1-512-00-005-P), issued July 17, 2000.

[19] ADS E203.5.5 was superceded by sections of ADS 201 and 203 in August 2000. However, ADS E203.5.5 was effective at the time the performance reports were prepared.

[20] This finding is based on reports already issued which contained recommendations that are not repeated in this report.

REPORT ON USAID COMPLIANCE

We attempted to review USAID's financial statements for the year ended September 30, 2000. Our report does not provide an opinion on the financial statements. Our objective was to determine whether the account balances reported on USAID's fiscal year 2000 financial statements were accurately stated in all respects. USAID management is responsible for compliance with applicable laws and regulations related to its financial statements.

Although we were unable to fully audit and report on USAID's compliance with laws and regulations because of the limited scope of our review, instances of potential material noncompliance came to our attention with regards to the requirements of the following:

- Chief Financial Officers Act of 1990
- Federal Financial Management Improvement Act of 1996
- Computer Security Act of 1987

We have reported other instances of noncompliance with applicable laws and regulations in the internal control section of this report. The following sections discuss instances of potential noncompliance with laws and related regulations listed above.

Chief Financial Officers Act of 1990

USAID has not fully delegated sufficient responsibilities and authority to the Chief Financial Officer (CFO) to successfully implement an integrated financial management system required by the Chief Financial Officers Act of 1990 and executive branch policy.

The Chief Financial Officers Act of 1990 (Public Law No. 101-576) requires each federal agency's CFO to develop and maintain an integrated financial management system, including financial reporting and internal controls which:

- Comply with applicable accounting principles, standards, and requirements, and internal control standards.

- Comply with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget (OMB).

- Comply with any other requirements applicable to such systems.

- Provide for: (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management; (2) the development and reporting of cost information; (3) the integration of accounting and budgeting information; and (4) the systemic measurement of performance.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires USAID to implement and maintain a financial management system that complies substantially with: (1) Federal requirements for an integrated financial management system; (2) applicable Federal accounting standards; and (3) requirements to post transactions to the United States Standard General Ledger at the transaction level.[21] These requirements are detailed in OMB Circular No. A-127, Financial Management Systems. Section 7 of this Circular identifies the requirements or characteristics that Federal financial management systems should possess. Other policy documents further detail these requirements.[22]

The FFMIA also requires that our audit of USAID's financial statements report on whether the financial management system complies with the above mentioned accounting and system requirements. The following information summarizes USAID's noncompliance with those requirements.

Nature and Extent of Noncompliance

During fiscal year 2000, USAID's financial management systems did not substantially comply with the FFMIA's accounting and system requirements. Although USAID managers have committed to follow disciplined practices to modernize USAID systems and have taken several steps to do so, significant improvements are not achievable until existing systems are replaced or modernized. As a result, during fiscal year 2000, USAID's financial management systems did not comply substantially with: (1) federal financial management system requirements, (2) applicable federal accounting standards,

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[21] In this section, we report on USAID's compliance with Federal requirements for financial management systems rather than its compliance with the Act itself.

[22] Office of Management and Budget's Circulars No. A-130, Management of Federal Information Resources, No. A-134, Financial Accounting Principles and Standards, No. A-11, Preparation and Submission of Budget Estimates, and No. A-34, Instructions on Budget Execution; U.S. Treasury's Treasury Financial Manual. In particular, the Joint Financial Management Improvement Program has published several documents describing detailed functional requirements that systems should possess to perform effectively.

and (3) requirements that transactions be posted to the United States Standard General Ledger at the transaction level as required by FFMIA.

Financial management systems' deficiencies that we first reported during fiscal year 1997 continue to exist.[23] This occurred because USAID's New Management System (NMS) did not operate effectively. Therefore, USAID has had to rely on a combination of outmoded legacy systems, informal and unofficial records maintained by individual managers or organizational units, and NMS--which suffers from technical and operational problems.

However, during fiscal year 2000 and 2001 USAID installed, configured, tested, and readied a new, core financial system software. This new system, Phoenix, began supporting Washington financial operations on December 15, 2000. Key financial data including obligation, expenditure, and loan information have been migrated to the new system.

Federal Financial Management System Requirements – USAID's financial management systems did not substantially comply with Federal financial management system requirements. These requirements are designed to enable agencies to provide complete, reliable, timely, and consistent information to decision makers and the public. Agencies, including Treasury and OMB, need this information to: (1) carry out their fiduciary responsibilities; (2) deter fraud, waste, and abuse; (3) facilitate efficient and effective delivery of programs; and (4) hold agency managers accountable for the way government programs are managed. The Congress needs this information to oversee government operations, and the public, to exercise their right of access to government information. Thus, a key objective of financial management systems is to ensure that reliable financial and program performance data are obtained, maintained, and reported.

