USAID

Office of Inspector General
Semiannual Report to the Congress

Inspector General Act of 1978
Twenty-fifth Anniversary

April 1, 2003 — September 30, 2003

The Inspector General Act 1978—2003

25 Years of Statutory Inspectors General

The year 2003 marks the 25th anniversary of the first legislation passed by Congress to establish a statutory basis for offices of Inspector General. That legislation, the Inspectors General Act of 1978 (IG Act), created audit, evaluation, and investigation entities in major departments and agencies. While oversight services were ongoing within the government, it was the IG Act that ensured that the offices were independent units, beyond control by management, producing objective reporting. In addition, the IG Act established the requirement of the Semiannual Report to the Congress. These reports provide Congress with timely updates on efforts to promote the economy, efficiency, and effectiveness of programs and also efforts to prevent and detect problems in agency programs and operations. The original legislation has been amended and extended to additional departments and agencies. Today, there are about 60 offices of Inspector General within the Federal government.

USAID's Office of Inspector General joins the community of Inspectors General across the Federal government to celebrate this anniversary.

Clockwise from the top: Photograph of Deputy Administrator Fred Schieck (center) who provided remarks at the OIG celebration of 25th Anniversary of the IG Act. Mr. Schieck is pictured here with Inspector General Everett Mosley (right) and Deputy Inspector General Jim Ebbitt (left). Photograph of Deputy Inspector General Jim Ebbitt (left) presenting Inspector General Everett Mosley (right) with a plaque recognizing his service to the OIG. Photograph of Inspector General Everett Mosley (left) presenting a plaque recognizing former Inspector General Jeffery Rush, Jr. (right) for his service to USAID/OIG.

OFFICE OF INSPECTOR GENERAL

October 31, 2003

The Honorable Andrew S. Natsios
Administrator
U. S. Agency for International Development
Washington, DC 20523

Dear Mr. Natsios:

I am pleased to report to you and the Congress of the United States the accomplishments of the USAID Office of Inspector General for the six-month period ended September 30, 2003. This report is issued in compliance with the Inspector General Act of 1978, as amended.

During this period the OIG issued 196 audit reports with monetary recommendations of about $5.5 million, completed 55 investigations, and achieved savings and recoveries of $64.2 million.

Our work in the reporting period took on a new urgency with regard to Afghanistan, Iraq, and the West Bank. We have completed risk assessments and plans for these high profile activities and look forward to working with the Agency on the accountability issues that the Agency is facing in these very challenging environments.

During the past six months, I testified on three occasions regarding USAID's programs and operations. My testimony is included in this report. A critical area of focus for my testimony is in the area of financial accountability. While I acknowledge that USAID has made progress, much more needs to be done in the area of financial management.

USAID has reached Management Agreement on all OIG recommendations for corrective action within six months of issuance for the sixth consecutive semiannual report. This commitment to the audit follow-up is commendable.

This October, Inspectors General throughout the Federal government celebrated the Inspector General Act, passed in 1978, under which our offices are organized. Here at USAID, we recalled the organization of the audit and investigation functions within the Agency and noted the achievements of our work. We also were pleased to have you and the Deputy Administrator acknowledge this milestone for our office. This report contains a narrative on the history of oversight arrangements at USAID.

We, the employees of the Office of Inspector General, continue our efforts to be a productive resource for USAID management in your daily operations and for the Congress in its oversight of Agency operations.

Sincerely,

Everett L. Mosley
Inspector General

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

OFFICE OF INSPECTOR GENERAL

October 31, 2003

Mr. Ernest G. Green, Chairman of the Board
Mr. Nathaniel Fields, President
The African Development Foundation
1400 Eye Street, N.W., Tenth Floor
Washington, D.C. 20005-2248

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the African Development Foundation (ADF) for the period ended September 30, 2003.

The report is issued in compliance with the Inspector General Act of 1978m, as amended. The Consolidated Appropriations Act (P.L. 106-113), dated November 29, 1999, assigned audit and investigation responsibilities for the ADF to USAID OIG.

I appreciate the courtesy and assistance extended to my staff during our work with your organization. The OIG staff is committed to helping the IAF achieve ultimate efficiency and effectiveness in its operations.

Sincerely,

Everett L. Mosley
Inspector General

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

OFFICE OF INSPECTOR GENERAL

October 31, 2003

Mr. Frank Yturria, Chairman of the Board
Mr. David Valenzuela, President
The Inter-American Foundation
901 North Stuart Street, 10th Floor
Arlington, Virginia 22203

Dear Sirs:

It is with pleasure that I report to you and the U.S. Congress the accomplishments of the USAID Office of Inspector General (OIG) with regard to the Inter-American Foundation (IAF) for the period ended September 30, 2003.

The report is issued in compliance with the Inspector General Act of 1978, as amended. The Consolidated Appropriations Act (P.L. 106-113), dated November 29, 1999, assigned audit and investigation responsibilities for the IAF to USAID OIG.

I appreciate the courtesy and assistance extended to my staff during our work with your organization. The OIG staff is committed to helping the IAF achieve ultimate efficiency and effectiveness in its operations.

Sincerely,

Everett L. Mosley
Inspector General

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

Acronyms

ADF	African Development Foundation
AIHA	American International Health Alliance
BDS	Biographical Data Sheet
BTEC	Business Transformation Executive Committee
CIP	Commodity Import Program
COP	Chief of Party
CPA	Certified Public Accountant
CTO	Cognizant Technical Officers
DCAA	Defense Contract Audit Agency
DOT	Department of Transportation
FAR	Federal Acquisition Regulation
FFP	Office of Food for Peace
FSN	Foreign Service National
GAO	General Accounting Office
GMRA	Government Management and Reform Act
GPRA	Government Performance and Results Act
HEW	Department of Health, Education and Welfare
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAF	Inter-American Foundation
IG Act	Inspector General Act of 1978
IGA	Inspector General for Foreign Assistance
M/IRM	Management/Office of Information Resource Management
MOU	Memorandum of Understanding
MSED	Micro and Small Enterprise Development
NGO	Non-Government Organizations
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
REFS	Rehabilitation of Economic Facilities and Services
Results Act	Government Performance and Results Act of 1993
SAIs	Supreme Audit Institutions
SEVIS	Student and Exchange Visitor Information System
USAID	United States Agency for International Development

Table of Contents

Reporting Requirements ii
Executive Summary 1
Overview 2
25th Anniversary of the IG Act/History of the IG at USAID 2
Highlights 12
Summary of the Standards for Success Analysis 14
Inspector General Testimony 15
USAID
- Major Management Challenges 23
  - Financial Management 23
  - Information Resource Management 24
  - Managing for Results 25
  - Procurement Management 26
  - Human Capital Management 26
- Other Management Challenges 27
  - Iraq 27
  - Afghanistan 28
  - West Bank/Gaza 30
  - HIV/AIDS 30
- Expanding Accountability 31
  - Expanding Supreme Audit Institutions' Capabilities 31
  - Training USAID Staff and Others 31
  - Presenting International Accountability and Anticorruption Issues 33
  - Accountability over Contractors and Grantees 35
- Introduction to USAID Bureaus and Independent Offices 37
  - Bureau for Africa 38
  - Bureau for Asia and the Near East 41
  - Bureau for Democracy, Conflict and Humanitarian Assistance 45
  - Bureau for Europe and Eurasia 46
  - Bureau for Latin America and the Caribbean 48
  - Bureau for Management 51
  - Bureau for Policy & Program Coordination 53

African Development Foundation
- OIG Strategy 54
- Management Challenges 54
- OIG Oversight Activities 55

Inter-American Foundation
- OIG Strategy 55
- Management Challenges 55
- OIG Oversight Activities 56

Appendices 57

Reporting Requirements—USAID

The Inspector General Act of 1978, as amended, requires each Inspector General to submit semiannual reports to the Congress summarizing the activities of the office during the preceding six-month period. The required reporting areas, as prescribed under Section 5(a) of the Act, are:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 23-36
Recommendations for Corrective Actions	Pages 37-53
Summary of Each Significant Report	Pages 37-53
List of Audit Reports Issued	Appendix A Page 59
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 72
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 73
Statistical Table of Reports with Questioned and Unsupported Costs	Appendix D Page 75
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Appendix E Page 76
Summary of Instances in Which Information or Assistance Was Refused	Appendix F Page 77
Decisions and Reasons for Significant Revised Management Decisions	Appendix F Page 77
Significant Management Decisions with Which the Inspector General Disagrees	Appendix F Page 77
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Appendix F Page 77
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Appendix G Page 78

Reporting Requirements—ADF

The Inspector General Act of 1978, as amended, requires each Inspector General to submit semiannual reports to the Congress summarizing the activities of the office during the preceding six-month period. The required reporting areas, as prescribed under Section 5(a) of the Act, are:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 54-55
Recommendations for Corrective Actions	Pages 55
Summary of Each Significant Report	Pages 55
List of Audit Reports Issued	Appendix A Page 59
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 72
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 74
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Summary of Instances in Which Information or Assistance Was Refused	Nothing to Report
Decisions and Reasons for Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions with Which the Inspector General Disagrees	Nothing to Report
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Reporting Requirements—IAF

The Inspector General Act of 1978, as amended, requires each Inspector General to submit semiannual reports to the Congress summarizing the activities of the office during the preceding six-month period. The required reporting areas, as prescribed under Section 5(a) of the Act, are:

Reporting Requirement	Location
Significant Problems, Abuses and Deficiencies	Pages 55-56
Recommendations for Corrective Actions	Pages 56
Summary of Each Significant Report	Pages 56
List of Audit Reports Issued	Appendix A Page 59
Summary of Each Audit Report over Six Months Old For Which No Management Decision Has Been Made	Appendix B Page 72
Significant Prior Recommendations on Which Corrective Action Has Not Been Completed	Appendix C Page 74
Statistical Table of Reports with Questioned and Unsupported Costs	Nothing to Report
Statistical Table of Reports with Recommendations That Funds Be Put to Better Use	Nothing to Report
Summary of Instances in Which Information or Assistance Was Refused	Nothing to Report
Decisions and Reasons for Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions with Which the Inspector General Disagrees	Nothing to Report
Remediation Plan Information (required under the Federal Financial Management Improvement Act of 1996)	Nothing to Report
Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Resulted	Nothing to Report

Executive Summary

This semiannual report presents the results of the Office of Inspector General's audit and investigation efforts at (1) the U.S. Agency for International Development (USAID), (2) the African Development Foundation, and (3) the Inter-American Foundation, for the six-month period ended September 30, 2003.

During the semiannual reporting period from April 1, 2003 through September 30, 2003, the Office of Inspector General (OIG) issued 196 audit reports with monetary recommendations valued at $5.5 million. In addition, the OIG completed 54 investigations and achieved savings and recoveries of $64.2 million. Because of continued aggressive actions, the OIG and USAID management have reached "management decisions" on all audits within six months of report issuance since March 31, 2001.

This report highlights three areas of interest by the OIG during this reporting period. First, 2003 marked the 25th Anniversary of the IG Act. A history of the IG Act at USAID is provided in this report. The history shows that USAID was at the forefront of providing oversight even before the IG Act went into effect. Also featured in this section is biographical information on the three Inspectors General who have served USAID.

The second area is the Summary of the Standards for Success Analysis. The OIG developed Standards for Success to guide OIG and USAID management in better addressing the major management challenges and other legislative or regulatory requirements that it faces. This section provides an overview of the Standards for Success and the current status of the report.

Finally, the IG provided testimony before congressional committees on three occasions. The testimony is presented in its entirety in this report. The testimony topics include: (1) Waste, Fraud and Abuse in Mandatory Spending Programs Within the U.S. Agency for International Development, (2) Efforts to Identify and Eliminate Waste, Fraud, Abuse, and Mismanagement with Respect to the U.S. Agency for International Development, and (3) Improving Financial Management at USAID.

The report also discusses the major challenges facing USAID, what USAID management is doing to address these challenges, and OIG efforts to provide assistance and advice. It includes a summary of OIG efforts to expand accountability in the international environment through support for anticorruption efforts, training, oversight of contractors and grantees, and other proactive steps. Significant audits and investigations conducted at USAID, organized by the relevant Bureau, are summarized in subsequent sections.

Pursuant to P.L.106-113, the Consolidated Appropriations Act, including the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, the OIG has audit and investigative responsibility for the African Development Foundation and the Inter-American Foundation. ADF and IAF's Management Challenges, OIG Strategies, and Oversight Activities are included in separate sections of the report.

Overview

The Office of Inspector General (OIG) is responsible for providing audit and investigative services to the U.S. Agency for International Development (USAID), the African Development Foundation (ADF), and the Inter-American Foundation (IAF).

Mission

Established under the Inspector General Act of 1978 (IG Act), as amended, the OIG is tasked with promoting economy, efficiency and effectiveness in the administration of programs and with preventing and detecting fraud and abuse in worldwide program operations. The IG Act also requires all Inspectors General to keep management and the Congress fully and currently informed about problems and deficiencies relating to the administration of programs and operations, as well as about actions taken to correct those deficiencies and problems.

Organization

The OIG is organized into three operational units: Audit, Investigations, and Management. There are also six overseas field offices, each headed by a Regional Inspector General, located in Budapest, Hungary; Cairo, Egypt; Dakar, Senegal; Manila, Philippines; Pretoria, South Africa; and San Salvador, El Salvador. These regional offices maintain close working relationships with the USAID missions in their regions. This field presence enables auditors and investigators to carry out their responsibilities efficiently.

25th Anniversary of the IG Act/History of the IG at USAID

Evolution in Oversight Arrangements for Foreign Aid Leads to the Inspector General at USAID

The Inspector General for Foreign Assistance and The USAID Auditor General

In October 2003, Federal departments and agencies celebrate the 25th anniversary of the legislation that permanently established offices of Inspectors General with a set of standard responsibilities across much of the U.S. government. The early legislation has since been amended and the reach extended. The arrival of the Inspector General legislation brought uniform requirements to an oversight environment. The Inspector General Act was preceded by different and changing arrangements for providing evaluation, investigation, inspection, and audit services at individual Federal entities.

The foreign aid program has a long association with an "Inspector General." The oversight mechanisms evolved as the organization and management of the foreign aid program changed. An important point in this evolution was the creation of USAID by Executive Order as an entity within the Department of State. At that time, both USAID and the Department of State implemented activities that have since merged into the Inspector General function.

As the mandate of the Inspector General took shape, so did the operational elements of required reporting and the relationship to the Congress. Ultimately, management, Congress, and Inspector General staffs developed the essential features that came to be incorporated into the Inspector General. The shared objective was how to best assist management with the task of oversight of the foreign aid program.

Early History

USAID was established by Executive Order 10973 of November 3, 1961 titled "Administration of Foreign Assistance and Related Functions." In that order, President John Kennedy directed the Secretary of State to "establish an agency in the Department of State to be known as the Agency for International Development."

As U.S. Government foreign assistance programs were consolidated into the U.S. Agency for International Development (USAID) from the International Cooperation Agency and other departments and agencies, USAID had designated officials responsible for accountability and oversight of USAID programs. These officials occupied positions that were established administratively.

In July 1962, a "Management Inspection Staff" was formed to "assist the Administrator by conducting investigations and internal audits and submitting evaluations of the effectiveness of AID operations." The Management Inspection Staff, which conducted reviews similar to performance evaluations and inspections, reported directly to the Administrator's office. This unit, along with the audit activities in the office of the Controller and the Security function, eventually would become elements within the USAID Auditor General's office.

Inspector General for Foreign Assistance

The relationship between an "Inspector General" and the foreign assistance program existed long before the IG Act. The Mutual Security Act of 1959 established the "Office of Inspector General and Comptroller" within the Department of State. Some of its duties related to auditing and reviewing the foreign aid program.

The Act for International Development of 1961 created the position of "Inspector General for Foreign Assistance" (IGA) – one of the first Inspectors General in Federal civilian agencies. The legislation required that the President nominate and the Senate confirm the Inspector General.

The Inspector General for Foreign Assistance reported to the Secretary of State. The direct access assured that observations and recommendations would reach the Secretary. And care was taken to prevent Inspectors General from being dependent on the administrative budget of any of the agencies under their jurisdiction.

This Office of Inspector General was tasked to arrange, direct or conduct reviews, inspections and audits to ascertain the efficiency and economy of programs under its jurisdiction and the consonance with foreign policy. The Inspector General had responsibilities for substantive reviews of foreign aid where the scope was of a general nature and covered multiple agencies, unlike tasks normally associated with internal audit activities. Those areas included policy and procedural issues of interest to the State Department senior-level management. At that time, in contrast, at the Agency for International Development (then an agency within the Department of State), internal audit activities focused on compliance with established policy rather than on efforts to evaluate the policy itself.

The Inspector General had authority to suspend all or any part of a project or operation unless the Secretary of State overruled the suspension. Expenses for the Inspector General for Foreign Assistance (IGA), not to exceed $2 million a year, were charged against the appropriations of the programs reviewed (including USAID, the Peace Corps and the Military Assistance Program).

The Inspector General also had confidential funds of $2,000 a year. During 1976, USAID provided approximately 59 percent of the operating funds for the IGA, corresponding to the time allocated to review USAID's operations. That year 21 reports were issued on USAID programs, with 8 reports on military assistance programs and 1 report on the Inter-American Foundation.

When this office was established, there was little capacity for auditing foreign assistance programs and the goals were well-intentioned. But, over time, the record of the Inspector General for Foreign Assistance was challenged. While on one hand, the IGA's reports were read by the State Department's top officials, efforts to ensure Department compliance with routine IGA inspection findings did not go smoothly. The inability to obtain management compliance with recommendations also hindered the IGA from achieving results. Duplication of review efforts became a concern. IGA recommendations concerned mostly management improvements or policy recommendations without amounts that could be claimed as defined dollar savings.