During fiscal year 2000, our audits and USAID's management assessments confirmed the continuing existence of financial management system deficiencies that we reported during fiscal year 1997.[24] As a result, in fiscal year 2000, USAID's financial management systems did not substantially comply with Federal financial management system requirements. For example, USAID:

- Lacked an agency-wide classification structure, which standardizes data definitions and formats for financial management systems.

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[23] Audit of the Extent to Which USAID's Financial Management System Meets Requirements Identified in the Federal Financial Management Improvement Act of 1996 (Audit Report No. A-000-98-003-P) issued March 2, 1998.

[24] Audit of the Worldwide Deployment of the New Management System (NMS), (Audit Report No. A-000-97-004-P), issued March 31, 1997, Audit of USAID's Efforts to Resolve the Year 2000 Problem, (Audit Report No. A-000-97-005-P), issued July 11, 1997; Audit of USAID's Compliance with Federal Computer Security Requirements, (Audit Report No. A-000-97-008-P), issued September 30, 1997; Audit of the Internal Controls for the Operational New Management System, (Audit Report No. A-000-97-009-P), issued September 30, 1997, and Audit of the Status of USAID's New Management System (NMS), (Audit Report No. A-000-97-010-P), issued September 30, 1997.

- Relied on multiple incompatible systems that cannot exchange data and thus, did not have an integrated financial management system.

- Had not implemented effective computer security controls.

- Did not have a financial system that met Joint Financial Management Improvement Program requirements to (a) support the Prompt Payment Act, (b) support external reporting needs, and (c) ensure that costs are accumulated and reported with proper matching of periods, segments, and outputs.

- Had not implemented an effective accrual methodology.

- Did not have a financial system able to attribute costs to organizations, locations, projects, programs, or activities.

- Did not record accounts receivable in accordance with the U.S. Standard General Ledger at the transaction level.

Federal Accounting Standards – USAID's financial management systems may not comply with applicable Federal accounting standards. Specifically, we were unable to determine whether USAID financial management systems complied with the Statements of Federal Financial Accounting Standards No. 1, Accounting for Selected Assets and Liabilities. However, we determined that USAID financial management systems did not comply with Statements of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

Accounting For Selected Assets and Liabilities

Statement of Federal Financial Accounting Standard No. 1 states that when an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. It adds that if invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated. We were unable to determine whether USAID's methodology for calculating accrued expenditures and account payable for its Washington activities complied with generally accepted accounting principles.

USAID initially planned to use a statistical model to calculate accounts payable for its Washington activities based on obligations recorded in the New Management System (NMS). This plan was abandoned due to USAID's uncertainty, about the accuracy of the scheduled completion dates for contracts recorded in NMS. As a result of this uncertainty a new methodology was adopted by USAID to calculated accounts payable.

Under its new methodology, the Office of Financial Management performed a trend analysis of the accounts payable calculated and reported during fiscal years 1997 through 1999 and the disbursements for the subsequent accounting periods to establish its

accounts payable balance for fiscal year 2000. As a result of the new methodology for fiscal year 2000, USAID made an adjustment in excess of 2.3 billion. Due to time constraints, we were unable to evaluate this new methodology and the reasonableness of the adjustment.

Managerial Cost Accounting Concepts and Standards for the Federal Government

USAID has not implemented Statement of Federal Financial Accounting Standards No. 4. USAID did not comply with five fundamental elements of managerial cost accounting:

- Requirement for cost accounting - Each reporting entity should accumulate and report the costs of its activities on a regular basis for management information purposes.

- Responsibility segments - Management of each reporting entity should define and establish responsibility segments.

- Full cost - Reporting entities should report the full costs of outputs in general purpose financial reports.

- Inter-entity costs - Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities.

- Costing methodology - Cost of resources consumed by responsibility segments should be accumulated by type of resource.

This standard requires federal agencies to be able to provide reliable and timely information on the full cost of their programs, activities, and outputs by responsible segments. The cost assignments should be performed using one of the following methods listed in order of preference: (a) directly tracing costs wherever feasible and economically practicable; (b) assigning costs on a cause-and-effect basis; or (c) allocating costs on a reasonable and consistent basis. Cost information developed for different purposes should be drawn from a common data source, and output reports should be reconcilable to each other. Currently, USAID's financial system is not able to attribute costs to organizations, locations, projects, programs, or activities.

Use of United States Standard General Ledger at the Transaction Level - USAID did not record Accounts Receivable, Mission activities, Non-Expendable Property, and Loans in accordance with the United States Standard General Ledger at the transaction level. USAID did not have an integrated accounting and financial management system.

Cause of Noncompliance

Ineffective processes for managing information resources continue to be the primary cause of USAID's difficulties deploying effective information systems. USAID reported

deficiencies in its processes for managing information resources as a material weakness in its fiscal year 1997, 1998, 1999, and planned 2000 reports under the Integrity Act. Although USAID has taken steps to implement disciplined processes, and in September 1999, awarded a contract for a commercial-off-the-shelf core accounting system to replace its current core accounting system, significant improvements are not achievable until (1) the new system is installed and made operational and (2) other financially-related systems are replaced or modernized. However, during FY 2000 and 2001 USAID installed, configured, tested, and readied a new core financial system software. This new system, Phoenix, began supporting Washington financial operations on December 15, 2000.

Organization Responsible for Noncompliance

The Clinger-Cohen Act of 1996 makes the head of each agency, in consultation with the Chief Financial Officer (CFO) and Chief Information Officer (CIO), accountable for establishing policies and procedures that ensure that: (1) agency information systems provide financial and program performance data for agency financial statements; (2) financial and performance data are provided to financial management systems in a reliable, consistent, and timely manner; and (3) financial statements support assessments and revisions of mission and administrative processes, and measurements of the performance of information technology investments. Thus, the CFO and the CIO, reporting to the Administrator, share responsibility for implementing and maintaining an effective and efficient financial management system that meets Federal requirements for financial management systems. At USAID, both the CFO and CIO positions are located within the Management Bureau.

Recommendations

In our March 1999 audit report, Audit of USAID's Progress Implementing a Financial Management System that Meets Federal Financial Management Improvement Act Requirements, [25] we reported weaknesses in USAID's FFMIA remediation plans. That report recommended that before acquiring any financial management system components, USAID should:

1. complete an Agency-wide information technology target architecture,

2. use the target architecture to define USAID's financial management system portfolio,

3. complete a modular acquisition strategy, and

4. revise its remediation plan and develop sufficiently detailed supporting plans.

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[25] Audit of USAID's Progress Implementing a Financial Management System that Meets Federal Financial Management Improvement Act Requirements, (Audit Report No. A-000-99-003-P), issued March 1, 1999.

The report also recommended that USAID establish a strong program management office with the responsibility, authority, and resources to apply disciplined practices to implement financial management system improvements.

As of January 31, 2000, USAID had made management decisions to complete a modular acquisition strategy and to revise its remediation plan and had taken final action to complete an agency-wide information technology target architecture, to use the target architecture to define the Agency's financial management system portfolio, and to establish a program management office to implement financial management system improvements.

In an August 2000 report[26], we followed-up on the open recommendations in the above report. We reported that USAID should:

(1) Develop and implement a process for selecting information technology investments that meets requirements of OMB's guidelines for Selecting Information Technology Investments and GAO's Executive Guide: Leading Practices in Capital Decision Making[27]; and apply the process to prioritize USAID's financial management system investments as part of a portfolio of planned information technology investments for USAID's Fiscal Year 2002 budget submission to OMB;

(2) Revise the financial management systems remediation plan to include the estimated resources, remedies, and intermediate target dates needed to implement an integrated financial management system as required by the Federal Financial Management Improvement Act of 1996; and

(3) Ensure that the Change Management Team and the Office of Financial Systems Integration collectively have the responsibilities, the authority, and the structure to direct the planning, design, development, and deployment of all financial and mixed financial system components of the Integrated Financial Management System Program.

We expect to report on our follow up work in the OIG's next Semiannual Report to Congress, which will cover the period ending March 31, 2001.

Progress Implementing an Integrated Financial Management System

The Federal Financial Management Improvement Act (FFMIA) requires that each agency implement and maintain financial management systems that comply with Federal

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[26] Audit of USAID's Actions to Correct Financial Management System Planning Deficiencies, (Audit Report No. A-000-00-003-P), issued August 24, 2000.

[27] Executive Guide: Leading Practices in Capital Decision Making (GAO/AMID-99-32, December 1998)

financial management systems requirements including Office of Management and Budget's Circular Number A-127. USAID's goal is to implement an integrated financial management system in accordance with these requirements by fiscal year 2003.

To attain this goal, USAID established the Office of Financial Systems Integration to plan for and acquire USAID's financial systems. This Office, under the direction of the Chief Financial Officer and Chief Information Officer, is also preparing an overall plan to modernize USAID's legacy systems as components of an integrated financial system.