Later, in a review of the IGA office, GAO found that the IGA office was ineffective and duplicated the work of other better-managed offices which performed evaluations of foreign aid (to include GAO).

USAID's Office of Auditor General (established in June 1969) worked closely with the Inspector General for Foreign Assistance. The Auditor General's audit reports and planning reports (showing the status of each program and project audit and the next audits to be undertaken) were routinely sent to the IGA and helped avoid duplication.

USAID and the Inspector General for Foreign Assistance (IGA) did from time-to-time disagree on operating procedures for reviews. Such issues included continuing to allow IGA staff to attend USAID's internal "pre-decisional" project discussions. IGA would review files and report on proposed projects. Under its procedures, IGA issued reports and forwarded them to the Hill before the Agency could comment, which subjected the Agency to criticism. In one case involving a loan program, GAO applauded the IGA approach and expressed the view that "…questioning of proposed projects represents one area where IGA can be of substantial assistance to Congressional appropriation committees."

Finally, the Murphy Commission on Reorganization of Government for the Conduct of Foreign Policy recommended that the IGA be disbanded. The International Development and Food Assistance Act of 1977 authorized the duties and functions of the IGA to be transferred and abolished the office effective July 1, 1978.

Responsibilities of the Inspector General for Foreign Assistance were divided, with some going to the Inspector General for the Foreign Service at the Department of State. By 1978, the other office in a good position to gain duties was USAID's Auditor General.

Assistant Administrator for Administration Consolidates Compliance Functions

Significant reorganization during the late 1960's and 1970's helped USAID strengthen several offices that were to have a role in the formation of the Office of Inspector General.

Security and Inspection Functions on the Move

When the Office of Security was established in 1963, it reported to the Deputy Administrator for Administration. Prior to this time, the Security function was within the Office of Personnel Administration. In 1964, the Office of Security was placed under the Assistant Administrator for Administration.

By December 1966, the Management Inspection Staff (MIS) transferred under the Assistant Administrator for Administration, which also oversaw the Office of the Controller and the Office of Security. The next year, the MIS became the "Inspections and Investigations Staff" but remained within the Office of the Assistant Administrator for Administration.

Management Proposes an Auditor General at USAID

In the mid to late 1960's, and continuing in the 1970's, the need for greater independence for the audit function was identified throughout government. When stories of widespread fraud were uncovered and reported, the public became concerned about government accountability. As a result, department managers and Congress looked for remedies and prevention in strengthened audit and investigative oversight.

At USAID, there was support for the audit function to report directly to the Administrator and support to retain the function under the Controller, under the control of management. As change came to other departments and agencies, it also came to USAID

The USAID Auditor General operation was implemented in 1969.

In March 1969, Edward Tennant, Assistant Administrator for Administration, recommended the creation of an "Auditor General" at USAID. He recommended changes based on his organizational and independence issues. As then structured, the Audit function, in the office of the Controller, was thrice removed in the reporting chain from the Administrator. He also noted that the Controller had duel responsibilities as the "keeper of accounts" and chief auditor. This arrangement allowed the Controller to be very much involved in the subject matter he was responsible for auditing.

Based on sound management practice and trends in other Federal agencies, Tennant recommended that the Agency's auditors be independent of any operation subject to audit. This included USAID's field organization. At that time, the Agency's auditors posted overseas worked for the Mission Controller, who worked for the Mission Director. Some Mission Directors wanted this function to remain under their direction.

Congress became involved when it became known that a Mission Director "sat on draft audit reports and refused to permit their release." As a consequence, support grew for organizational independence of the Audit function.,

Past and Present Overseas Offices of the USAID Auditor General and the Inspector General

Present:

Budapest, Hungary	Dakar, Senegal	Pretoria, South Africa
Cairo, Egypt	Manila, Philippines	San Salvador, El Salvador

Past:

Abidjan, Ivory Coast	Karachi, Pakistan	Singapore
Bangkok, Thailand	Nairobi, Kenya	Tegucigalpa, Honduras
Bonn, Germany	Panama City, Panama	Vienna, Austria
Frankfurt, Germany	San Jose, Costa Rica	

but some still believed that the Mission Director needed an auditing staff as a "line management" tool to alert them to problems and directly respond to the Mission Director's specific priorities.

Tennant stated that "the Administrator is in the best management position if he has an independent audit staff calling the shots as they see them balanced by the views of the responsible operating officials." The views of the auditors, he claimed, would be balanced by the views of the responsible operating officials. Under his proposal, the Auditor General would provide professional audit service to the Mission Directors and work with them to develop a plan so that their priorities and concerns would indeed be addressed. Even though independent of the Agency field operations, "auditors want to be used, called upon, respected, and even loved (sometimes),…." according to Tennant. He predicted that with those character traits, auditors would be willing to dig into special problems when called upon by the Missions.

Senior management also had concerns about the Auditor General's excessive independence and usefulness given the potential isolation of the audit function. Tennant's Auditor General Plan would require the Agency's chief auditor to be a member of the executive staff and attend staff meetings and senior councils. The individual would be a broad-gauged professional, well attuned to the aid business, with a good understanding of operating abroad, and have a feel for the inherent difficulties of managing AID's high-risk business, where the partner is a cooperating country not particularly geared to U.S. management or accountability standards.

Auditor General Operations Begin

On June 16, 1969, the USAID Administrator John Hannah issued a memorandum titled "Activation of Auditor General Operations." It read in part:

"The President has announced in his Foreign Aid Message that we will establish 'better means of continuous management inspection' in A.I.D. I am today establishing the Auditor General operation referred to by the President. Mr. Edward F. Tennant is hereby named Auditor General reporting directly to the Administrator.

This innovation in the management of A.I.D.'s programs reflects this Administration's desire to assure that the Agency manages its business in the most effective way possible. All of us in this Agency have a great responsibility with respect to the handling of the public funds, and all of us want to discharge that responsibility properly and effectively. I am convinced a wide-ranging, independent internal review activity will help provide me, and all of our managers, the necessary protective and constructive services absolutely essential to good management… Our future emphasis would be teamwork and improved management effectiveness. We must detect problems and issues at the earliest possible stages and promptly effect corrective action. To help accomplish this, the Auditor General operation will be structured to meet both the needs of top management and subordinate management levels. Thus, the Auditor General and his staff will be fully responsible to requests of operating managers for audits and investigations to help them discharge their basic operating responsibilities."

Subsequently, the Office of the Auditor General was established from units under the Assistant Administrator for Administration. These included the Audit Division (in the Office of Controller), the Office of Security, the Inspections and Investigations Staff, and the Compliance and Management Effectiveness staff. This action placed under central management all of the Agency's "compliance" functions. Strong Congressional interest in improved audit activity at USAID added additional support for this arrangement.

On October 30, 1969, the Administrator issued a subsequent announcement to the Executive Staff and Mission Directors regarding the arrangements for transferring the mission-based audit activities into the Auditor General's operation. This had the effect of changing the reporting chain of command for field auditors from the Mission Director to the Auditor General's office. The new "Area Audit Offices" were headed by a Chief.

In 1973, Harry C. Cromer became USAID's Auditor General. He was succeeded by Herbert L. Beckington in 1977.

In 1978, events moved the concept of Inspector General closer to USAID.

First, the Inspector General Act was passed in October. Second, on December 13, the President issued a memorandum directing that significant features of the Inspector General program be extended throughout the Federal government. Third, an amendment to the Foreign Assistance Act made the position of Auditor General in USAID a statutory office. Fourth, the title of the office was changed from "Auditor General" to "Inspector General."

General Herbert Beckington, USMC, Ret.

USAID Auditor General 1977-1980

USAID Inspector General 1980-1994

Following his retirement from the United States Marine Corps, the General worked on the staff of the Senate Foreign Relations Committee. He joined the United States Agency for International Development as the Auditor General in 1977.

In his capacity as the Auditor General at USAID, General Beckington provided testimony at the Senate hearings of the Committee on Governmental Efficiency and the District of Columbia, regarding the bill to create Inspectors General. Those hearings were held on June 14-15 and July 25, 1978 and in addition to General Beckington, included a member of Congress, the Inspector General at the Department of Health, Education and Welfare, the Comptroller General of the Untied States, the Deputy Assistant Attorney General at the Department of Justice, the Administrator of the General Services Administration, the General Counsel of the Department of Defense, and the Inspector General for the Foreign Service at the Department of State.

General Beckington managed the unique challenges of navigating the changes from an office established administratively, to one established in statute and later overseeing the implementation of the Inspector General Act at USAID during his 17 years at the helm of the office responsible for assessing integrity and accountability at USAID.

At the end of FY 1978, when the Office of Auditor General issued its first "Annual Report to the Administrator," over $12.5 billion in USAID resources were within the scope of the Auditor General. During his tenure he emphasized Audit-Investigation teams and joint annual planning sessions. He redirected the audit emphasis to respond to management priorities, and increased the use of world-wide reviews instead of individual project reviews. He also instituted briefings of USAID employees on referring questionable activities to the auditors and investigators and improved information management systems. The Office of Security was a part of the Office of the Auditor General. That unit was responsible for administering a comprehensive physical, procedural, and personnel security program for USAID. Office activities included security checks, processing security violations, holding security orientations and issuing identification passes as well as the procurement of security and communications equipment for field operations. Priorities of the office were installing security equipment identified as required from anti-terrorism inspections/surveys conducted in 1978 in order to ensure that the security posture of each overseas USAID Mission was up to current standards.

Congress Reacts to Highly Publicized Scandals in Government Programs

In addition to the Department of State, other departments with statutory Inspectors General were the Department of Health, Education and Welfare (HEW) in 1976 and the Department of Energy in 1977. At HEW, the Inspector General had estimated that over $6.3 billion of HEW funds were misspent annually. But problems were notorious elsewhere as well. One study for the Agriculture Department estimated that eight percent of the $5.5 billion food stamp program was erroneously spent (about $440 million) in FY 1977. In another case, investigators found that work was not performed under General Services Administration contracts worth $2 million. Offices reporting such outrageous findings could be dissolved when their reports became a source of embarrassment since the position was not fixed in law. So, drawing on existing laws but making significant changes, the Congress considered legislation to extend the concept of an Inspector General to several other departments and agencies. Congress held hearings on the proposed legislation to develop an appreciation of the issues facing departments and agencies and to obtain advice on the features and authorities needed to make an effective Inspector General office.

Inspector General Act of 1978 Takes Form

In the spring of 1978, hearings were underway on a bill that would become the Inspector General Act (IG Act). The Senate Subcommittee on Governmental Efficiency and the District of Columbia invited testimony from the Inspector General of HEW, the Inspector General of the Foreign Service, Department of State, and the Auditor General of the Agency for International Development, Herbert Beckington, among others. Based on the testimony of USAID's Auditor General, Congress determined that USAID would not be part of the IG Act as originally passed in 1978.

When the Inspector General Act of 1978 was passed on October 12, 1978, it applied to 13 major departments and agencies: the Departments of Agriculture, Commerce, Defense, Housing and Urban Development, Interior, Labor, and Transportation, as well as the Community Services Administration, the Environmental Protection Agency, the General Services Administration, NASA, the Small Business Administration, and the Veterans' Administration (not then a cabinet department).

Heads of Audit, Inspection, Investigation Units at USAID*

Joseph Flynn	Investigative General	1961-1964
Thomas A. Kennedy	Director, MIS	1964-1966
Robert L. Shortley	Director, IIS	1968-1969
Edward F. Tennant	Auditor General	1970-1972
Harry C. Cromer	Auditor General	1973-1976
Herbert L. Beckington	Auditor General	1977-1980
Herbert L. Beckington	Inspector General	1980-1994
Jeffrey Rush, Jr.	Inspector General	1994-1999
Everett L. Mosley	Acting Inspector General	1999-2000
Everett L. Mosley	Inspector General	2000-

*Not all data available nor records of "Acting" officials recorded.

The IG Act addressed critical weaknesses in ongoing accountability arrangements. A key feature of the legislation was the uniform reporting requirements placed on Inspectors General and joint reporting to management and Congress of significant findings. The IG Act established uniform operations in audit and investigation units in Federal departments and agencies. The IG Act required Inspectors General to promote economy, efficiency and effectiveness, and prevent and detect fraud and abuse in programs and operations. The mission of Inspectors General, to provide service to their agencies to ensure the integrity of government operations, remains essentially unchanged since the law was enacted.

USAID Auditor General Operations Evolve Quickly

Although USAID was not part of the Inspector General Act in 1978, change in its structure of internal oversight was ongoing.

1978: Statutory Auditor General

The statutory basis for the Auditor General of USAID was established in 1978 by an amendment (P.L. 95-424 of October 6, 1978) to the Foreign Assistance Act of 1961. Introduced by Senator Charles Percy (Illinois), the amendment ensured the permanency of the Auditor General in USAID, required the Auditor General to report directly to the USAID Administrator and required an annual report to the Congress. Herbert L. Beckington continued in the position and was then the USAID's statutory Auditor General.

The first "Auditor General Annual Report to the Administrator" was issued for FY 1978. Organizational information in the report showed that the office was authorized 210 positions, of which 80 U.S. direct-hire positions and 36 Foreign Service national positions were located overseas. Field offices were located in Cairo, Egypt; Karachi, Pakistan; Manila, Philippines; Nairobi, Kenya; and Panama City, Panama. The budget was nearly $9.5 million, and the scope of oversight in fiscal year 1978 was approximately $12.5 billion.

1978: President's Order to All Executive Departments and Agencies

President Carter, by memorandum of December 13, 1978, extended significant features of the Inspector General law to all executive departments and agencies. The President charged management to take steps to eliminate waste, fraud, and error in government programs and directed that these goals should be as important as program objectives. Heads of agencies were to designate a single official, directly accountable to them, to address waste, fraud and error, especially in the most vulnerable programs and activities. As a result, all those designated accountability officials, some with the titles of Inspectors General or Auditors General, assumed broader responsibilities for the promotion of economy and efficiency and the detection of fraud and abuse.

1980: "Inspector General" Replaces "Auditor General"

When the Office of Inspector General (OIG) at the USAID was established by amendment (Public Law 96-533) to the Foreign Assistance Act of 1961, Congress provided substantial new responsibilities and authorities to the head of the oversight office and changed its title from "Auditor General" to "Inspector General." This change became effective on December 30, 1980.

The first statutory "Inspector General" was Herbert L. Beckington, who had served as the Auditor General at USAID since 1977.

The new amendments provided protection for "whistle-blowers," required the Inspector General to be provided with suitable office space and administrative support, and for the first time granted subpoena power to the Office. The audit and investigation duties, responsibilities, and authorities of the USAID Inspector General were now almost the same as those accorded the Inspectors General established by the 1978 Inspector General Act. Shortly, USAID's Office of Inspector General would be established under the mandate of the Inspector General Act of 1978, as amended.

1981: USAID Comes under the Inspector General Act of 1978

The International Security and Development Cooperation Act of December 29, 1981, brought USAID's Office of Inspector General under the Inspector General Act of 1978 (IG Act). The incumbent, General Beckington, continued as USAID's Inspector General as the office was brought under the IG Act.

As an entity under the IG Act, the USAID OIG became fully independent within USAID. Changes included a separate OIG line item appropriation and independent

Jeffrey Rush, Jr.

USAID Inspector General 1994-1999

Mr. Rush was a career employee of the U.S. Department of Agriculture for 23 years serving as the head of the criminal investigation section of the Office of Inspector General. He also served as the Acting Inspector General for the U.S. Peace Corps from February 1993 until March 1994. Mr. Rush continued as the USAID Inspector General from August 1994 until July 20, 1999 when he was confirmed and commissioned as the Inspector General at the Department of the Treasury.

Between 1994 and 1999, Mr. Rush reorganized OIG's domestic and overseas offices to increase operating efficiency and enhance the independence of the OIG. He restructured the reporting process, modernized the computer systems, and expanded the Information Technology auditing capability. Under his leadership the office focused on audits of the Agency's information management system and conducted the early Government Performance and Results Act audits as well as the first audits of Agency financial statements.

authority over several areas of personnel administration. To meet the IG Act requirements, the first "Semiannual Report of the Inspector General" for the period ending March 31, 1982, was issued.

As established under the IG Act, the Office of Inspector General had three operational units: Audit, Investigations, and Security. Each was headed by an Assistant Inspector General.

The implementation of "independence" is a key feature of the Inspector General Act and essential to the success of the Office of Inspector General. Independence ensures that the activities of the Inspector General are insulated from undue influence. Essential elements of independence include separate budget and personnel authorities. Thus, actions to consolidate services and responsibilities within the Office over time derive from the independence goals of the Inspector General Act of 1978, as amended and as it exists throughout the larger offices of Inspectors General.

In 1985, the Legal Counsel position was established within the Office of Inspector General. Since that time, the Legal Counsel has provided direct and independent legal and advisory services to the Inspector General and fulfilled the statutory responsibilities of the Inspector General Act of 1978, as amended.

Prior to that year, the Office of General Counsel in USAID provided legal services to the Inspector General.

In 1986, the position of Deputy Inspector General was established, which incorporated the duties of the Assistant Inspector General for Audit.

In 1987, the title, "Office of Investigations" replaced the Office's previous title, "Office of Investigations and Inspections" to bring the title into conformity with those used throughout the IG community. The Office continued to conduct proactive inspection initiatives.

In August of 1994, Jeffrey Rush, Jr., was confirmed by the U.S. Senate as USAID's Inspector General.