USAID is in the process of implementing an integrated financial management system using commercial-off-the-shelf software that will comply with the FFMIA and the Clinger-Cohen Act of 1996. Because USAID's integrated system will include legacy system information, USAID will need to convert and move data from existing systems to the new core financial management system. This new system is being implemented in several phases.

- Phase I focused on implementing the core financial accounting component of the new integrated financial management system (Phoenix). Deployment was initially scheduled for completion by October 1, 2000; however, USAID senior management delayed the start date. The actual deployment date was not until December 15, 2000.

- Phase II is the pilot implementation of the core accounting system at two overseas missions (Egypt and El Salvador). This is scheduled for completion by April 1, 2001; however, phase II may also be delayed.

- Subsequent phases will focus on deploying the new system to other missions.

The OIG identified several concerns with the Phoenix implementation before the scheduled deployment. These include:

- Compressed and limited software testing of functional requirements and lack of parallel operations.

- Delays in migrating data from the old to the new system.

- Incomplete and untested contingency plan to ensure continued operation in the event of unforeseen problems occurring before or after deployment.

- Deferral of some system functionality until December 2000 and later.

- Uncertain attendance at user training sessions.

- No process to document the showstoppers and the final decisions authorizing deployment of the system.

The OIG expressed these concerns and recommended that USAID thoroughly test Phoenix and work out any operational problems to better assure that the system will operate effectively and provide reliable information to managers. To address such concerns, USAID delayed the deployment, took action to conduct more testing, increased users' participation, and designed a project tool to assess the operational readiness of Phoenix.

Computer Security Act of 1987

The Computer Security Act of 1987 (Public Law No. 100-235) requires Federal agencies to protect information by: (1) identifying sensitive systems, (2) developing and implementing security plans for sensitive systems, and (3) establishing a training program to increase security awareness and knowledge of accepted security practices. OMB Circular No. A-130 contains executive branch policy for implementing this law.

In September 1997, the OIG reported[28] that management deficiencies had prevented USAID from implementing an effective computer security program as required by the Computer Security Act and the Office of Management and Budget. These deficiencies exposed USAID to high risks that resources will not be adequately protected from fraud or misuse. The deficiencies occurred because USAID did not implement an adequate system of management controls to support an effective computer security program. In this regard, USAID had not: (1) developed an organizational structure that clearly delegated responsibility and provided appropriate authority; (2) established planning policies needed to provide a foundation for an effective security program; and (3) implemented key management processes to ensure that security requirements were met.

The OIG conducted a series of audits of USAID's general computer security controls during fiscal year 1999[29]. The OIG found that USAID had not implemented effective general controls over its mainframe, client server (which hosts the NMS), and USAID Mission computer systems. Specifically, the OIG identified deficiencies in: (1) the entity-wide security program and management; (2) access controls; (3) application software development and change processes; (4) segregation of computer system duties; (5) system software change controls; and (6) continuity of services controls. A primary reason for ineffective general controls is the lack of an agency-wide security program that includes clear security responsibilities and agency-wide security processes.

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[28] Audit of USAID's Compliance with Federal Computer Security Requirements, (Audit Report No. A-000-97-008-P), issued September 30, 1997.

[29] Audit of USAID/Peru's General Controls Over the Mission Accounting and Control System, (Audit Report No. 527-99-001-P), issued December 30, 1998); Audit of Access and System's Software Security Controls Over the Mission Accounting and Control System, (Audit Report No. A-000-99-002-P), issued December 31, 1998; Audit of USAID's Progress Implementing a Financial Management System That Meets Federal Financial Management Improvement Act Requirements, (Audit Report No. A-000-99-003-P), issued March 1, 1999; Audit of General Controls Over USAID's Mainframe Computer Environment, (A-000-99-004-P), issued March 1, 1999; and Audit of General Controls Over USAID's Client-Server Environment, (A-000-99-005-P), issued March 1, 1999.

During fiscal year 2000, the OIG's review of audit recommendations that were intended to resolve the above general control weaknesses and USAID's computer security assessments confirmed the continuing existence of general control weaknesses. For example, our review found that nineteen of the twenty recommendations contained in our 1999 audit reports remained open during fiscal year 2000. More importantly, USAID's assessment found that computer security vulnerabilities continue to exist at USAID/Washington and overseas Missions. To illustrate, the assessments conducted at the overseas missions ranged from high to low risk because local officials did not consistently implement the security practices.

USAID has made significant progress in developing a program to improve its ability to protect computerized information. For example, USAID has updated security policies, developed a security evaluation process that requires certification by USAID management, developed and conducted on-site risk assessments at six missions, and performed security evaluations and certifications of NMS. Also, USAID officials have crafted a Model Information System Security Program. This program provides a framework for identifying and disseminating to other government agencies a complete set of 'best practices' for implementing an effective computer security program. The program has been recognized by the Chief Information Officers Council, General Services Administration, and others, as an innovative and comprehensive approach that could benefit the entire Federal Government.