Everett L. Mosley

USAID Inspector General 1999—Present

Before joining USAID in 1994, as the Deputy Inspector General, Mr. Mosley, was a career member of the Senior Executive Service, with over 25 years of auditing experience with the Office of Inspector General at the U.S. Department of Agriculture. He served as the Acting Inspector General at USAID for 16 months before being confirmed as the Inspector General in December 2000. Mr. Mosley is active in the Federal auditing community holding positions on the International Consortium of Governmental Financial Managers and the Advisory Council on Government Auditing Standards.

Since becoming Inspector General, Mr. Mosley has expanded the efforts to work with management to solve the major management challenges and meet the requirements of the President's Management Agenda. He is expanding the office's successful concurrent auditing program to Iraq, Afghanistan and the West Bank. Plans are underway to expand the overseas presence and follow the establishment of a USAID Mission in Iraq with an office for the OIG. Several new activities designed to help management to improve the financial management systems of the Agency have been implemented. A hallmark of his tenure is his initiative to expand accountability in the international environment by building relationships with and the capacity of foreign government audit entities. In recognition of that program and the international auditing expertise of his office, he has served as a co-chairman or a participant in international accountability and anticorruption conferences. He also developed fraud awareness briefings where USAID operates overseas. More recently he initiated the "Standards of Success" in OIG strategic planning, which establishes benchmarks for solving longstanding problems.

New Laws Bring New Responsibilities

The current Inspector General of USAID, the Honorable Everett L. Mosley, was confirmed by the Senate in December 2000. From July 1999 to December 2000, Mr. Mosley served as Acting Inspector General at USAID. He joined USAID in 1994 as the Deputy Inspector General. As the OIG community celebrates 25 years of the IG Act, USAID celebrates 22 years under the authorities of the IG Act.

Current Organization

Regional Inspectors General

USAID has a long history of stationing auditors overseas. Early in its history, they reported to the Controller's office. After the creation of the Auditor General's office, auditors continued to be stationed overseas. Later, investigators were also posted overseas. The Office of Inspector General maintains offices co-located with six USAID Missions overseas. The OIG work requires auditors and investigators to work with foreign assistance recipients, each with differing accountability standards, in more than 100 countries where more than 70 different languages are spoken.

Audit

The Assistant Inspector General for Audit is responsible for supervising the performance of audit activities relating to USAID's worldwide programs. The Audit unit is organized along functional lines in its Washington, D.C. headquarters in four divisions: Performance Audits, Financial Audits, Information Technology and Special Audits, and Headquarters Liaison and Coordination Division. Most audit work is centrally planned and managed, with regional offices providing fieldwork support. The audit work covers a wide variety of work, including financial statement audits, contractor and grantee financial audits, financial-related audits of USAID programs, and operations and performance audits. Audit resources are in large part driven by laws such as the Federal Manager Financial Integrity Act, the Government Performance and Results Act and the Federal Financial Management Improvement Act.

More recent audit work has focused on high-profile foreign policy activities in Afghanistan and Iraq. Audit work also includes helping the recipients of foreign assistance to improve their own national audit capacity. In support of this goal, over a number of years, efforts have been made to work with national audit agencies and others in meeting international and U.S. standards.

Investigations

The Assistant Inspector General for Investigations supervises the review of criminal, civil and administrative violations of rules, regulations and law. The OIG works with the USAID's Office of General Counsel in matters that may result in civil actions. Suspected violations of Federal criminal law are referred to the Department of Justice. Investigators also review complaints involving serious administrative misconduct. When violations of Federal or USAID rules and regulations are found, USAID management is notified.

Agents of the OIG at USAID are Federal law enforcement officers with authority to make arrests, carry firearms, execute search warrants, and serve subpoenas. Overseas investigations offer special challenges and differ from domestic investigations. USAID investigators working overseas deal with language and cultural differences and must comply with host country laws governing the investigative process. Overseas criminal investigations are complicated by the need to involve host country law enforcement entities. The OIG is limited in its authority to question host country nationals and must follow the guidance of legal assistance treaties and agreements.

Management

The Assistant Inspector General for Management is responsible for personnel, budget, acquisition, information resource management and administrative services. The Management office has three units to accomplish these functions: Personnel Services; Budget and Acquisition; and Information Management.

The Personnel Services staff provides support for both civil service and Foreign Service personnel. They provide relocation and support for overseas staff, retirement, benefits, classification, staffing, and other services. The Budget staff manages the OIG operating budget, including budget formulation, submission and execution. They closely monitor the OIG's expenditures under ICASS and expenditures under targeted budget authorizations. The Acquisition staff provides a full range of procurement support and works with Mission controllers to ensure payments are made to vendors in support of our overseas offices. The Information Management staff is responsible for systems, network, and applications services.

Security

The Office of Security was part of the Auditor General's Office by administrative action, and later the Assistant Inspector General for Security was a statutory position within the Office of Inspector General at USAID. The Office was responsible for information and personnel security, as well as physical security for USAID at headquarters and overseas.

As a part of the OIG, the Security Office worked closely with the Department of State's Diplomatic Security Bureau and the President's Information Security Oversight Office to ensure that all USAID security programs adhere to established policies and procedures.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act of October 19, 1998, (Public Law 105-277) transferred all security functions, personnel, and budget from the Office of Inspector General to USAID.

Changing Authorities

Accountability Focus and the OIG

In the early 1990s, the Congress passed a series of laws that changed the government's business practices. These laws also added significant new responsibilities for Federal Offices of Inspector General. Two of the most significant laws are the Government Performance and Results Act (GPRA) of 1993 and the Government Management Reform Act (GMRA) of 1994.

The GPRA requirements for planning and goal-setting seek to foster performance targets and hold management accountable for results. The centerpiece of this initiative is the Annual Performance Report that compares actual performance attained with original targets. For USAID, the OIG audits of the reports have been instrumental in helping senior management to evaluate the effectiveness of their operations and monitoring systems, and to develop remedies to correct performance.

GMRA requires management to produce annual financial statements and the Office of Inspector General to audit those statements. At USAID, the Office of Inspector General has devoted considerable efforts to recommending improvements to the Agency's financial statements and to auditing those statements. Over the past ten years, these new reform requirements have allowed the OIG to become very influential in the financial and information technology areas.

USAID OIG Responsibilities Expand

In 1999, Congress expanded the responsibilities of the USAID/OIG by requiring it to provide IG Act services to the African Development Foundation and the Inter-American Foundation under provisions of Public Law 106-113.

Statutory Law Enforcement Authority

The Homeland Security Act of 2002 (P.L. 107 – 296) extended to the Attorney General the ability to delegate to designated investigations staffs the authority to carry firearms, make arrests without a warrant in appropriate circumstances, and seek and execute search warrants. These authorities were previously held under temporary deputations from the U. S. Marshals Service.

New High-Profile Activities

USAID's challenging assignments continue to grow. In fiscal year 2003, the Agency is undertaking large and high-risk assistance programs in Iraq, Afghanistan, the West Bank, and Gaza. By collaborating with management, the USAID OIG is involved early in the programming process in order to develop appropriate oversight plans.

Recognition of the OIG's services is evidenced by special appropriations that allocated oversight funds in connection with USAID programs. The OIG has received targeted appropriations for special oversight of certain high-risk USAID programs. Such programs included flood assistance in Mozambique, earthquake and hurricane reconstruction in Central and Latin America, development assistance in the West Bank and Gaza, and rebuilding initiatives in Afghanistan.

For fiscal year 2003, the USAID/OIG had 196 authorized positions and a budget of approximately $33 million. Currently, OIG offices overseas are staffed by 58 direct-hire employees and 23 foreign national employees.

Highlights

This section describes the most significant findings of this office for the work concluded in the past six-month period, including major results in audit and investigative work.

During the prior semiannual period, the OIG issued its first overall opinion on USAID's financial statements since agency-wide financial statement audits became a requirement under the Government Management Reform Act of 1994. In addition, the OIG and USAID management continue to work together closely in order to improve computer security. In response to OIG audits such as these, USAID has made substantial improvements.

The investigative items reflect criminal investigations that resulted in procurement suspensions and debarments, financial recoveries and personnel suspensions and terminations.

Highlights of Significant Audits

Audit activities include conducting and reviewing financial and performance audits at USAID, the African Development Foundation, and the Inter-American Foundation. The table below is a statistical summary of OIG audit activities during this reporting period.

Accelerated Schedule Being Tested on USAID's Fiscal Year 2003 Financial Statements

The OIG is pleased to report that, for fiscal year 2003, the Government Management Reform Act (GMRA) audit report on USAID's financial statements will be issued by November 15, 2003. This schedule, which was agreed to by USAID and the OIG, has been adopted one year ahead of the Office of Management and Budget's (OMB's) requirement for submitting audited annual financial statements within 45 days of the fiscal year-end. USAID management and the OIG agreed on the accelerated schedule to (1) ensure that the management and financial systems are in place to comply with a Government-wide reporting date for fiscal year 2004 and (2) identify any problems that may need to be solved before the 2004 audit cycle, which has the mandated November 15th reporting date. The OIG is currently working with USAID, OMB, and the General Accounting Office to ensure that the information required for the completion of the fiscal year 2003 financial statement audit within the accelerated schedule is received by the OIG in a timely manner.

In fiscal year 2002, the OIG issued its first overall opinion on USAID's financial statements. Moreover, the OIG and USAID are working collaboratively to improve computer security and the other internal control weaknesses for the purpose of improving financial reporting, maintaining improved financial systems, and developing reliable

Type of Report	Number of Reports	Monetary Recommendations ($)
Financial Audits		
USAID Programs and Operations	0	0
ADF and IAF Programs and Operations	0	0
U.S.-Based Contractors	6	$350,658
U.S.-Based Grantees	24	$74,599
Quality Control Reviews	5	0
Foreign-Based Organizations	116	$4,049,921
Quality Control Reviews	12	0
Enterprise Funds	1	0
Performance Audits		
USAID Economy and Efficiency	23	$987,183
ADF and IAF Economy and Efficiency	0	0
Other	4	0
AIG/A Memoranda	5	0
TOTAL	**196**	**$5,462,361**

quarterly and annual financial statements. USAID agreed to prepare complete and reliable third quarter fiscal year 2003 financial statements, and the OIG plans to audit those statements and use the results to establish expectations for the fiscal year-end results. (In that regard, the OIG is reviewing USAID's implementation of a new responsibility-segment-based system within its current financial management system. The OIG will determine whether this new system has allowed USAID to report program expenses by responsibility segments.) Further, the OIG will continue to work in a collaborative relationship with USAID so that management decisions can be reached on all recommendations before the final GMRA audit report is issued.

Training, Use and Accountability of Cognizant Technical Officers

Contracting/agreement officers rarely have sufficient time or the necessary expertise in critical technical or program areas to ensure successful contract, cooperative agreement or grant completion. Contracting/agreement officers, therefore, have been instructed to designate a properly trained individual to serve as the Cognizant Technical Officer (CTO) for each contract, cooperative agreement or grant. It is the CTO's responsibility to ensure, through liaison with the contractor or grantee, that the terms and conditions of the acquisition and assistance agreements are accomplished.

As part of its multi-year strategy for auditing USAID's procurement activities, the OIG is conducting audits to determine whether USAID provided adequate training and guidance to its CTOs and held them accountable for performing their responsibilities. During this reporting period, the OIG conducted three audits of USAID missions in Guatemala (see page 48), Malawi (see page 39), and Mexico (see page 48), and an audit of three Washington Bureaus – Global Health; Economic Growth, Agriculture and Trade; and Asia and the Near East (see page 51). In fiscal year 2004, audits for USAID Central Asian Republics, Egypt, and Nepal will be completed.

Highlights of Significant Investigations

Investigations focus on programs and operations that are most vulnerable to fraud in the activities of USAID, the African Development Foundation, and the Inter-American Foundation.

Investigative priorities include program integrity (fraud involving contracts, grants, and cooperative agreements) and employee integrity (misconduct by direct-hire employees and personal service contractors). OIG investigations may result in criminal, civil, or administrative action. The following is a summary of investigative workload and results during this reporting period.

Workload Indicator	
Cases Opened	66
Cases Closed	55
Hotline Contacts	972
Results	
Recoveries/Savings	$64,220,482
Resignations/Terminations	7
Personnel Suspensions	4
Suspensions/Debarments	4
Indictments	0
Convictions	0

Investigation Results in Suspension of U.S. Construction Company

The OIG initiated an investigation of a U.S. construction company based on allegations of violations of USAID nationality rules and regulations. The company bid on and won contracts with a combined value of over $142 million. These construction contracts were designated for U.S. firms only. In keeping with the nationality rules, the construction company submitted documents to USAID certifying that its joint venture agreement, which reflected only two partners—both U.S. companies—met the contract's nationality requirements. However, the OIG investigation uncovered the existence of a secret joint venture agreement with a third party—a local Egyptian company—as a full partner in the joint venture. This inclusion and concealment of the Egyptian company constituted a clear violation of nationality rules applicable to USAID-financed contracts.

Based on the OIG investigation, USAID suspended the company.

Investigation Results in Restitution Payment of over $100,000

A Commodity Import Program participant made a restitution payment to USAID following an OIG investigation into violations of USAID shipping regulations. The shipping regulations require that a contracted supplier utilize U.S.-flag vessels in transporting commodities overseas. As long as this requirement is met, USAID pays the shipping cost. The OIG investigation determined that, although the shipments in question were initially placed on U.S.-flag vessels destined for Europe, the material was transshipped from Europe to Egypt on non-U.S.-flag vessels. USAID shipping regulations specifically forbid transshipment on non-U.S.-flag vessels without prior consent. Since no prior consent was obtained, the organization agreed to make restitution to USAID in the amount of $100,224.

Summary of the Standards for Success Analysis

Over the past several years, the OIG has focused its efforts on a number of USAID "management challenges." These management challenges concern human capital, procurement, financial management, information technology management, and managing for results. During the course of our work on these challenges, we developed standards for success to guide OIG and USAID management in better addressing these challenges. The standards were developed from criteria from such sources as the Office of Management and Budget (OMB) circulars, legislation (Government Performance and Results Act, Government Management and Reform Act, Federal Financial Managers Improvement Act, Federal Information Security Management Act, etc.), USAID policies and procedures, and USAID administration priorities.

The OIG had extensive discussions with the USAID Administrator and USAID managers about the standards for success. In this way, the OIG sought and received USAID management's concurrence on the major management challenges as well as the standards for success to help USAID management and the OIG work in unison toward the same goal—a more efficient and effective USAID. In addition, the OIG shared these standards with OMB officials and congressional staff members in order to keep them informed about the direction of the OIG's work.

We have just completed our first year utilizing the standards for success approach and will issue a separate report that documents the progress that USAID has made toward achieving the standards for success and describes OIG audit work related to the standards for success.

Inspector General Testimony

During the reporting period, the OIG provided testimony before congressional committees on three occasions. The testimony is provide below in its entirety.

Submitted to the House Committee on the Budget

Waste, Fraud and Abuse in Mandatory Spending Programs Within the U.S. Agency for International Development

July 9, 2003

Mr. Chairman, other committee members, and committee staff, thank you for the opportunity to provide my written testimony for the record.

This testimony is provided in response to your June 23, 2003, letter of invitation to me to testify before the committee or provide written testimony for the record. My testimony addresses the following:

- My current estimate of the magnitude of waste, fraud, and abuse within USAID's mandatory programs.
- The general nature of these problems and how long they have persisted.
- Illustrative examples of these problems.
- What actions are being taken to eliminate or reduce these problems.
- What additional actions, of either an administrative or legislative nature, are required.

USAID has two mandatory spending programs. They are (1) the Foreign Service retirement and disability fund and (2) the credit subsidy under USAID's development credit authority.

The Department of State manages the Foreign Service retirement system. As a consequence, the Department of State's Office of Inspector General is responsible for audits of the Foreign Service retirement and disability fund. However, USAID's contributions to the fund are included in USAID's financial statements, which we audit as required under the Government Management and Reform Act of 1994 (GMRA). No issues have been noted regarding USAID's contributions to the fund during our audit of USAID's financial statements.

The credit subsidy under USAID's development credit authority is also included in USAID's financial statements, which are subject to an annual audit under the requirements of the GMRA. No issues have been reported regarding the subsidy during our audit of USAID's financial statements.

While there are no issues to report regarding USAID's mandatory programs, as verbally requested, I would like to provide some information on some of USAID's management challenges and the results of one of our more recent significant audits. A full discussion of USAID's management challenges can be found in our most recent semiannual report to the Congress. Our semiannual reports and our audit reports can be found on our website at http://www.usaid.gov/oig/.

Management Challenges

USAID still faces a number of major management challenges—which parallel the President's Management Agenda. These major management challenges are:

- Financial management
- Information resource management
- Managing for results
- Procurement management
- Human capital management

Financial Management

Although USAID has made considerable progress toward resolving the challenges with its financial management system in the past year, USAID still faces challenges in reconciling financial data, calculating and reporting accounts payable, recording and classifying advances and related expenses, and recognizing and reporting accounts receivable.

Information Resource Management

OIG audits have identified significant weaknesses in USAID's management of information technology. The OIG reported that USAID processes for procuring and managing information resource technology have not followed the guidelines established by the Clinger-Cohen Act. Also, OIG audits have confirmed that, although USAID has taken steps to improve computer security, more work is needed to ensure sensitive data are not exposed to unacceptable risks of loss or destruction. In

response to OIG audits, USAID has made substantial computer security improvements. The OIG will continue to monitor USAID's progress in improving computer security.

Managing for Results

Federal laws, such as the Government Performance and Results Act of 1993, require Federal agencies to develop performance measurement and reporting systems that establish strategic and annual plans, set annual targets, track progress, and measure results. A significant element of USAID's performance management system is the Annual Reports prepared by each of USAID's operating units.

For fiscal year 2002, the OIG reported that the performance information included in the management discussion and analysis section of USAID's consolidated financial statements actually represented accomplishments from fiscal year 2001 instead of fiscal year 2002. The OIG has reported this system's deficiency many times in prior audit reports. Further, OIG audits conducted at selected audit units over the past few years have consistently identified deficiencies in the performance measurement systems of USAID operating units, deficiencies which call into question the reliability of performance data included in the units' Annual Reports.

Procurement Management

USAID's Office of Procurement has been the focus of various initiatives for defining ways to improve the effectiveness of USAID's acquisition and assistance processes. These activities are in direct response to the long-standing challenges that the Office of Procurement has faced in the areas of procurement staffing, activity planning, and acquisition and assistance award administration.

Human Capital Management

The ability of USAID to carry out its mission in the 21st century will depend, in part, on how well it manages all segments of its diverse and widespread workforce. USAID has made efforts to improve its human capital management. However, OMB has expressed concerns about current and future critical skill gaps, slow progress in redirecting staff from supervisory positions to the hands-on activities, and staffing decisions made without programmatic justifications.

In the OIG's audit of human capital data, the OIG noted that the human capital data collected and maintained by USAID was neither complete nor totally accurate. The OIG made several recommendations to help improve the quality and completeness of the human capital data collected by USAID.

Audit of Cargo Preference Reimbursements under Section 901d of the Merchant Marine Act of 1936

The OIG's strategy is to help USAID address its major management challenges explained above. Some OIG audits directed towards USAID's major management challenges lead to recommendations with a significant financial impact. One such audit was the OIG's audit of cargo preference reimbursements under Section 901d of the Merchant Marine Act of 1936.

During the cargo preference audit, the OIG found that in accordance with established laws, policies, and procedures governing administration of cargo preference reimbursements from the Department of Transportation to the Department of Agriculture (USDA), USDA could be entitled to as much as $289 million in additional reimbursements. Of that amount, up to $175 million could be made available to the two food aid programs administered by USAID. Furthermore, the OIG found that at least $7.2 million in USAID cargo preference reimbursements had been misallocated to a USDA program.

The OIG recommended that USAID seek $175 million in unclaimed reimbursements for excess ocean freight costs dating back to 1994 and further request correction of a $7.2 million misallocation of a 1995 cargo preference reimbursement from USDA to USAID. USAID management agreed with the recommendations and is working with OMB and other Federal agencies to recover the funds.

Thank you for this opportunity to submit written testimony concerning USAID's mandatory spending programs and management challenges. I will be happy to respond to any questions you may have.

Submitted to the House International Relations Committee

Efforts to Identify and Eliminate Waste, Fraud, Abuse, and Mismanagement with Respect to the U.S. Agency for International Development

September 4, 2003

Mr. Chairman, other committee members, and committee staff, thank you for the opportunity to provide my testimony on efforts to identify and eliminate waste, fraud, abuse, and mismanagement with respect to the U.S. Agency for International Development (USAID) programs and operations. Based on input provided by your staff, I will focus on opportunities for USAID to improve its operations and other items that your staff indicated would be of interest to the committee. I know that the primary interest for this hearing is mandatory versus discretionary programs. There are two mandatory spending programs at USAID: (1) the Foreign Service retirement and disability fund and (2) any upward reestimate of the credit subsidy under USAID's development credit authority. The Foreign Service retirement and disability fund is managed by the Department of State and audited by the State Department Office of Inspector General. Reviews of USAID's credit subsidy under USAID's development credit authority are included within USAID's annual GMRA audit, and no issues have been reported regarding the subsidy.

With regards to the discretionary programs operated by USAID, my office conducts several reviews that can potentially identify opportunities for savings. I will list these reviews and then describe their results that may be of interest to the committee.

- First, my office conducts an annual audit of USAID's consolidated financial statements in accordance with the Government Management and Reform Act and other laws and regulations.
- Second, we perform or oversee financial audits of USAID contractors and grantees.
- Third, we conduct performance audits of USAID's programs. These audits examine the extent to which USAID's programs have achieved planned results or the degree to which USAID is following sound management practices.
- Fourth, the OIG also conducts investigations into alleged violations of laws and rules or regulations by recipients of USAID funds or by employees.

I will now briefly discuss the results of these reviews, placing emphasis on areas of possible savings or areas that your staff has indicated could be of interest to the committee.

Audit of USAID's Financial Statements

Based on our audit of USAID's financial statements as of September 30, 2002, we expressed unqualified opinions on USAID's balance sheet, statement of changes in net financial position, statement of budgetary resources, and statement of financing. We expressed a qualified opinion on USAID's statement of net costs. Based on discussions with your staff, the following findings from this audit may be of interest to the committee:

As of September 30, 2002, USAID had $153 million of unliquidated obligations that had no payment activity for at least one year. The lack of payment activity for these obligations indicated that the obligations may no longer be needed and may be available for deobligation. At the same time, it is important to recognize that some unliquidated obligations are in fact still needed. This can be illustrated by the experience of a working group established by USAID's Business Transformation Executive Committee (also known as BTEC) to review all contracts and grants with expiration dates of September 30, 2000 or earlier and unliquidated balances of at least $100,000. The working group found that about one-third of the unliquidated amounts for these awards could be deobligated while the other two-thirds were needed to pay expenses under the awards. As of September 30, 2001, the amount of unliquidated obligations that had no payment activity for at least one year was $186 million. As of September 30, 2002, one year later, USAID reduced that amount by $33 million to $153 million. USAID has begun a process of estimating quarterly accruals. While this practice does not necessarily result in USAID deobligating funds, it does require managers to review the status of program funds. Funds that are deobligated through this practice may be reused for other similar activities or are returned to the U.S. Treasury.

Financial Audits of USAID Contractors and Grantees

Under the Improper Payments Information Act of 2002, agencies are required to institute a systematic method of reviewing all programs and identifying those it believes are susceptible to significant erroneous payments. An erroneous payment is defined as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Significant erroneous payments are defined as annual erroneous payments in the program exceeding both 2.5 percent of program payments and $10 million. We are currently working with USAID managers to assist them in determining whether USAID will meet those thresholds.

We also assist USAID in meeting their audit requirements under Federal regulations and our own policies. Audits are conducted of U.S.-based contractors, grantees, and enterprise funds, and of foreign-based contractors and grantees. The Defense Contract Audit Agency and private CPA firms conduct these audits, and we provide oversight of their work. Financial audits of USAID contractors and grantees may identify questioned costs that, if sustained by the contract or agreement officer, must be reimbursed to USAID. Questioned costs include (1) costs that are ineligible under the terms of the underlying contract, grant, or agreement, as well as (2) unsupported costs that lack sufficient supporting documentation to permit the auditor to make an informed judgment on the eligibility of the cost or that lack required approvals.

From October 1, 2001 through March 31, 2003, USAID reached management decisions on audit recommendations that questioned $28.0 million in contractor and grantee costs. This amount included $8.3 million in costs that were unsupported. Of the $28.0 million in questioned costs, USAID did not allow $10.5 million, of which $8.2 million was not allowed because the costs were not eligible and $2.3 million was disallowed because the contractor could not support the costs claimed when the audit was performed. The $10.5 million was deobligated by USAID and, as I indicated previously, funds that are deobligated may be reused for other similar activities or are returned to the U.S. Treasury.

Performance Audits

My testimony for the record, dated July 9, 2003, to the House Committee on Budget talked about a cargo preference audit we performed. When providing food assistance to nations overseas, both USAID and the U.S. Department of Agriculture (USDA) are required by law to ship a certain percentage of tonnage on privately owned U.S.-flag commercial vessels. This cargo preference helps ensure that the United States maintains an adequate and viable merchant marine. In 1985, Congress increased this requirement from 50 to 75 percent for commodities shipped under certain U.S. Food Assistance Programs. At the same time, Congress directed that the U.S. Department of Transportation (DOT) finance any increases in food assistance shipping costs due to the application of this new requirement. Under a Memorandum of Understanding, USDA agreed to apply for all cargo preference reimbursements from DOT. After receiving funds from DOT, USDA would then apportion to USAID's P.L. 480 Title II and Title III food shipments.

In March 2001, we conducted an audit of cargo preference reimbursements under Section 901d of the Merchant Marine Act of 1936. We found that, in accordance with established laws, policies, and procedures governing the administration of cargo preference reimbursements, USDA could be entitled to as much as $289 million in additional reimbursements. Of that amount, up to $175 illion could be made available to the two programs administered by USAID. Our recommendations included seeking that $175 million in unclaimed reimbursements for excess ocean freight costs dating back to 1994. USAID management concurred with the audit findings. U.S. Department of Agriculture and USAID managers have been working to resolve this issue and have taken their case to OMB.

Investigations

OIG investigations can result in fines, cost recoveries, or savings, to either USAID or to the U.S. Treasury. For example, a major investigation by the OIG of bid rigging and fraud in USAID-funded construction contracts in Egypt resulted in fines, savings and restitution of over $260 million in fiscal years 2000 to 2002. While most of this money went to the general fund of the U.S. Treasury, approximately $10 million in restitution was returned to the USAID program in April of 2001.

Thank you for this opportunity to present testimony concerning efforts to identify and eliminate waste, fraud, abuse, and mismanagement with respect to USAID. I will be happy to respond to any questions you may have.

Submitted to the House Committee on Government Reform—Subcommittee on Government Efficiency and Financial Management

Improving Financial Management at USAID

September 24, 2003

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to provide this testimony that addresses the financial management challenges facing the U.S. Agency for International Development (USAID) and key steps for reforming financial management and business processes.

USAID has worked for a number of years to improve its financial management performance. USAID's efforts, and those of the Office of Inspector General (OIG), have resulted in significant improvements. These improvements are reflected, for example, in the opinions that the OIG has expressed on USAID's financial statements over the last seven years:

Fiscal year	Opinion
1996	Disclaimer
1997	Disclaimer
1998	Disclaimer
1999	Disclaimer
2000	Disclaimer
2001	Qualified opinion on three financial statements and disclaimer on two financial statements
2002	Unqualified opinion on four financial statements and qualified opinion on one financial statement

The OIG's latest audit report on USAID's financial statements, covering fiscal year 2002, included unqualified opinions on USAID's balance sheet, statement of changes in net position, statement of budgetary resources, and statement of financing. The OIG expressed a qualified opinion on the statement of net cost because USAID had not developed a process to consistently allocate expenses to funding sources, strategic objectives, and goals when grants are financed from multiple sources and impact on more than one goal. Therefore, the OIG was not able to obtain sufficient evidence to support USAID's allocation of about $384 million to the related goals (responsibility segments) in the statement of net costs.

In our fiscal year 2002 audit report on USAID's financial statements, the OIG reported on seven material internal control weaknesses that affected USAID's ability to:

- Allocate program expenses on the statement of net costs.
- Reconcile its fund balance with the U.S. Treasury.
- Calculate and report on accounts payable.
- Record and classify advances to grantees and related expenses.
- Review and analyze unliquidated obligations and deobligate them when necessary.
- Recognize, record, and report accounts receivable.
- Calculate credit program allowances.

Moreover, USAID's financial management systems were not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. These problems limit USAID's ability to produce reliable, timely financial information for day-to-day decision-making. Thus, USAID has not fully achieved the results anticipated by the FFMIA and the President's Management Agenda.

USAID has reported to the OIG that it has taken final actions on six of the seven material internal control weaknesses reported in our fiscal year 2002 financial statement audit. Currently, the OIG is conducting the fiscal year 2003 audit and is following up on the final actions taken on the recommendations.

I would now like to provide some more specific information on these problems and USAID's efforts to correct them.

Allocating Program Expenses on the Statement of Net Costs

Our fiscal year 2002 GMRA audit found that USAID had not developed a process to consistently allocate program expenses to its funding sources, strategic objectives, and the related USAID goals when it finances grants from multiple sources that are associated with more than one goal. During fiscal year 2003, USAID changed its process for allocating expenses for grants for which the payment process is managed by the Department of

Health and Human Services. The OIG's fiscal year 2003 Government Management and Reform Act (GMRA) audit is evaluating the effectiveness of USAID's new expense allocation process.

Reconciling Fund Balance with the U.S. Treasury

In fiscal year 2002, the OIG determined that USAID had not implemented effective internal controls to ensure that its fund balance with Treasury is reconciled in a timely manner. USAID's Office of Financial Management and its overseas missions did not consistently reconcile—that is, research and resolve—differences between the records of USAID, the State Department's disbursing offices, and the U.S. Treasury. As reported in the OIG's most recent Semiannual Report to the Congress, this issue still presents a challenge to USAID. USAID is in the process of implementing a new reconciliation system which we are reviewing as part of our fiscal year 2003 GMRA audit. The fiscal year 2002 audit recommendations for this material weakness have not had final action completed. The audit results, to date, indicate that this issue still exists.

Calculating and Reporting Accounts Payable

In fiscal year 2002, the OIG determined that significant portions of USAID's accounts payable were not supported by adequate financial documentation. During fiscal year 2003, USAID has issued detailed revised accrual procedures to its Cognizant Technical Officers. These procedures are designed to facilitate reporting of reliable accounts payable information through the accrual reporting system and the mission accounting and control system. Our fiscal year 2003 GMRA audit is examining the effectiveness of these revised accrual procedures.

Recording and Classifying Advances to Grantees and Related Expenses

Our fiscal year 2002 GMRA audit found that, as of September 30, 2002, USAID had not recorded about $88 million in expenses related to advance liquidations submitted by grantees. This management challenge continues to occur because USAID does not have a worldwide integrated financial management system that includes procurement and assistance data. Therefore, USAID must manually enter obligations for grant agreements and modifications into the Department of Health and Human Service's payment management system so that grantees can report advance liquidations (expenses) against the corresponding obligations. In our fiscal year 2002 GMRA audit report, the OIG recommended that USAID enter obligation information within 10 days after its financial management office receives the obligation document from its procurement office. While USAID has issued procedures to correct the weakness, work under the OIG's fiscal year 2003 GMRA audit indicates that this material internal control weakness has not yet been corrected.

Reviewing, Analyzing, and Deobligating Unliquidated Obligations

USAID records obtained by the OIG during our fiscal year 2002 GMRA audit showed about $153 million in unliquidated obligations that had no payment activity against them for more than one year, indicating that the obligations might no longer be needed for their original purpose. At that time, USAID was in the process of reviewing, analyzing, and deobligating unneeded obligations. USAID has reported significant progress in the area of reviewing and deobligating obligations that may no longer be needed for the original purposes. During the OIG's fiscal year 2003 audit, we are assessing USAID's performance in this area.

Recognizing, Recording, and Reporting Accounts Receivable

During our fiscal year 2002 GMRA audit, the OIG determined that USAID continues to lack an integrated financial management system with the ability to account for accounts receivable arising from USAID's worldwide operations. USAID is in the process of implementing a worldwide financial management system with the ability to immediately recognize and record accounts receivable. After this system is implemented, the OIG will evaluate the effectiveness of USAID's process for recognizing and recording accounts receivable.

Calculating Credit Program Allowances

During fiscal year 2002, USAID initially calculated and reported credit program allowances that were about $2.3 billion higher than the required amount. Our fiscal year 2002 GMRA audit found that USAID did not forward information to its loan management division that the division needed for the allowance calculation. Therefore, the fiscal year 2002 credit program allowance was calculated using incorrect data. USAID subsequently adjusted the credit program allowances to correctly reflect credit

receivables. USAID has responded to a related OIG recommendation by establishing revised procedures for communicating critical information to its loan management division. During the OIG's fiscal year 2003 GMRA audit, we are evaluating the effectiveness of USAID's revised procedures.

In addition to the control weaknesses previously discussed, USAID will need to continue its efforts to address weaknesses in its financial management systems. In the fiscal year 2002 audit report, the OIG reported that USAID implemented a new core financial system in Washington during December 2000. In addition, during fiscal years 2001 and 2002, USAID completed efforts to upgrade or interface five major systems (which process transactions outside of the core financial system) to the core system.

Despite USAID's progress in implementing recommendations made over the years, a major weakness that continues to hinder progress toward substantial compliance with FFMIA is the continued use of a legacy system (the Mission Accounting and Control System) that does not comply with the standard general ledger at the transaction level. USAID intends to deploy Phoenix worldwide to correct this problem. USAID plans to implement Phoenix in three pilot missions beginning in April 2004 and deploy the system to all overseas accounting stations by the end of fiscal year 2005.

Additionally, the OIG has identified weaknesses in USAID's security controls for its financial management systems. USAID has made significant progress in this area by, among other things, upgrading the system software for USAID/Washington and most missions, building a set of web-based surveys that migrate information directly into a formalized draft security plan, and implementing practices to standardize the security configuration of computer operating systems. However, some needed security improvements remain to be made. For example, USAID needs to provide computer security training to its key personnel to ensure that they can fulfill their security responsibilities and continue to certify its overseas accounting system at each accounting station. Currently, USAID has conducted certifications at 9 of 40 overseas accounting stations.

The problems affecting USAID's financial management systems were caused by the absence of effective controls for managing USAID's information technology resources. To address this issue, USAID has established a Business Transformation Executive Committee, which functions as USAID's investment review board. USAID is also developing enterprise architecture, including current and target architecture for financial systems. Moreover, USAID is initiating a program management office to oversee the management of information technology projects. While USAID has taken positive steps, these are beginning steps and challenges remain in each of the areas.