Although significant improvements in USAID Information Systems Security have occurred, much work remains to be done to fully implement an effective computer security program. USAID estimates that computer security vulnerabilities will not be fully corrected until 2003.

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February 26, 2001

OIG EVALUATION OF USAID MANAGEMENT COMMENTS

USAID's management agreed with the findings in this report and commented that they are pleased to see that the OIG noted the improvements the Agency has made regarding the two largest assets on the balance sheet—Fund Balance with the U.S. Treasury and Credit Program Receivables. USAID management further agrees that additional work is needed to improve the reporting of advances and accounts payable, the other two items on the balance sheet reviewed by the OIG in the fiscal year 2000 audit. With our concurrence, USAID's management is waiting on the decision from the Chief Financial Officer's Council Grants Management Committee to determine whether the Agency will convert all grants from the pooled method to the grant-by-grant basis. For accounts payable, USAID's management commented that the $2.3 billion adjusting entry, developed using a trend analysis, was needed to correct the previously accrual calculated by the New Management System. USAID will use the same trend analysis to develop its accounts payable amounts for fiscal year 2001. The OIG plan to review this methodology and any resulting adjustments in detail during our fiscal year 2001 GMRA audit.

USAID management noted that they have revised the approach to performance reporting in response to criticism about the manageability of its strategic plan. The revision was incorporated in USAID's fiscal year 2000 Strategic Plan to begin reporting at the operating unit level in fiscal year 2000. USAID management further recognized our observation about the credibility of the performance reporting in the fiscal year 2000 Accountability Report. In response to our observation, USAID noted that they are implementing workshops worldwide for managing, planning, and offering technical assistance to the operating units to improve quality control of its performance-monitoring plan. As necessary, the OIG will evaluate the effectiveness of this implementation during our fiscal year 2001 GMRA audit.

See **Appendix II** for USAID's management comments.

USAID'S MANAGEMENT COMMENTS

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 16, 2001

MEMORANDUM

TO: IG/A/FA, Alvin A. Brown

FROM: M/CFO, Elmer S. Owens

SUBJECT: Independent Auditor's Reports on USAID's Balance Sheet, Internal Controls, and Compliance's for Fiscal Year 2000, Audit Report No. 0-000-01-00X-F

Thank you for the opportunity to comment on the subject draft report. We are in general agreement with the audit findings and look forward to working with you and your staff to remove the remaining barriers impairing your ability to render an opinion on the Agency's financial statements.

In the draft report on internal control, we were pleased to see that you noted the improvements the Agency has made regarding the two largest assets on the balance sheet (Fund Balance with Treasury and Credit Program Receivables). Agency and contractor staff expended significant time, effort and resources to bring these line items up to date. As regards the other two balance sheet items, advances and accounts payable, we agree that additional work is needed. On the issue of pooled letter of credit advances, we cannot proceed to a final solution, as you know, until the Chief Financial officer's Council Grants Management Committee concludes its work.

As for accounts payable, the report noted that we made a $2.3 billion adjusting journal entry to more accurately report FY 2000 accrued expenses. This entry was the net amount of the entry required to reverse the accrual amounts calculated by the New Management System, which we agreed were overstated,

and the more accurate amounts we estimated using a trend analysis. Therefor, this entry is better described as a correcting entry rather than a material year end adjustment. The accrual amounts for FY 2001 will be developed using the same trend analysis methodology as used for FY 2000. We hope that your office will be able to initiate the audit work in time to determine the reliability of the estimates.

The internal control report also identifies three problems related to performance reporting. These are: (1) reported results are not related to the performance measures developed in USAID's 1997 Strategic Plan; (2) actual results are not compared to benchmarks or targets; and (3) operating units may not be consistently reporting creditable performance information.

As noted in FY 2000 Accountability Report, the Agency revised it's approach to performance reporting in FY 2000 to respond to criticism by others, including the OIG, that the performance goals identified in the 1997 Strategic Plan were beyond its manageable interests. This revision was incorporated in the Agency's 2000 Strategic and we began reporting against the objectives of the individual operating units in FY 2000. Your observations about the credibility of performance reporting in the FY 2000 Accountability Report have been recognized by the Agency and we are implementing workshop worldwide in Managing for Results and Performance Measurement Planing and offering expanded technical assistance to the operating units to improve quality control of performance monitoring plans.

Thank you and the entire audit team for the professional manner in which the audit was conducted. We look forward to working with you the FY 2001 GMRA audit, as we move closer to a clean opinion on the Agency's financial statements.