Finally, successful financial management of USAID will depend on producing data that provides useful information for senior management decision-making. To do this, USAID needs to reap the full benefits of Phoenix—the new integrated financial management system—to provide timely, relevant, and reliable information needed to make program funding decisions, manage costs, and measure performance. However, technology on its own will not solve USAID's financial management challenges. The key to transforming USAID's financial management operation into a world-class organization hinges on fully implementing information technology processes, such as those discussed earlier, sustaining CFO leadership and management accountability to implement needed financial reforms, and establishing clear lines of responsibility and authority.

The President's Management Agenda, announced in the summer of 2001, is an aggressive strategy for improving the management of the Federal government. The Office of Management and Budget (OMB) has prepared a scorecard to track how well Federal agencies are doing in addressing five management areas, including financial performance.

For the quarter ending June 30, 2003, OMB rated USAID's current status for achieving the President's Management Agenda in the financial performance area as "red" (the lowest rating). This rating was given because (1) USAID's financial management systems did not meet Federal financial management system requirements, (2) almost 50 percent of USAID-managed funds were not tracked with its core accounting system, and (3) USAID was unable to provide unqualified assurance as to the system of management, accounting, and administrative controls. In addition, USAID had not received an unqualified audit opinion on its annual financial statements.

However, OMB rated USAID's progress toward implementing the President's Management Agenda as "green" (the highest rating). USAID achieved the "green" rating for progress because USAID reported that it completed all planned action items for the third quarter of fiscal year 2003. For example, during the third quarter USAID:

- Completed top priority financial reports identified by system users.

- Closed the Federal Financial Management Improvement Act material weaknesses of financial reporting.
- Closed ten audit recommendations related to material weaknesses from the fiscal year 2002 audit of financial statements.
- Submitted second quarter and third quarter financial statements by the appropriate deadlines. Currently, my staff is conducting testing on the third quarter financial statements. Fourth quarter financial statements are due in the middle of October, and USAID fully expects to meet that deadline as well.

In addition, OMB noted that USAID and the Department of State are committed to collaborating on a shared financial management system. USAID is also examining, and OMB is encouraging, the potential cost savings and efficiencies of the regionalization of financial management functions.

As noted previously in my testimony, as part of the fiscal year 2003 financial statement audit the OIG is reviewing the effectiveness of USAID's action taken in response to our fiscal year 2002 audit recommendations. The OIG will also be evaluating USAID's efforts to implement the Phoenix system in its overseas environment. Once USAID has effectively implemented (1) the Phoenix system worldwide and (2) procedures to eliminate the reported material internal control weaknesses, it will have taken significant steps toward meeting all the requirements established by OMB for being considered "green" on the President's Management Agenda for financial performance.

At this time, I will be happy to respond to any questions that you may have.

Major Management Challenges

USAID implements America's foreign economic and humanitarian assistance programs in accordance with foreign policy guidance provided by the Secretary of State. USAID manages a budget of approximately $14.2 billion and advances U.S. foreign policy objectives by supporting:

- Economic growth, trade, and agricultural development.
- Improvements in global health.
- Conflict prevention, democracy, and developmental relief activities.

USAID also serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America, the higher education community, and non-governmental organizations in support of shared objectives.

In pursuit of its mission, USAID faces a number of problems, concerns and difficult issues—known as Major Management Challenges—which parallel the President's Management Agenda. This section updates the continuing efforts by USAID to address those challenges and OIG efforts to assist in overcoming them.

These Major Management Challenges are:

- Financial Management
- Information Resource Management
- Managing for Results
- Procurement Management
- Human Capital Management

Financial Management

Although USAID has made considerable progress toward resolving the challenges with its financial management system in the past year, it still has challenges that must be addressed. These challenges include:

- Reconciling financial data.
- Calculating and reporting accounts payable.
- Recording and classifying advances and related expenses.
- Recognizing and reporting accounts receivable.

Reconciling Financial Data

Reconciliation of financial management information remains a challenge to USAID, a fact that has been consistently reported in previous consolidated financial statement audit reports issued in response to the Government Management Reform Act (GMRA).

The OIG reviewed USAID's reconciliation progress during the Office of Inspector General's fiscal year 2002 GMRA audit. The OIG determined that USAID's internal controls over its fund balance with the U.S. Department of Treasury account needed improvement. In fiscal year 2001, the OIG noted that the reconciliation process had improved over previous years. However, in fiscal year 2002, there was an increase in the number of unresolved reconciling items at year-end. This increase occurred because USAID had not established a process to close monthly accounting periods and implement the necessary reconciliation procedures to analyze, research, and resolve the outstanding reconciling items reported by its missions. As a result, USAID's outstanding reconciling item balance increased from $143 million during fiscal year 2001 to about $203 million in fiscal year 2002.

Calculating and Reporting Accounts Payable

The OIG determined that, although USAID has made progress in this area through the establishment of the Accrual Reporting System used by Washington and the Mission Accounting and Control System used by its missions, a significant portion of the fiscal year 2002 calculated accounts payable amount was unsupported. In our previous audit reports, the OIG recommended that USAID develop standardized documentation requirements for its missions' accounts payable. The OIG determined that USAID has not fully implemented the recommendations and that after USAID implemented the Accrual Reporting System in Washington, similar documentation problems were identified. These problems caused overstatements in the USAID fiscal year accounts payable balance.

Recording and Classifying Advances and Related Expenses

In fiscal year 2002, the OIG determined that USAID had not developed a reliable process to consistently allocate program expenses to the corresponding funding sources, strategic objectives, and related USAID goals when funds from multiple sources are used to finance grants. USAID manually entered expenses related to advances provided by the Department of Health and Human Services but did not consistently record the advance

expenses against the appropriate funding sources. These unreliable postings had a ripple effect on USAID's expenses related to advances posted throughout the fiscal year because the manual process used the oldest funds to liquidate many advance expenses regardless of the related activity—often leaving no funds available for required program expenses.

In addition, USAID had not recorded all grant agreements or grant modifications into the Department of Health and Human Services Payment Management System. This occurred because USAID does not have a worldwide integrated financial management system linking its accounting, procurement, and assistance data, as well as all other activities performed by USAID. In the fiscal year 2003 GMRA audit, the OIG is determining whether USAID has implemented systems and processes to eliminate these weaknesses.

Recognizing and Reporting Accounts Receivable

USAID continues to experience difficulty in recognizing and reporting accounts receivable in an accurate and timely manner. This problem was previously reported by the OIG in our consolidated financial statement audit report, yet it continues to be a challenge because USAID has not established adequate policies and procedures to account for worldwide accounts receivable. USAID did not report this as a separate material internal control weakness in its Accountability Report. Instead, it combined this material internal control weakness with the primary accounting system material internal control weakness. Although USAID has revised its policies and issued an additional directive for worldwide reporting of accounts receivable, the weakness remains. The OIG will continue to review USAID's procedures and systems during the fiscal year 2004 GMRA audit.

Information Resource Management

OIG audits have identified significant weaknesses in USAID's management of information technology resources. The Clinger-Cohen Act of 1996 requires executive agencies to implement a process that maximizes the value and assesses the management risks involved in information technology investments. Because USAID's management practices have impacted its ability to fully comply with the Act's requirements, its managers have not had access to financial information that is complete, reliable, and timely.

Within Information Resource Management, the OIG has identified two challenges: (1) information resource management processes and (2) computer security.

Improving Information Resource Management Processes

As discussed in our March 31, 2003 Semiannual Report to the Congress, USAID has created a Business Transformation Executive Committee (BTEC), whose membership consists of senior members of management. BTEC's purpose is to provide USAID-wide leadership for initiatives and investments to transform USAID business systems and organizational performance. BTEC's roles and responsibilities include:

- Guiding business transformation efforts and ensuring broad-based cooperation, ownership, and accountability for results.
- Initiating, reviewing, approving, monitoring, coordinating, and evaluating projects and investments.
- Ensuring that investments are focused on highest pay-off performance improvement opportunities aligned with USAID's programmatic and budget priorities.

During fiscal year 2003, BTEC developed and implemented policies and procedures for reviewing and approving capital investments in information technology, with the objective of ensuring that investments are focused on high pay-off performance improvement opportunities. In its efforts to track USAID's progress, the OIG participated in meetings leading to the development of these policies and procedures. Furthermore, although not a voting member in the actual review and approval of proposed information technology projects, the OIG participated in review and approval meetings.

BTEC is also drafting a "Knowledge for Development" strategy, which provides a vision and mission statement. In addition, BTEC monitors USAID's progress in acquiring a global core accounting system and a procurement system. The OIG has attended meetings relating to these activities.

Additionally, the OIG performed a review of USAID's software development practices at overseas missions. Based on the results of that review, the OIG recommended that USAID:

- Develop policies and procedures for controlling the installation of software at overseas missions,

- Request all overseas missions to conduct an inventory of the locally developed software and submit the list to headquarters, and
- Develop a process to maintain a current inventory list of software.

USAID generally agreed with the recommendations and is taking preliminary actions aimed at eliminating the weaknesses identified in the review.

Although USAID has made some progress in improving its information resource management processes, the OIG will continue to monitor USAID's efforts in this area.

Improving Computer Security

The OIG has determined that USAID continues to have computer security weaknesses. For example, the OIG has determined that USAID does not always:

- Limit access to financial systems and data.
- Control software changes to ensure that only authorized and tested changes were placed in production.
- Follow a system development life cycle methodology in developing application software and programs.
- Segregate duties to mitigate the risk of errors and fraud in the Mission Accounting and Control System.

Still, USAID has taken some actions to significantly improve its computer security. For example, it has:

- Implemented centralized controls of all firewalls deployed through its network.
- Integrated encryption capabilities into three communication paths being used through the USAID-wide network.
- Executed a performance measure program that monitors missions' information security technology risk levels.
- Developed information security training for personnel in key information security positions.

The OIG will continue to monitor USAID's progress in improving its computer security to ensure that critical systems and data are protected from unauthorized access, modification, or destruction.

Managing for Results

USAID has programs in over 100 countries, programs that promote a wide range of objectives related to economic growth, agriculture, and trade; global health; and democracy, conflict prevention, and humanitarian assistance. Federal laws, such as the Government Performance and Results Act of 1993 (Results Act), require Federal agencies to develop performance measurement and reporting systems that establish strategic and annual plans, set annual targets, track progress, and measure results. Agencies are also expected to link their performance results to budget and human capital requirements as a result of government-wide initiatives, such as the President's Management Agenda.

A significant element of USAID's performance management system is the Annual Report prepared by each of USAID's operating units. Annual Reports provide information on the results achieved with USAID resources, request additional resources, and explain the use of, and results expected from, these additional resources. Information in these unit-level Annual Reports is consolidated to present a USAID-wide picture of achievements in USAID's annual Performance and Accountability Report (PAR).

OIG audit work has identified the following major weaknesses in USAID's performance measurement and reporting systems.

Reliability of Performance Data

Prior OIG audit reports have identified deficiencies in the performance measurement systems of USAID operating units. These deficiencies called into question the reliability of performance data included in the units' Annual Reports. These deficiencies, such as not performing required data quality assessments, meant that units had not taken steps to ensure or fully understand the quality of the data they collected and reported, and might have reported inaccurate or inconsistent data on the results of their activities. In response to OIG and General Accounting Office reports and recommendations, USAID instituted an extensive training effort on strategic planning and performance measurement requirements and techniques, which its management believes will improve the performance reporting of its operating units. To determine what improvements USAID has made in reporting reliable performance data, the OIG's fiscal year 2004 audit plan includes an audit of selected USAID operating units' performance data.

Reporting of Results

For several years, the OIG has been reporting on USAID's untimely reporting of results. Most recently, the OIG reported that most of the performance information in the PAR for fiscal year 2002 represented performance that was actually accomplished in fiscal year 2001 or earlier. This delay occurred because USAID had not revised its systems to report on current-year results as required by the Government Performance and Results Act. Specifically, the schedule established for the preparation and submission of Annual Reports by USAID's operating units does not permit the reporting of current-year results for PAR reporting.

During this reporting period, the OIG conducted an audit that addressed USAID's effort to meet the requirements of the Results Act (see page 53).

Procurement Management

USAID achieves development results largely through intermediaries: contractors or recipients of grants or cooperative agreements. Efficient and effective acquisition and assistance systems are therefore critical. The Office of Procurement has been the focus of various initiatives for defining ways to improve the efficiency and effectiveness of the acquisition and assistance process. These initiatives are in direct response to the long-standing challenges that the Office of Procurement has faced in the areas of procurement staffing; activity planning; and awarding and administering contracts, grants, and cooperative agreements.

The OIG recognizes the importance of the acquisition and assistance process in accomplishing USAID's mission. Therefore, as part of its strategic plan, it has adopted a strategic objective of contributing to the improvement of USAID's processes for awarding and administering contracts and grants. The OIG has also developed multi-year strategies to promote increased efficiency and effectiveness in USAID procurement processes.

Within the framework of a multi-year audit plan, the OIG—in collaboration with USAID management—has defined "standards for success" for critical acquisition and award processes. Time-phased audit plans have been developed to identify the Office of Procurement's status in achieving these standards and the steps needed for further improvement.

The OIG has recently completed three audits addressing procurement management. The first indicated that the Office of Procurement lacked an adequate internal control system to ensure that all administrative support service contractors were complying with various security requirements such as providing required security training and returning USAID building passes to USAID. The second determined—among other things—that selected USAID Bureaus in Washington had not provided cognizant technical officers (CTOs) with enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them. In addition, the Bureaus lacked a process to formally hold all of their CTOs accountable for the performance of their CTO duties (see page 51). Similar audits have been conducted in Guatemala (see page 48), Malawi (see page 39), and Mexico (see page 48) and the results of these and other CTO audits will be discussed in an upcoming report.

The third audit addressed the Professional Document System, a software tool to help Federal employees write procurement documents conforming to Federal laws and USAID policies. The audit identified several issues including that (1) additional resources to supplement training were needed, (2) data fields were sometimes too small to hold required information, and (3) significant amounts of editing were required to finalize ProDoc documents (see page 50).

Human Capital Management

Management of a diverse and widespread workforce impacts on the ability of USAID to carry out its mission. Accordingly, USAID has undertaken a major effort to improve and restructure its human capital management. However, as of June 30, 2003, the Office of Management and Budget (OMB) had given USAID an unsatisfactory-or red light-in the area of human capital. While USAID has made progress, such as drafting a revised strategic plan that establishes human capital goals, more remains to be done. For example, USAID needs to: complete a workforce analysis evaluating current and future mission needs, develop succession plans in mission-critical areas and complete and implement its new plan to identify its mission-critical occupations, competencies and skills.

To assess how USAID can better manage its human capital, the OIG has committed resources to providing timely services in this area. Specifically, the OIG issued a report in December 2002 on its Audit of USAID's Human Capital Data.[1] In this report, the OIG noted that the human capital data collected and maintained by USAID was neither complete nor totally accurate. To help improve the quality and completeness of this data, the OIG made recommendations, including (1) issuing guidance explaining responsibilities for workforce reporting, and (2) developing procedures for attesting

[1] "Audit of Human Capital Data," December 20, 2002 (Audit Report No.9-000-03-002-P)

to the accuracy of workforce data. In addition, the OIG conducted audits of workforce planning for procurement officers and in the training, use, and accountability of cognizant technical officers.

In the area of USAID's non-direct hire workforce, OIG has also planned a worldwide audit examining how USAID manages its U.S. personal services contractors. Work has commenced on a pilot mission-level audit, with follow-on audits at other missions scheduled to begin in early fiscal year 2004. Moreover, the OIG's fiscal year 2004 audit plan includes an audit of USAID's human capital strategy.

In addition to providing audit services, an OIG staff member participates as an observer and advisor to USAID's Business Transformation Executive Committee's Subcommittee on Human Capital. This allows the OIG to keep abreast of USAID's human capital initiatives.

Other Management Challenges

Some USAID programs require rapid expansion and implementation to address immediate problems and may operate in nations where economic and/or political instability increases the vulnerability to corruption. To ensure the effective use of U.S. funds, the OIG devotes considerable resources to such programs.

Iraq

The OIG is reviewing USAID's Iraq program activities in Washington and in Iraq. In Washington, the OIG is reviewing contracts awarded to U.S. firms to implement the USAID-Iraq reconstruction program to determine if USAID complied with applicable laws and regulations in using less than full and open competition. As of September 30, 2003, USAID's procurement office in Washington had awarded nine reconstruction contracts totaling $1.5 billion. The OIG has reviewed four of these contracts with a value of $1.3 billion and noted general compliance with acquisition regulations. However, several exceptions to these procedures and other items of interest were noted. These included (1) weaknesses in USAID's market research efforts to identify prospective contractors; (2) insufficient documentation to determine compliance on exchanges of information with prospective contractors; (3) noncompliance with regulations in notifying offerors that they were not awarded the contract; and (4) an inadequate analysis of program needs to support the level of effort specified in a contract. The OIG has issued memorandum reports to members of

Photograph of Marshall Adame, Sam Sakhleh, and John Phee (auditor) conducting a site visit to the Basrah International Airport. This airport serves the second largest city in Southern Iraq.

Photograph of Gerry Custer (IG/auditor) and Sam Sakhleh (USAID Project Manager) at site of dredging operations at Umm Qasr seaport in Southern Iraq.

Congress and USAID management for the four contracts reviewed through September 30, 2003. The contracting process associated with the remaining contracts will be reviewed in fiscal year 2004.

The OIG's presence in the Iraq/Kuwait theater for performing its review of USAID's Iraq program began with the arrival in Kuwait City of its audit and investigation team on June 5, 2003. The team interviewed USAID officials and representatives of most USAID contractors to assess progress to date and identify potential vulnerabilities. On August 1, 2003, two members of the OIG's audit staff arrived in Baghdad to begin on-site reviews of the Iraq program. The OIG plans to increase audit and investigative presence in Iraq during fiscal year 2004. Audit work in Iraq will include both performance and financial audits of USAID programs.

Photograph of unloading of cargo at the seaport in Umm Qasr, located in Southern Iraq. The renovation and management of the port is being funded by USAID.

The OIG has initiated a number of financial audits of the contractors implementing the USAID program to rebuild Iraq. These audits are being performed by Defense Contract Audit Agency auditors located in Baghdad and Kuwait City. The audits will examine the propriety of costs incurred under these contracts and the contractors' internal control systems. The OIG will review and issue final reports to USAID to ensure that USAID determines the allowability and collects any questioned costs due to USAID and takes action on any identified management and financial system weaknesses. In addition to the financial audits of the USAID contractors, the OIG is currently identifying performance audits that it will conduct in Iraq in fiscal year 2004.

Proactive investigative work will include continual review and assessment of contracts and contract files to determine areas of potential vulnerability. In addition, contacts with key personnel, both government and private sector, involved with the effort have been initiated and will be maintained. To date, an initial vulnerability assessment has been prepared based on the work of the OIG team visit to Iraq. The OIG will investigate any allegations of wrongdoing in the Iraq program.

Afghanistan

The OIG has used risk assessments to identify what activities USAID is implementing and to determine the level of audit coverage the OIG should provide. Working with the Mission, the OIG issued its first risk assessment of USAID/Afghanistan activities in March 2003.[2] That assessment found that the overall risk related to USAID/Afghanistan's ability to manage assistance activities was high. It also rated risk exposure as high for a $143 million contract under the Rehabilitation of Economic Facilities and Services (REFS) program and medium for a $40 million Sustainable Economic Policy and Institutional Reform Support Program. Using the results of this first risk assessment, the OIG developed a comprehensive audit strategy for USAID's programs in Afghanistan. Then, the OIG used both the risk assessment and the audit strategy to develop a list of planned audits and other related activities to be undertaken in Afghanistan during fiscal year 2004.

[2] "Risk Assessment of Major Activities Managed by USAID/Afghanistan," March 11, 2003 (Report No. 5-306-03-001-S)

Photograph of USAID/Philippines RIG Investigator Noel B. Anderson and USAID/Afghanistan Cognizant Technical Officer Robert Wilson conducting a site visit at the Afghanistan highway project between Kabul and Kandahar.

The REFS program is by far the largest and most visible activity being implemented by USAID/Afghanistan. The purpose of the REFS program is to promote economic recovery and political stability in Afghanistan by repairing selected infrastructure. In September 2002, USAID awarded a three-year $143 million contract with an option year for an additional $71 million to implement the REFS program, including road reconstruction. The single largest activity under the program is the reconstruction of a 1,207-kilometer highway running from Kabul through Kandahar to Herat.

While other donor countries are participating in the reconstruction of the highway, the United States is responsible for 389 kilometers of the segment running from Kabul to Kandahar.

Photograph of RIG/Manila auditor Michael Hutchinson (second from right) viewing a subcontractor preparing the base of the road for paving. This photograph was taken in August 2003 about 52 kilometers outside of Kabul, Afghanistan.

Photograph of from left to right of USAID/Afghanistan Controller James Ahn, USAID/Afghanistan Contracting Officer Andrew Holland, USAID/Philippines RIG Investigator Noel B. Anderson, USAID/Afghanistan Cognizant Technical Officer Robert Wilson, and an ARC engineer conducting a site visit at the Afghanistan highway project between Kabul and Kandahar.

The OIG is devoting considerable audit resources to the REFS program. PricewaterhouseCoopers will conduct a series of up to 15 financial audits over the next four years. The OIG is closely supervising these audits. Specifically, the OIG approves the audit program, performs periodic on-site monitoring of the field work performed by the auditors, attends entrance and exit conferences wherever possible, approves draft audit reports, and approves and issues final audit reports as OIG work products. The first financial audit report, covering the period from September 30, 2002, to June 30, 2003, should be issued in the coming months. Quarterly financial audit reports will be issued thereafter.

Photograph of construction workers laying asphalt for the Afghanistan highway project between Kabul and Kandahar.

Additionally, the OIG has planned a series of performance reviews aimed at determining whether the reconstruction of the Kabul to Kandahar road segment is on schedule. The OIG is performing fieldwork on its first review of the progress of the road reconstruction and plans to issue its report early in fiscal year 2004.

In addition, during the reporting period, an OIG investigator conducted site visits with contractor representatives reconstructing the highway from Kabul through Kandahar. During these site visits, the investigator was accompanied by the USAID/Afghanistan Mission Director, Contracting Officer, Project Officer and Controller. The purpose of the site visits was to better understand the unique environment and challenges that face the contractors in balancing implementation and compliance. The investigator was able to witness first hand the testing and inspection of building materials. As a result, the OIG obtained the necessary information to tailor additional proactive investigative activities in Afghanistan.

West Bank/Gaza

As of June 30, 2002, USAID/West Bank and Gaza was providing development assistance to the West Bank and Gaza through six strategic objectives and 39 projects under those objectives. Working with the Mission, the OIG performed risk assessments of the 39 projects and, based on these assessments, has planned to conduct as many as 100 audits to increase the audit coverage over the Mission's development assistance.

Because of security concerns and travel restrictions for U.S. Government personnel, the OIG has contracted with local audit firms to conduct a series of financial audits under RIG/Cairo's oversight.

As of September 30, 2003, 49 audits have been contracted, 10 of which were underway.

HIV/AIDS

According to the Joint United Nations Program on HIV/AIDS, approximately 40 million people are infected with HIV/AIDS (Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome), and the number is growing rapidly. In 2001, some 3 million people died, while another 5 million were newly infected. Both infections and deaths are almost equally distributed between men and women. Half of all new infections, over 6,000 daily, are occurring among young people (15–24 years old).

USAID funding for HIV/AIDS programs has increased dramatically—from $139 million in fiscal year 1999 to more than $500 million in fiscal year 2002. USAID HIV/AIDS funding for fiscal year 2003 will be more than $700 million.

With the funding increase, there has been much interest in monitoring the impact of USAID assistance on the HIV/AIDS epidemic. In its report on USAID's fight against HIV/AIDS in Africa,[3] the U.S. General Accounting Office (GAO) noted that gaps in data-gathering and reporting, the inconsistent use of indicators, and the lack of a routine system for reporting program results limited USAID's ability to measure its overall impact on reducing HIV transmissions. GAO recommended that USAID select standard indicators to measure performance, gather performance data on a regular basis, and report this data to a central unit for analysis.

During 2002, USAID responded to these recommendations by finalizing a standard set of HIV/AIDS program indicators (a process initiated before the GAO audit), issuing new monitoring and evaluation guidance to collect standard data on a regular basis, and establishing a centralized database at USAID/Washington to manage this data for analysis and use. USAID also increased the number of HIV/AIDS monitoring and evaluation technical staff from one to five persons. In April 2002, USAID's Administrator approved a new HIV/AIDS operational plan entitled "Stepping up the War against AIDS." This plan focused efforts on AIDS even further by launching a plan to accelerate the implementation of the expanded response strategy and maximize its impact. In September 2002, USAID established the Office of HIV/AIDS within its newly created Bureau for Global Health.

In February 2003, the OIG completed a worldwide audit of HIV/AIDS programs, which included fieldwork in Global Health's Office of HIV/AIDS and at eight USAID overseas operating units (Cambodia, India, Nigeria, Rwanda, Senegal, South Africa, Uganda, and Zambia). The audit found that all eight operating units needed improvements in two areas:

- Planning, conducting, and documenting data quality assessments, and
- Improving performance monitoring plans.

USAID responded to this audit by conducting training in performance monitoring plans for Office of HIV/AIDS staff and other Global Health staff and by increasing the amount of technical support to field missions and regional bureaus.

[3] U.S. Agency for International Development Fights AIDS in Africa, but Better Data Needed to Measure Impact, March 2001 (GAO-01-449)

Expanding Accountability

Corruption and lack of accountability are major impediments to development and threaten to negate years of economic growth, especially in areas of the world beset by political instability and violence. It is clear that OIG audits and investigations afford one method of safeguarding USAID funds; however, the OIG actively pursues additional methods to promote accountability and transparency. These additional methods enable the OIG to leverage resources. For example, the OIG works with Supreme Audit Institutions (SAIs) to expand their capabilities and provides financial management and fraud awareness training.

Expanding Supreme Audit Institutions' Capabilities

The OIG continues to work closely with selected SAIs in countries where USAID is present. Before their audits can be accepted by USAID, the SAI must meet certain requirements concerning its professional capability and independence. The acceptance process usually requires that the SAI, the USAID mission, and the OIG sign a Memorandum of Understanding (MOU) detailing standards and procedures to be used in auditing USAID funds provided to the host government. The MOU states that the OIG will provide technical advice to the SAIs and will perform quality control reviews of the SAI's work. The OIG's close relationship with the SAIs has led to significant improvements in the quality of their audit work. The OIG and USAID missions have signed MOUs with SAIs in 19 countries.

Photograph of Mr. Dubon delivering the signed agreement to Mr. Anders that allows the SAI to audit counterpart funds provided by the Government of Guatemala. This agreement was signed after the OIG provided a week of financial audit training. In addition, if the SAI meets the OIG's standards in performing the audit, the OIG may sign a Memorandum of Understanding to allow the SAI to conduct audits on its behalf.

Substantial investments of time are involved in cultivating an SAI, working with the missions to obtain a signed agreement with the SAI, and reviewing audit reports produced by the SAI—not to mention providing the training and technical assistance that is often required. Since SAIs can play a vital role in helping ensure the integrity of USAID funds provided to the host government agencies, such investments are worthwhile.

Training USAID Staff and Others

The OIG remains committed to a proactive approach to preventing losses before they occur and continues to provide financial management and fraud awareness training to USAID employees, contractors, grantees, SAIs, and auditors from local accounting firms.

Financial Management Training

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

During this reporting period, the OIG provided financial management training to 448 participants in 10 countries throughout Latin America and the Caribbean. This training included topics such as preparation and reporting on the fund accountability statement, internal controls, compliance with agreement terms and applicable laws and regulations, cost sharing schedule, cost

Photograph of Mission Director Mark Ward (at podium) and Regional Inspector General Bruce Boyer (seated to right of the podium) at the opening of a two-day seminar in Pakistan in August 2003 on fraud awareness and conducting audits for USAID. The audience consisted of mission personnel, local CPAs, USAID recipients, and staff from the Office of the Auditor General of Pakistan.

principles, and fraud indicators. The OIG also conducted a two-day training session in Pakistan that was attended by 43 participants. The presentation included fraud awareness training from an audit perspective, as well as financial management training. In addition, a three-day training session was conducted for 53 participants in Guinea that addressed U.S. Government Auditing Standards and recipient-contracted audit procedures.

At the request of USAID/Zimbabwe, the OIG provided detailed training on financial audit requirements and on the mission's roles and responsibilities concerning financial audits. A total of 54 individuals attended. In total, the OIG conducted financial management and related training in 13 countries and trained about 600 individuals. These individuals included representatives from USAID missions, SAIs, local accounting firms, and USAID contractors and grantees.

Fraud Awareness Training

During the current reporting period, the OIG conducted fraud awareness training in 12 countries for approximately 675 individuals.

April 2003

In Gaborone, Botswana, the OIG provided fraud awareness training for 72 USAID employees at the Regional Center for Southern Africa. In Sofia, Bulgaria, the OIG presented three fraud awareness sessions to a total of 50 individuals made up of USAID employees, contractors and grantees. Finally, in Washington, D.C., the OIG conducted a fraud awareness training session for 28 trainees at a Cognizant Technical Officer training course.

Photograph of Samir Mikhail, Investigator, presenting fraud awareness training to staff of local CPA firms in Ramallah, West Bank, in September 2003.

May 2003

In Ulaanbaatar, Mongolia, the OIG conducted two training sessions for 25 USAID employees, contractors and grantees.

June 2003

In Pretoria, South Africa, the OIG conducted a fraud awareness session for 25 USAID employees at USAID/South Africa. In Managua, Nicaragua, the OIG provided two more such sessions for approximately 77 USAID employees and personnel from U.S.-funded contractors and non-governmental organizations (NGOs) working in Managua.

Photograph of Thaddeus Corley, Investigator, presenting fraud awareness training to staff of local CPA firms in Ramallah, West Bank, in September 2003.

July 2003

In Kabul, Afghanistan, the OIG provided fraud awareness training for 23 people, including Mission personnel, the Mission Director and a representative from a news organization. In Quito, Ecuador, the OIG conducted two fraud awareness sessions for approximately 36 persons, including USAID employees and staff members of five local and international organizations.

August 2003

In Port Au Prince, Haiti, 89 USAID employees, Haitian government officials and members of local audit firms and NGOs attended two fraud awareness sessions presented by the OIG, while in Harare, Zimbabwe, a total of 54 USAID and grantee employees, and accountants attended three such sessions. Finally, in Washington, D.C., the OIG conducted fraud awareness training for 69 USAID employees attending an Office of U.S. Foreign Disaster Assistance all-hands meeting.

September 2003

In Panama City, Panama, the OIG presented two fraud awareness training sessions to approximately 30 USAID employees, contractors and grantees.

In the West Bank and Gaza, the OIG presented three fraud awareness presentations to 73 USAID employees, contractors and auditors from seven local audit firms currently working for USAID. Finally, in Washington, D.C., the OIG provided two fraud awareness sessions to 24 USAID employees.

Presenting International Accountability and Anticorruption Issues

The OIG made a presentation before an international workshop to discuss the challenges related to accountability, oversight, and compliance in scientific research projects. The OIG discussed how USAID accounts for scientific research funds and the OIG's audits strengthen oversight of those funds. Other speakers included representatives from the National Science Foundation OIG and participants from Austria, Denmark, Finland, France, Germany, the Netherlands, Norway, and the United Kingdom.

In addition, the OIG attended the Supreme Audit Institution (SAI) Technical Cooperation Providers Network Meeting. The OIG's presentation at that meeting included a description of the missions of the audit and investigation divisions, the OIG's recipient-contracted audit guidelines (which describe policies for audits of USAID's foreign-based contractors and grantees), a model agreement with a Supreme Audit Institution, and OIG training given to SAIs.

Photograph of the Deputy Inspector General James Ebbitt(right) with (from left to right,)USAID/DCHA staff: Gene Ward, Jerry O'Brien and Madalene O'Donnell at the 11th International Anticorruption Conference and the Global Forum III on Fighting Corruption and Safeguarding Integrity.

The OIG also attended the 11th International Anticorruption Conference and the Global Forum III on Fighting Corruption and Safeguarding Integrity. Both conferences were held in May 2003 in Seoul, Korea, and were attended by approximately 900 individuals from over 100 countries. The conference workshops included topics such as law enforcement, building ethics in the real world, the political economy of corruption, international instruments to combat corruption, and transparency and integrity.

The OIG participated in the Conference of the Central America and the Caribbean Organization of Supreme Audit Institutions. The conference was attended by representatives of the Supreme Audit Institutions from Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. The OIG made a presentation that addressed the role of the OIG, the type of audits conducted, the training and assistance provided, the Supreme Audit Institution certification process, and quality control reviews. Subsequently, several Controllers General expressed interest in the certification process and possible training activities.

In addition, the OIG hosted an internal audit delegation from Poland's Ministry of Finance. During the delegation's 11-day stay to Washington, representatives visited with several offices of Inspectors General within the Federal government, the General Accounting Office, and the Office of Government Ethics. The OIG briefed the delegation on the OIG's organization, functions, and legal framework and answered detailed questions concerning the OIG's audit policies, procedures and operating practices.

Photograph of the Conference of Controllers General from Supreme Audit Institutions from Central America and the Caribbean, held September 24-26. Steven Bernstein, RIG/San Salvador, presented an overview of the OIG and the SAI process. The conference was held in Guatemala City, Guatemala. Controllers General included those from Guatemala, El Salvador, Honduras, Nicaragua, Panama, Costa Rica, and the Dominican Republic.

Photograph of the Inspector General, Everett L. Mosley, with the senior member of Poland's Ministry of Finance's Internal Audit Department, Mr. Slawomir Zalobka, Director General.

The OIG hosted the Head of the Ethiopian Ministry of Foreign Affairs Audit and Inspection Service and his counselor. These officials were visiting the United States under the State Department's International Visitor Program that brings participants to the United States from all over the world each year to meet and confer with their professional counterparts and to gain greater understanding of the cultural and political influences in U.S. society. During their visit the officials met with several OIGs, as well as the General Accounting Office, the Center for Public Integrity, and audit training institutes at the Departments of Treasury and Agriculture. In addition to briefing the visitors on the USAID OIG's organization and functions, the OIG gave a presentation on U.S. government auditing standards, and the OIG's policies, procedures and practices for doing performance audits.

Further, in September 2003, the National Committee on United States-China Relations sponsored a delegation of eight officials from China's Ministry of Supervision for a 14-day visit to three American cities to further explore best practices in combating and controlling corruption. During their visit to Washington, D.C., the USAID OIG provided a briefing on its worldwide anticorruption efforts to this delegation. The Justice Department's OIG also spoke about their anticorruption work. Afterwards, both the

USAID Justice OIG representative answered a number of questions from the delegation on the work the respective OIGs do in this area and how OIGs cooperate with each other.

Accountability over Contractors and Grantees

USAID is required by Federal Acquisition Regulations, the Single Audit Act, Office of Management and Budget (OMB) Circulars, and its own internal policies and procedures to obtain appropriate and timely audits of its contractors and grantees. The OIG provides oversight of these audit activities, ensuring that audits are conducted in accordance with appropriate quality standards and thereby enhancing accountability over USAID contractors and grantees. Also, in accordance with provisions in USAID contracts and agreements, the OIG reviews audit reports of foreign organizations receiving USAID funds. The OIG further enhances the accountability over grantees and contractors by providing training in U.S. government cost principles.