Cc: A-AA/PPC, K Schofield
M/CFO, M. Smokovich
PPC, S. Merrill
PPC, G. Britan
M/CFO, T. Cully
M/FM, D. Ostermeyer
M/MPI, S. Malone-Gilmer
M/MPI, K. Schwartz
M/FM/CAR, T. Vapniarek
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M/FM/LM, M. Washington

STATUS OF UNCORRECTED FINDINGS AND RECOMMENDATIONS FROM PRIOR AUDITS THAT AFFECT THE CURRENT AUDIT OBJECTIVES

Office of Management and Budget's Circular No. A-50 states that a management decision on audit recommendations shall be made within a maximum of six months after issuance of a final report. Corrective action should proceed as rapidly as possible. The following audit recommendations directed to USAID remain uncorrected and/or final actions have not been completed as of September 30, 2000. We have also noted where final action was taken subsequent to fiscal year-end but prior to the date of this report.

Reports on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal year 1996
Audit Report No. 0-000-97-001-C February 24, 1997

Recommendation No. 1: We recommend that USAID's Chief Financial Officer:

1.1 Develop and implement procedures to ensure that journal vouchers for the general ledger are properly prepared by accounting staff and reviewed by supervisors;

1.2 Require that journal vouchers be adequately supported prior to entering the financial data into the general ledger; and

1.3 Provide adequate supervision to ensure that all adjusting entries entered into the general ledger system are supported and authorized.

Recommendation is pending final action by USAID

Recommendation No. 2: We recommend that USAID's Chief Financial Officer:

2.2 Develop and implement detailed written procedures, which provide adequate guidance to the financial management staff for properly recording transactions as they occur;

Recommendation is pending final action by USAID

Audit of the Worldwide Deployment of the New Management System (NMS)
Audit Report No. A-000-97-004-P March 31, 1997

Recommendation No. 2: We recommend that USAID assign a senior manager to manage the NMS project reporting directly to the CIO, AA/M, or USAID Administrator. Direct the project manager to work with the CIO to prepare an implementation plan identifying the steps, timeframes, and resources needed to: (1) analyze the technical and implementation problems that currently limit NMS from achieving its full potential; (2) implement disciplined IRM processes; and (3) identify alternative implementation strategies, including pilot testing, prototyping, and incremental deployment of NMS capabilities.

Recommendation is pending final action by USAID

Recommendation No. 3: We recommend that USAID assign a senior manager to develop and manage a performance-based acquisition plan that requires the contractor to deliver a fully functioning system—or a subset of the system—that meets financial management and USAID requirements.

Recommendation is pending final action by USAID

Audit of USAID's Compliance with Federal Computer Security Requirements
Audit Report No. A-000-97-008-P September 30, 1997

Recommendation No. 2: We recommend that the Acting Assistant Administrator for Management demonstrate support for an effective computer security program by taking action to direct the computer security program manager to develop and implement an effective computer security program by:

2.2 Ensuring that adequate resources and skills are available to implement the program.

2.3 Revising policies to incorporate a planning process that will provide a sound foundation for an effective computer security program.

2.4 Implementing disciplined processes to ensure compliance with the Computer Security Act of 1987 and OMB Circular A-130.

2.5 Bringing sensitive computer systems, including NMS, into compliance with computer security requirements by: (1) assigning security responsibility, (2)

preparing security plans, (3) completing contingency/disaster recovery plans, (4) identifying technical controls, (5) conducting security reviews, and (6) obtaining management's authorization before allowing systems to process data.

Recommendation is pending final action by USAID

Audit of the Internal Controls for the
Operational New Management System
Audit Report No. A-000-97-009-P September 30, 1997

Recommendation No. 1: We recommend that the Assistant Administrator for Management design, document, test, and implement a system of internal controls for the New Management System that complies with the General Accounting Office's Standards for Internal Controls in the Federal Government.

Recommendation is pending final action by USAID

Reports on USAID'S Financial Statements,
Internal Controls, and Compliance
for Fiscal years 1997 and 1996
Audit Report No. 0-000-98-001-F March 2, 1998

Recommendation No. 3: Until USAID implements a compliant accounting and financial management system, we recommend that the Chief Financial Officer develop and implement a methodology to accrue expenditures and adjust outstanding advances and prepayments to ensure that the financial statements are not materially overstated.

Recommendation is pending final action by USAID

Recommendation No. 5: We recommend that the Assistant Administrator/Bureau for Policy and Program Coordination establish a common set of indicators for use by operating units to measure progress in achieving USAID's strategic goals and objectives and that allow for the aggregation of program results reported by operating units.