Audits of U.S.-Based Contractors

U.S.-based contractors carry out many USAID-funded activities. Since 1994, according to USAID, it has requested audits, reviews, or pre-award surveys on 478 separate for-profit contractors. The Defense Contract Audit Agency (DCAA) conducts audits, reviews, and pre-award surveys on U.S.-based contractors on USAID's behalf; the OIG then reviews DCAA's reports and transmits them to USAID management.

During this reporting period, the OIG reviewed and transmitted 6 DCAA reports on U.S.-based contractors. These reports covered approximately $45 million in costs claimed by the contractors and identified $351,000 in questioned costs.

Audits of U.S.-Based Grantees and Enterprise Funds

U.S.-based nonprofit organizations (grantees) also receive significant USAID funds to implement development programs overseas. As required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," non-Federal auditors perform annual financial audits of USAID grantees that expend over $300,000 of Federal funds annually. These auditors are required to identify:

- Reportable conditions involving major programs.
- Material noncompliance with laws and regulations.
- Known fraud affecting a Federal award.
- Known questioned costs above $10,000.
- Misrepresentations of the status of prior audit findings.
- The reasons why the auditor's report on compliance for major programs is other than unqualified.

The OIG provides oversight for the non-Federal auditors performing these audits and reviews non-Federal audits to determine whether auditors prepared audit reports in accordance with Circular A-133 reporting requirements. The OIG also conducts quality-control reviews to determine whether the underlying audits complied with Circular A-133 audit requirements. In some instances, the OIG contracts with the Defense Contract Audit Agency (DCAA) to perform specialized financial audits of U.S.-based grantees.

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

During the current reporting period, the OIG:

- Reviewed and issued 23 non-Federal audit reports covering USAID funds of over $577 million spent by U.S.-based grantees.
- Completed 5 quality control reviews covering over $62 million in grantee expenditures.
- Issued 1 report completed by DCAA covering over $2 million spent by U.S.-based grantees.
- Identified over $74 thousand in questioned costs.

Audits of Foreign-Based Contractors and Grantees

Although OMB Circular A-133 does not apply to foreign-based contractors and grantees, given the high-risk environment in which USAID operates, USAID has extended similar audit requirements to its foreign-based contractors and grantees through standard provisions included in grants, cooperative agreements, and contracts and through "Guidelines for Financial Audits Contracted by Foreign Recipients," issued by the OIG.

Under the Recipient-Contracted Audit Program, audits are required for all foreign nonprofit organizations that expend $300,000 or more per their fiscal year. USAID may also request financial audits of nonprofit organizations that fall below the $300,000 threshold. With respect to foreign for-profit organizations, incurred cost audits of direct awards or of cost-reimbursement host-country contracts and subcontracts must be performed annually.

The OIG reviews all audit reports and, if they are found to be in compliance with the "Guidelines for Financial Audits Contracted by Foreign Recipients," transmits the report to the appropriate USAID mission. Audit firms are notified of any problems identified in the review of the audit reports. For example, in one case during the period covered by this Semiannual Report to the Congress, the OIG did not accept a recipient-contracted audit report because the audit had not been conducted in accordance with OIG guidelines and could not be relied upon by USAID. After reviewing a number of revised reports, the OIG eventually accepted and issued the report. The final report included over $700,000 in questioned costs, three material internal control weaknesses, and two material instances of noncompliance. None of these findings were included in the original report submitted to the OIG for review.

During the most recent reporting period, the OIG reviewed and transmitted 116 audits of foreign-based organizations, resulting in over $4 million in questioned costs. The OIG also completed 12 quality-control reviews to ensure that the audits were completed in accordance with appropriate audit standards.

Introduction to USAID Bureaus

The Office of Inspector General's results presented in this section are organized by the USAID unit or bureau where the audit or investigation was focused.

USAID is organized into ten major bureaus and five independent offices. The bureaus are divided by region, program focus, and support function. USAID's bureaus are:

Regional Bureaus

- Africa
- Asia and the Near East
- Europe and Eurasia
- Latin America and the Caribbean

The regional bureaus formulate, approve, direct, and implement economic assistance programs with the field mission staff under their responsibility.

Program or Pillar Bureaus

- Democracy, Conflict Prevention and Humanitarian Assistance
- Economic Growth, Agriculture and Trade
- Global Health

The pillar bureaus provide leadership, technical expertise, and management worldwide in primary focus areas. The program activity or technical expertise supports USAID's regional bureaus, field missions and other operational units.

Support Bureaus

- Policy and Program Coordination
- Management
- Legislative and Public Affairs

Centralized programs and services that serve the entire USAID organization are the focus of the support bureaus. Policy formulation, coordination, budget formulation, resource allocation, management services (including information technology, personnel and financial management), and public and Congressional liaison are the tasks of the three main support bureaus.

Independent Offices

- Office of the Executive Secretariat & Chief of Staff
- Office of Equal Opportunity Programs
- Office of the General Counsel
- Office of Small Disadvantaged Business Utilization
- Office of Security

The independent offices, headed by directors who are appointed by the Administrator, provide specialized functions for USAID.

This report includes results for the OIG's work related to some, but not all, of USAID's bureaus and offices.

Bureau for Africa

Audit of USAID/Senegal's Casamance Conflict Resolution Program

Photograph of a woman who received training by Africare tending a vegetable garden in the Bignona area.

The Casamance Conflict Resolution Program seeks to improve conditions for peace and reconciliation in the Casamance region via economic, social and political development. The Casamance region is an important focus area for the economic development of Senegal due in part to its rich tropical environment. The region is centrally located to facilitate trade with neighboring countries and has some of the largest traditional markets in Senegal. At one time, Casamance was also well known as a major tourist destination in Senegal. However, a major constraint affecting development in the Casamance region is its 19-year armed separatist struggle; a struggle that has led to a sharp decline in the economic and social well-being of the population. Efforts to resolve the conflict are ongoing. USAID is working with its implementing partners to identify safe but effective ways to expand activities in the region.

Photograph of a home being reconstructed with the help of Catholic Relief Services and USAID/Senegal in the Madina Mancagne village.

OIG auditors found that USAID/Senegal's Casamance Conflict Resolution Program, in general, is achieving its intended objectives. The program has reported it met or exceeded targets for 11 out of 14 programs. Even though documentary support at the nongovernmental-organization level may not be sufficient, the OIG determined that progress is being made in achieving the program's objectives.

The OIG recommended that USAID/Senegal:

- Require periodic checks of implementing partners to determine if they are maintaining appropriate and sufficient documentation to support results.
- Clarify how indicators should be measured.
- Develop and implement procedures to verify data included in USAID/Sengal's Annual Report.

USAID/Senegal agreed with all of the findings and recommendations, and all recommendations had received final action upon report issuance.

(Audit Report No. 7-685-03-003-P)

Audit of USAID/Nigeria's Participant Training Activities

As a result of the recent attacks on the United States and homeland security concerns, increased attention is now being given to all visitors to the United States, including USAID participant trainees. In addition, new regulations by the U.S. Immigration and Naturalization Service (INS)[4] and the Department of State have changed. These new regulations include more specific procedures for issuing J-1 visas, nonimmigrant visas issued for participants in educational and cultural exchange programs; monitoring exchange visitors; and recording various status changes, such as new addresses, altering course loads, etc. Also, the INS developed its own database, known as the Student and Exchange Visitor Information System (SEVIS), which required implementation by all sponsors on February 15, 2003, to input data requests for J-1 visa applications. With timely input and accurate data, SEVIS is designed to track the status and location of all foreign students in the U.S.

This audit was conducted at USAID/Nigeria as part of the worldwide audit of USAID's participant training activities. The objectives of this audit were to determine (1) if USAID/Nigeria complied with certain requirements for its participant training program; (2) if any participant trainees

[4] In March 2003, INS was reorganized under the U.S. Department of Homeland Security.

from Nigeria did not return from the United States and if so, what actions were taken by USAID/Nigeria; and (3) what additional actions the Mission should take to meet new participant training program requirements. Between fiscal years 2000 and 2003, 253 participant trainees from Nigeria have been sent to the United States for training, funded partly or wholly by USAID.

USAID/Nigeria has complied with many of USAID's requirements for participant training. The Mission has complied with requirements to use the Training Results and Information Network system, usually referred to as TraiNet, for processing participant trainee data, and for issuing J-1 visas for participants traveling to the United States. Further, USAID/Nigeria has not experienced any situations with non-returnees and thus far has not had to take any actions to deal with this situation. Additionally, USAID/Nigeria has taken several positive steps to ensure that the new requirements to more actively manage participant training programs are met.

However, certain problems continue to affect the overall success of the program. Therefore, the OIG recommended that USAID/Nigeria update the Participant Training Mission Order by:

- Incorporating the Automated Directives System requirement to obtain an Individual Taxpayer Identification Number for each trainee.
- Developing and incorporating a checklist of required documents to be maintained in each participant trainee file.
- Developing and incorporating a process to perform background checks for all participants traveling to the United States.
- Developing and incorporating a process to obtain real-time data on the participants' status while they are in the United States and upon their return to Nigeria.

The Mission implemented all recommendations prior to issuance of the final audit report.

(Audit Report No. 7-620-03-004-P)

Audit of USAID/Malawi's Training, Use and Accountability of Cognizant Technical Officers

As part of its multi-year strategy for auditing USAID's procurement activities, the OIG conducted this audit to determine whether USAID/Malawi provided adequate training and guidance to its Cognizant Technical Officers (CTOs) and held them accountable for performing their responsibilities.

The audit showed that USAID/Malawi did not provide enough training and guidance to its CTOs to ensure that they were aware of and capable of performing their responsibilities. Five of the seven CTOs did not have the necessary CTO-related skills before the Mission hired them, and six of the seven said they needed more training in the required competencies for acquisition and assistance-related skills. This lack of training was caused by the Mission's failure to follow its own requirements and those of the Office of Federal Procurement Policy, both of which require the development of annual training plans for CTOs. Furthermore, USAID/Malawi did not hold its CTOs accountable for performing their responsibilities in accordance with USAID policies and regulations.

The audit report contained four recommendations to help USAID/Malawi provide adequate training to the CTOs and hold them accountable for the performance of their tasks.

Management did not agree with two of the recommendations and did not provide corrective action plans or target completion dates for any of the four recommendations. Consequently, all four recommendations are without a management decision.

(Audit Report No. 4-612-03-002-P)

Audit of USAID/Madagascar's Distribution of P.L. 480, Title II Non-Emergency Assistance in Support of its Direct Food Aid Distribution Program

Under the P.L. 480 Title II non-emergency program, U.S. food assistance is provided to promote development programs critical to long-term food security by enhancing household nutrition or increasing incomes and agricultural production. As part of the OIG's multi-year strategy for auditing USAID's food aid programs, this audit was conducted as the pilot for a worldwide audit to determine whether USAID missions were, through their monitoring

Photograph of CRS Maternal Child Health beneficiaries waiting to receive rations.

and oversight, ensuring that Title II non-emergency (and non-monetized) food assistance furnished under the program was being delivered to the intended beneficiaries.

In Madagascar, Title II non-emergency, non-monetized food assistance is distributed through several development activities, consisting mostly of General Relief, Maternal Child Health, and Food-For-Work projects, implemented by three non-governmental organizations (NGOs). This audit reviewed selected activities for two of the NGOs—CARE and Catholic Relief Services—and examined the distribution procedures and processes used by each to determine whether the food assistance furnished under the selected activities was, in fact, being delivered to the intended beneficiaries in accordance with existing agreements.

The OIG recommended that USAID/Madagascar:

- Develop a formal food assistance monitoring plan.
- Determine and collect, as appropriate, commodity losses resulting from spoilage.
- Revise commodity tracking procedures to require follow-up on all commodity losses over $500.

The Mission agreed with the findings and recommendations and has reached a management decision for all recommendations.

(Audit Report No. 9-687-03-010-P)

Investigation Leads to Issuance of Bills for Collection in Excess of $580,000

An OIG investigation involving a USAID-sponsored training program for Foreign Nationals resulted in the issuance of 22 bills for collection by three different USAID missions in Africa. Under the program, the participants receive training in the U.S. in exchange for agreeing to return to their home country for a period of not less than two years upon completion of the training. The program covers the cost to educate and/or train individuals from participating nations in order to develop needed skills for their respective home countries. After completion of the USAID-sponsored training, the participants failed to leave the U.S. and return home, violating their contractual obligation to USAID.

During the reporting period, one mission issued three bills for collection totaling $65,373; a second issued 11 bills for collection totaling $110,013 and a third issued eight bills for collection totaling $404,739. The total dollar value of the 22 bills for collection was $580,125. The OIG has been actively working to locate these individuals so that the USAID missions can seek repayment.

Investigation Results in Termination of USAID Cashier for Embezzlement

An OIG investigation resulted in the termination of a cashier at the USAID Regional Center for Southern Africa. The investigation was initiated after the Mission advised the OIG that there were discrepancies in cashier reconciliation records. At the start of the investigation, the cashier, a Foreign Service National (FSN) employee, was placed on administrative leave. The OIG investigation and a concurrent review by the U.S. Disbursing Office revealed that the cashier had embezzled approximately $43,464. Based on the OIG Report of Investigation, the Mission terminated the employee for cause. The matter was also referred to local authorities for legal action.

Bureau for Asia and Near East

Audit of USAID/Jordan's Performance of End-Use Checks on Purchased Commodities

USAID guidance requires USAID missions to carry out or arrange to have carried out end-use checks on commodities to confirm their use.

USAID/Jordan purchased a significant amount of commodities to help implement activities financed by USAID. These activities included, but were not limited to, projects designed to:

- Provide credit to small and micro-enterprises in southern Jordan.
- Provide technical assistance to the Aqaba Special Economic Zone.
- Assist the Jordanian Association for Family Planning and Protection to increase its recovery cost and maintain its market share in the family planning program.

The OIG conducted an audit to determine whether USAID/Jordan performed end-use checks in accordance with USAID guidance and concluded that USAID/Jordan performed such checks on purchased commodities for all activities under its three strategic objectives in accordance with USAID guidance. The audit report contains no recommendations.

(Audit Report No. 6-278-03-003-P)

Audit of USAID/Cambodia's Monitoring of USAID-Financed Commodities Held in Customs

USAID conducts its assistance programs in Cambodia pursuant to a Bilateral Agreement signed with the Government of Cambodia in 1994. The Bilateral Agreement provides broad tax exemptions to commodities brought into Cambodia in furtherance of USAID's assistance programs, and it also provides for prompt release of those commodities from Cambodian customs.

Photograph of an imported vehicle held in customs for an unusually long period of time—470 days. The photograph was taken in October 2002 at the recipients' field office in Phnom Penh, Cambodia.

The audit found that USAID/Cambodia did not ensure that USAID-financed commodities were tax exempt and promptly released from customs. Contrary to the Bilateral Agreement, three of the Mission's 21 implementing partners either paid taxes and/or incurred unduly long customs delays—up to 470 days—on USAID-financed commodities. As a result, a total of $49,725 was used to pay taxes and customs storage fees instead of being used to provide direct program services.

The audit report recommended that USAID/Cambodia:

- Establish an action plan—with time frames and milestones—to work with the Government of Cambodia to enforce the Bilateral Agreement's provisions of tax exemption for and prompt release of USAID-financed commodities.
- Recover the $49,725 in taxes and storage fees paid by its implementing partners to the Cambodian government.
- Conduct a review and recover any additional taxes or unreasonable storage fees that its implementing partners might have paid to the Cambodian government on USAID-financed commodities brought into the country during the period.

The OIG agreed with management's planned actions on Recommendation No. 3; however, no management decision has been reached on Recommendation Nos. 1 and 2.

(Audit Report No. 5-442-03-001-P)

Audit of Selected Micro and Small Enterprise Development Loan Guarantees in the Philippines

The purpose of the Micro and Small Enterprise Development (MSED) loan guarantee program, managed by USAID's Office of Development Credit, was to stimulate the growth of privately owned micro and small enterprises and/or micro-finance institutions by providing credit through host-country financial institutions. To encourage financial institutions to provide these loans, USAID shared the risk that the borrowers might default—hence the term, loan guarantee.

Under the MSED program, Loan Portfolio Guarantees were the primary guarantee vehicles. A financial institution participating in the MSED program enrolled loans to eligible borrowers in its portfolio, and the Loan Portfolio Guarantees provided a loan guarantee of up to 50 percent of the net loss on the principal amount of enrolled loans. Financial institutions filed claims with USAID to obtain reimbursement for USAID's share of the losses on defaulted loans.

The objective of the audit was to review MSED claims to determine whether USAID monitored selected MSED loan guarantees in the Philippines to ensure that financial institutions adhered to the requirements of the loan guarantee agreements. For the claims audited, USAID monitored the Micro and Small Enterprise Development loan guarantee program, but the monitoring did not ensure that financial institutions adhered to their loan guarantee agreements. The audit identified opportunities for USAID to improve its monitoring of the program.

The OIG recommended that USAID:

- Review and recover, as appropriate, the $891,813 that it paid for claims on defaulted loans which violated the banks' loan guarantee agreements.
- Implement procedures to regularly monitor the banks' efforts to recover funds from borrowers who defaulted on their loans.

The Office of Development Credit agreed with both recommendations and has reached a management decision.