Recommendation is pending final action by USAID

Recommendation No. 7: We recommend that USAID:

7.1 Establish procedures to ensure (1) operating units report results for the year ended September 30 and (2) results reported in the MD&A section of USAID's financial statements and Annual Performance Report be clearly shown as achievements for that year.

Recommendation is pending final action by USAID

Recommendation No. 8: We recommend that the Chief Financial Officer:

8.1 Implement a comprehensive policy that will incorporate an automatic assessment of interest charges against all delinquent receivables, and that these assessments are actively monitored for managerial and statutory reporting purposes.

Recommendation is pending final action by USAID

Recommendation No. 9: We recommend that the Chief Financial Officer develop and implement policies and procedures to ensure adherence to the requirements of the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996. These policies and procedures should at a minimum ensure that:

9.1 All billing offices incorporate due process rights into demands for payment;

9.2 All delinquencies in excess of 180 days are identified in a timely manner, and referred to the United States Treasury; and

9.3 The issuance or guarantee of consumer credit is reported to consumer credit reporting agencies.

Recommendation is pending final action by USAID

Audit of the New Management System (NMS) Status
Audit Report No. A-000-98-004-P March 31, 1998

Recommendation No. 1: We recommend that the Chief Information Officer complete a detailed analysis of the costs, benefits, and risks to (1) implement commercial procurement and budget packages and/or (2) use cross servicing for procurement and budget functions before deciding to repair the NMS Acquisition and Assistance, and Budget subsystems.

Recommendation is pending final action by USAID

Audit of Access and System Software Security Controls
Over the Mission Accounting and Control System (MACS)
Audit Report No. A-000-99-002-P December 31, 1998

Recommendation No. 1: We recommend that the Director of IRM strengthen MACS' access and system software controls by developing and implementing standards for access and system software installation and maintenance. These standards should implement the agency's policies pertaining to access and system software controls and

thus, provides step-by-step guidance to mission system managers in the implementation of these controls. These standards should specifically address the controls described in GAO's Federal Information System Controls Audit Manual.

Recommendation is pending final action by USAID

Report on USAID's Financial Statements,
Internal Controls, and Compliance for Fiscal year 1998
Audit Report No. 0-000-99-001-F March 1, 1999

Recommendation No. 1: Because the Chief Financial Officer lacks the authority called for in the CFO Act, we recommend that the Chief Financial Officer collaborate with the Assistant Administrator for Management, Chief Information Officer, and Bureau For Policy and Program Coordination to:

1.1 Determine the specific responsibility, authority, and resources needed to meet the requirements of the Chief Financial Officers Act of 1990, which assigns the Chief Financial Officer responsibility to: (1) develop and maintain an integrated accounting and financial management system that meets federal financial system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level; (2) approve and manage financial management system design and enhancement projects; and (3) develop a financial management system that provides for systematic measurement of performance.

Recommendation is pending final action by USAID

Audit of General Controls Over USAID's
Mainframe Computer Environment
Audit Report No. A-000-99-004-P March 1, 1999

Recommendation No. 4: To clarify security roles and responsibilities, we recommend that the CIO and CFO work with the Assistant Administrator for Management to determine the specific assignments of security roles and responsibilities needed to meet the requirements of the Chief Financial Officers Act of 1990 and OMB Circular A-130; and specifically delegate appropriate responsibility, authority, and resources to the Chief Financial Officer, other program managers, and technical and oversight staff.

Recommendation is pending final action by USAID

Report to USAID Managers on Selected
USAID Internal Controls for Fiscal year 1998
Audit Report No. 0-000-99-002-F March 31, 1999

Recommendation No. 2: We recommend that USAID's Office of Financial Management develop and implement procedures to:

2.1 Conduct, on a timely basis, accurate and complete reconciliation process.

Recommendation is pending final action by USAID

Recommendation No. 6: Because USAID does not properly identify and record the letter of credit disbursements, we recommend the Office of Financial Management:

6.1 Require all requests for advances through the letter-of-credit system include the specific obligation number and amount of the advance requested;

6.2 Identify the record that the advances disbursed through the letter-of-credit system against the proper obligation at the time of the disbursement; and

Recommendation is pending final action by USAID

Recommendation No. 10: We recommend that USAID's Bureau for Policy and Program Coordination:

10.2 Develop internal controls for identifying the full costs (USAID program and operating expenses and funding by other donors and host countries) of USAID programs, activities, and outputs.

Recommendation is pending final action by USAID

Audit on USAID's Credit Programs and
Related Internal Controls Audit Report
No. 0-000-00-002-F, February 1, 2000

Recommendation No. 2: We recommend that the Office of financial Management:

2.1 Complete the rescheduling and forward updated information on rescheduled loans to Riggs National Bank and ensure that the bank's system reflects this information.

2.2 Research and make a determination about whether the adjustments recorded by Riggs National Bank was needed.

2.3 Direct Riggs National Bank to correct all adjustments that were not needed to the September 30, 1998 USAID Loan Accounting Information System (LAIS) loan balances.

Recommendation is pending final action by USAID

Audit on USAID's Advances and Related Internal Controls Audit Report No. 0-000-00-003-F, February 1, 2000

Recommendation No. 1: We recommend that the Office of Financial Management develop procedures to reduce its backlog of unprocessed vouchers and establish a methodology of estimating incurred expenses that should be reported against the outstanding advances at fiscal year end.

Recommendation is pending final action by USAID

Recommendation No. 2: We recommend that the Office of Financial Management develop procedures to ensure that grant agreements and amendments are promptly recorded in the financial systems and develop ways to integrate its financial systems.

Recommendation is pending final action by USAID

Recommendation No. 3: We recommend that the Office of Financial Management perform a reconciliation to verify the accuracy of unliquidated obligation balances and related information transferred to the Department of Health and Human Services.

Recommendation is pending final action by USAID

Recommendation No. 4: We recommend that the Office of Financial Management perform periodic reconciliations between its subsidiary ledger and general ledger.

Recommendation is pending final action by USAID.

Audit of USAID's Accrued Expenses, Accounts Payable, And Related Internal Controls Report No. 0-000-00-004-F, February 9, 2000

Recommendation No. 1: We recommend that USAID's Office of Financial Management Develop a methodology for calculating accrued expenses and accounts payable at fiscal year-end in accordance with the Federal Accounting Standards Advisory Board accounting standards.

Recommendation is pending final action by USAID

Report on USAID's Fund Balance with the U.S. Treasury and Related Internal Controls Report No. 0-000-00-005-F, February 17, 2000

Recommendation No. 4: We recommend that the Office of Financial Management record the liquidations of the advances disbursed against the 1998/1999 Development Assistance appropriation (728/91021) to the benefiting appropriation and replenish those funds to the 1998/1999 Development Assistance appropriation prior to the close of fiscal year 2000 and implementation of the new accounting system.

Recommendation is pending final action by USAID

Audit of USAID's Actions to Correct Financial Management System Planning Deficiencies Audit Report No.A-000-00-003-P August 24, 2000

Recommendation No. 1: We recommend that the Chief Information Officer, in conjunction with the Capital Investment Review Board and the Chief Financial Officer:

1.1 Develop and implement a process for selecting information technology investments that meets requirements of OMB's guidelines for Selecting Information Technology Investments and GAO's Executive Guide: Leading Practices in Capital Decision Making; and

1.2 Apply the process to prioritize USAID's financial management system investments as part of a portfolio of planned information technology investments as part of a portfolio of planned information technology investments for USAID's Fiscal year 2002 budget submission to OMB.

Recommendation is pending final action by USAID

Recommendation No. 2: We recommend that the Chief Financial Officer revise the financial management systems remediation plan (i.e., the Chief Financial Officer's Five Year Plan, Modernization Plan, and the Office of Management and Budget Circular A-11 budget schedules) to include the estimated resources, remedies, and intermediate target dates needed to implement an integrated financial management system as required by the Federal Financial management Improvement Act of 1996.

Recommendation is pending final action by USAID

Recommendation No. 3: We recommend that the Chief Information Officer and the Chief Financial Officer work with the Assistant Administrator for management to ensure that the Change Management Team and the Office of Financial Systems Integration collectively have the responsibilities, the authority, and the structure to direct the planning, design,

development, and deployment of all financial and mixed financial system components of the Integrated Financial management System Program.

Recommendation is pending final action by USAID

INTERNAL CONTROL REPORTS ISSUED FOR FISCAL YEAR 2000

The following is a list of the individual reports issued on USAID's fiscal year 2000 financial statements major line items:

Audit on USAID's Credit Programs and Related Internal Controls for Fiscal year 2000, Report No. 0-000-00-002-F, February 15, 2001.

Audit on USAID's Advances and Related Internal Controls for Fiscal year 2000, Report No. 0-000-00-003-F, February 15, 2001.

Audit of USAID's Accrued Expenses, Accounts Payable, and Related Internal Controls for Fiscal year 2000, Report No. 0-000-00-004-F, February 15, 2001.

Audit on USAID's Fund Balance with the U.S Treasury and Related Internal Controls for Fiscal year 2000, Report No. 0-000-00-005-F, February 15, 2001.

USAID'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2000