(Audit Report No. 5-000-03-002-P)

Follow-Up of USAID/Philippines' Implementation of Recommendation No. 1, Audit Report No. 5-492-99-006-P, "Audit of USAID/Philippines' Response to Customs Duties on Donated Contraceptives," Dated September 27, 1999

A 1999 OIG report found that USAID-donated contraceptives had been held up by the Philippines' Bureau of Customs. As a result, the OIG issued Recommendation No. 1, which requested that USAID/Philippines develop, with the Philippines' Department of Foreign Affairs and/or the National Economic Development Authority, an action plan—with targets and milestones—to eliminate the requirement that customs duties be paid on USAID-donated commodities. USAID/Philippines developed and submitted such an action plan to USAID's Office of Management Planning and Innovation, and final action was reached on the recommendation on December 10, 1999.

Although the Mission developed a 12-step action plan, the Mission's subsequent implementation of the action plan did not justify the closure of the recommendation because the Mission did not complete or adequately document the corrective actions outlined in its action plan. The OIG did not reopen the original recommendation or make any new recommendations because, among other things, no adverse effects were identified.

Photograph of RIG/Manila auditors (left to right) Roxan Samson and Anthony Okonkwo; Charito Redoblado, USAID/Philippines Development Specialist; Ferdinand dela Cruz, Philippine Department of Health (DOH), Materials Manager; Carina Stover, USAID/Philippines Chief of the Office of Population, Health, and Nutrition; and Ramon Saguinsin, USAID/Philippines Financial Analyst inspecting contraceptives stored in a DOH warehouse.

Nevertheless, the report suggested that USAID/Philippines:

- Maintain complete records of the status of recommendations through the entire process of resolution and corrective action.
- Pending direction from the U.S. Secretary of State on the issuance of "appropriate rules, regulations or guidance," continue negotiating for its Memoranda of Understanding appropriate exemptions from customs duties for USAID-donated commodities.

USAID/Philippines did not agree with the report's conclusion regarding the first suggestion and did not respond to the second suggestion.

(Audit Report No. 5-492-03-002-S)

Investigation Leads to Suspension of U.S. Construction Company

After receiving allegations of violations of USAID nationality rules and regulations by U.S. companies competing for USAID-financed construction contracts in Egypt, the OIG initiated an investigation.

The initial review of USAID records revealed that during the bidding and pre-qualification phase on two USAID-financed host-country contracts, the subject U.S. company bid on and won contracts worth a combined value of over $142 million. These construction contracts were designated for U.S. firms only and were subject to strict nationality rules.

In compliance with the nationality rules, the company submitted documents to USAID certifying that its joint venture met the contract's nationality requirements. The company's joint venture agreement, as submitted, reflected only two partners—both U.S. companies. However, further investigation uncovered the existence of a secret joint venture agreement, which was not disclosed to either USAID or the host country. This undisclosed agreement included a third company—a local Egyptian one—as a full partner in the joint venture. The inclusion of the Egyptian company as a partner in the joint venture was a clear violation of nationality rules applicable to USAID-financed contracts.

Based on the company's violation of the nationality rule and the OIG investigation, USAID moved to place the company on a one-year suspension, thereby making the company ineligible for any USAID-financed transactions with funds made available under the Foreign Assistance Act of 1961.

While the OIG was conducting the investigation, the U.S. construction company was the low bidder and was recommended for award of another $59 million host-country contract in Egypt. However, as a result of the company's suspension, it became ineligible for USAID financing and was eliminated from consideration for the $59 million contract.

Investigation Results in Debarment of Company and Its President

During a prior reporting period, the OIG noted that an Illinois company and its president pled guilty to charges of submitting false statements to the U.S. Government on a USAID-funded transaction in Egypt. The president pled guilty to one count of submitting a false demand against the U.S. and was sentenced to three years' probation. On the same day, the company pled guilty to one felony count of filing a false statement, for which it was sentenced to three years' probation.

Subsequently, the company and its president were issued a notice of proposed debarment and were debarred from (1) future procurement contracts with USAID and other U.S. government agencies, (2) eligibility for future participation in other USAID-financed agreements, transactions and programs, and (3) eligibility for future participation in non-procurement activities of other U.S. government agencies. The debarments, issued by the USAID Office of Procurement in furtherance of the protection of the public interest, are for a period of three years. USAID also forwarded the company's name and the name of its president to the General Services Administration for inclusion in the "List of Parties Excluded from Federal Procurement and Non-Procurement Programs."

Investigation Results in Debarment of Egyptian Company

An OIG investigation involving a $2,087,621 Commodity Import Program (CIP) transaction submitted to USAID revealed that the company's Chief Executive Officer, along with other high-level officials within the company, conspired to submit false and inflated bids to USAID to obtain its approval of the transaction. The company is one of the largest Internet service providers in Egypt. The investigation disclosed the existence of a scheme with co-conspirators located in several foreign countries, a web of ghost companies, and an intricate trail of foreign bank accounts.

As a result of the OIG investigation, the Egyptian Department of International Cooperation/Ministry of Foreign Affairs, with the concurrence of USAID, debarred the company from further participation in the USAID-sponsored CIP program for a period of three years. Furthermore, they demanded the immediate refund of the $2,087,621 in USAID funds used to finance the transaction.

Additionally, during the course of the OIG investigation, the same Egyptian company submitted another request to USAID seeking its financing for a second CIP transaction in the amount of $1,498,308. The investigation of this second transaction revealed that it also contained bids from non-existent companies. Upon notification of that finding, USAID immediately canceled the second transaction.

Investigation Results in Restitution Payment of $100,224

A Commodity Import Program participant made a restitution payment of $100,224 to USAID following an OIG investigation. The investigation revealed that the organization violated USAID shipping regulations, which, among other requirements, makes it mandatory for a contracted supplier to utilize U.S.-flag vessels in shipping their commodities from the U.S. to an overseas destination. USAID pays the shipping costs as long as these regulations are met. The investigation further revealed that eight shipments were initially placed on U.S.-flag vessels destined for Europe. Prior to reaching their final destination in Egypt, they were transshipped onto non-U.S.-flag vessels in the Netherlands and Italy. The USAID shipping regulations specifically forbid transshipment via non-U.S.-flag carriers without prior USAID consent, yet the investigation determined that no evidence of consent was ever given.

Investigation Results in Reimbursement of $49,643

An OIG investigation involving the unauthorized salary increase of an Egyptian foreign national employed by a U.S. contractor firm resulted in a recovery of $49,643. The investigation revealed that the employee, after working for the U.S. contractor for over one year, submitted a new Biographical Data Sheet (BDS) and demanded a 46-percent salary increase. The U.S. contractor granted the increase without verifying the employee's prior salary history and without obtaining the approval of the USAID Contracting Officer. Under the terms and conditions of the USAID contract, the contracting firm must secure prior approval from the Contracting Officer before initiating such action. Subsequently, the OIG investigation revealed that the Egyptian employee falsified salary history on the BDS in order to justify the salary increase. Accordingly, the U.S. contractor reimbursed USAID for the full amount of the unauthorized increase.

Bureau for Democracy, Conflict, & Humanitarian Assistance

Survey of Principal Processes Used to Manage Funds Provided under the P.L. 480, Title II Program

The bulk of the U.S. food assistance delivered to foreign countries is administered by USAID under Title II of the P.L. 480 Program to support targeted emergency relief operations and development projects. USAID's Office of Food for Peace manages the provision of Title II commodities and implements its food assistance initiatives through a variety of cooperating sponsors, including private voluntary organizations, non-governmental organizations and international organizations such as the United Nations World Food Program.

The objective of the Title II program is two-fold: to provide food aid to vulnerable groups in emergency situations and to promote development programs critical to long-term food security. As a result, the Title II budget is divided into emergency and non-emergency activities. In addition to funding the procurement of agricultural commodities required for these activities, Title II funds are used to cover ocean freight, inland freight and internal transport, and storage and handling costs incurred in transporting the commodities to their destination.

Photograph of a ship at Port Lake Charles, Louisiana, loading 10,000 metric tons of Title II food assistance bound for Afghanistan.

Photograph of cases of vegetable oil, bound for Afghanistan, being loaded on to a ship at Port Lake Charles, Louisiana.

Although USAID has responsibility for administering the Title II program, funding for the program ($945 million for fiscal year 2002; $1.185 billion for fiscal year 2003) is initially appropriated to the U.S. Department of Agriculture (USDA). As a result, USAID must work through USDA and the Office of Management and Budget to request the spending authority and funds needed to cover the non-commodity costs (e.g., ocean and inland freight) under the program. The balance of appropriated funds are retained by USDA and made available for the procurement of agricultural commodities by USDA's commodity office in Kansas City.

This survey focused on identifying the principal processes implemented in managing funds appropriated under the P.L. 480, Title II program. In conducting this survey, research was performed to acquire an understanding of the entire funding process, from appropriation to disbursement, and to document key areas within this process. The information developed during this survey was intended to benefit both the OIG and food program managers with the Office of Food for Peace (FFP) by helping to identify areas of potential vulnerability or risk, as well as areas that can be streamlined during future systems reviews or program audits.

The report for this survey contains a brief description of the key stages within the Title II funding process and incorporates a set of flowcharts outlining the procedures performed within these selected areas. FFP expressed appreciation to the OIG for producing the report and noted that the report effectively documented the complexity of the systems involved in obtaining and managing Title II funding. FFP further stated that the report will be used in

training its new and existing personnel and that information presented in the report's flowcharts will enable FFP staff to more easily identify their roles and responsibilities within the larger process. In addition, FFP indicated that it intended to use the report, which it described as a "living document," to educate its partners both inside and outside of USAID, while also facilitating its current effort to streamline its existing procedures as mandated by Congress. The report did not contain any findings or recommendations.

(Audit Report No. 9-000-03-001-S)

Bureau for Europe and Eurasia

Audit of USAID/Russia's Monitoring of American International Health Alliance's Performance

Photograph of OIG Audit Manager Jacqueline Bell with the Women's Wellness Center Director and AIHA Program Coordinator in a USAID-AIHA-supported training room in Samara, Russia.

This audit was designed to test USAID/Russia's monitoring of American International Health Alliance's (AIHA) performance to ensure that intended results were achieved.

The OIG found that USAID/Russia was adequately monitoring AIHA's performance. Moreover, the OIG determined that sites and activities—including primary health care clinics and women's wellness centers opened through AIHA and USAID/Russia's cooperation—were in existence, operating as reported, and staffed by enthusiastic, well-trained Russian health professionals. However, the OIG recommended that USAID/Russia strengthen its monitoring by obtaining and approving AIHA's monitoring and evaluation plan and strengthening the quality of data published in AIHA's reporting of results.

USAID/Russia officials agreed with the findings and recommendations and have taken final action.

(Audit Report No. B-118-03-002-P)

Audit of USAID/Bosnia-Herzegovina's Business Development Program

The OIG conducted an audit of USAID/Bosnia-Herzegovina's Business Development Program to determine the status of the program and whether the Mission monitored the program to ensure that the desired results were achieved. The audit showed that the program, to which $233 million has been obligated and transferred since 1996, was extended and expanded into broader areas.

The OIG recommended that the USAID/Bosnia-Herzegovina:

- periodically verify the validity and accuracy of financial information,
- assess banking options in order to maximize the interest earned and minimize fees,
- verify job-creation data and report on the verified number of jobs created,
- conduct quarterly Management Control and Review Committee meetings, and
- identify Cognizant Technical Officers (CTOs) who are not certified and develop training plans to ensure that those CTOs are provided the required training.

USAID/Bosnia-Herzegovina agreed with the recommendations and implemented final actions.

(Audit Report No. B-168-03-003-P)

Investigation Results in Suspension of Foreign Service National Employee

An OIG investigation in Kiev, Ukraine disclosed that a senior Foreign Service National (FSN) employee made false statements on a travel voucher for an eight-night training trip to the Washington, D.C. area. Though on the travel voucher the employee claimed eight nights at a hotel under a hotel allowance of $150 per night, the investigation revealed that the employee had stayed with a friend in the area and incurred no hotel costs. Other claimed voucher costs were also determined to be false. The FSN provided a signed statement to an OIG investigator admitting that the FSN did not incur all of the costs claimed on the voucher. As a result of the investigation, the employee was placed on leave without pay for 90 days pending a security clearance review.

Investigation Yields Recovery of $174,921

A U.S.-based grantee paid USAID $174,921 after an OIG investigation established that the grantee used USAID funds to purchase professional television equipment from a German distributor in violation of source and origin regulations. The television equipment was for use in a democracy project in the Ukraine. The investigation also established that the grantee conspired with a U.S. distributor to provide bogus sales invoices for the German equipment to make it appear that the equipment originated in the U.S. As a result of the OIG investigation, the grantee refunded the $174,921.

Investigation in Moldova Yields $66,786 Refund

A grantee in Moldova credited USAID $66,786 after an OIG investigation established that the grantee over-billed the direct labor for its Chief of Party (COP). The investigation revealed that the COP prepared time reports claiming workdays when he was actually taking leave outside of Moldova. During the previous reporting period, the grantee demoted the COP, restricted his fiduciary access, and implemented a new corporate compliance program that included fraud awareness presentations, a corporate code of conduct, and a corporate compliance certification to be signed annually by all corporate officers.

Bureau for Latin America and the Caribbean

Audit of USAID/Haiti's Executive Office Operations

As part of its fiscal year 2003 audit plan, the OIG performed this audit to determine if USAID/Haiti performed its Executive Office operations in accordance with USAID policies and applicable laws and regulations. The audit showed that many Executive Office functions were performed in accordance with USAID policies and applicable laws and regulations.

The OIG made recommendations that addressed strengthening management controls and improving documentation procedures and policy issues.

Of the eight recommendations, USAID/Haiti reached a management decision on five, implemented final action on one, and did not reach a management decision on two recommendations.

(Audit Report No. 1-521-03-004-P)

Audit of USAID/Guatemala-Central American Program's Training, Use and Accountability of Cognizant Technical Officers

An important member of any USAID acquisition or assistance team is its Cognizant Technical Officer (CTO). It is the CTO's responsibility to ensure, through liaison with the contractor or grant recipient, that the terms and conditions of the acquisition and assistance instrument are accomplished.

As part of the OIG's multi-year strategy for auditing USAID procurement activities, the OIG conducted this audit to determine whether USAID/Guatemala-Central American Program (USAID/G-CAP) provided adequate training and guidance to its CTOs and held them accountable for performing their responsibilities.

The audit found that USAID/G-CAP did not provide enough training to its CTOs to ensure that they understood and could perform the tasks assigned to them. Also, the Mission did not hold most of its CTOs accountable for performing their responsibilities, nor did it evaluate them as to how well they performed their duties.

The OIG recommended that the USAID/G-CAP:

- develop training plans for all CTOs;
- make arrangements for its CTOs to attend the required USAID training;
- incorporate CTO duties and responsibilities into the position descriptions, work objectives, or statements of work of each CTO; and
- require supervisors to obtain comments on each CTO's performance of CTO tasks from pertinent sources.

USAID/G-CAP concurred with the audit findings and recommendations and reached a management decision on all four recommendations.

(Audit Report No. 9-596-03-007-P)

Audit of USAID/Mexico's Training, Use and Accountability of Cognizant Technical Officers

As part of its fiscal year 2003 audit plan, the OIG conducted this audit to determine if USAID/Mexico provided guidance and training to its Cognizant Technical Officers (CTOs) and to determine if the Mission held its CTOs accountable for performing their responsibilities. The audit showed that some CTOs needed more training and that the Mission did not provide periodic performance evaluations on U.S. personal services contractors who where acting as CTOs.

The OIG recommended that the Mission ensure that its CTOs complete the CTO training course and adopt a policy to conduct annual performance reviews of its CTO staff that includes establishing work objectives which encompass their CTO duties, assessing how well they meet those objectives, and obtaining feedback from the regional contracting office staff.

USAID/Mexico agreed with the recommendations, reached a management decision on one, and implemented final action on one.

(Audit Report No. 1-523-03-005-P)

Audit of USAID/Nicaragua's Participant Training Activities

The OIG performed this audit to determine (1) USAID/Nicaragua's compliance with selected requirements for administering participant training conducted in the United States, (2) non-returnee rates from USAID's Nicaraguan participants who were trained in the United States and

did USAID/Nicaragua take appropriate actions when participants failed to return to their home countries, and (3) additional actions USAID/Nicaragua should take to meet new requirements for selecting, monitoring, and reporting on participants training in the United States.

The Immigration and Naturalization Service (INS - now the Bureau of Citizenship and Immigration Services) recently issued new regulations intended to account for the status of all foreign students in the United States. The new INS regulations will also require USAID/Nicaragua (and all USAID missions) to more actively manage its participant trainees selected for training in the United States. The OIG disclosed several areas where the Mission can improve the effectiveness of its participant training program, including:

- Ensuring that participants use the J-visa.
- Updating Mission guidance to reflect current participant training requirements.
- Developing procedures for identifying and addressing non-returnees.

Although new regulations and USAID guidance that impact the issuance of J-visas were not effective until after the completion of audit fieldwork, Mission officials supported this effort to improve accountability of participant trainees in the United States. However, they expressed concern that the regulations could be too onerous for participant training programs at the mission level where staff resources are limited. USAID/Nicaragua initiated its own policy for having name checks performed by the Embassy on all prospective United States-bound participant trainees. The establishment of this practice is important during this time of heightened security precautions and sets an example that merits consideration throughout USAID.

To help USAID/Nicaragua strengthen its participant training program, the OIG recommended that the Mission (1) develop guidelines to assure that only the correct visa type is used for sending participant trainees to the United States, (2) revise or consolidate their guidance on participant training and require that all grants, cooperative agreements and contracts include a clause referencing USAID's participant training requirements, (3) develop checklists to account for required documents for each participant trainee, (4) develop procedures in coordination with USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT) and affected grantee/recipient-contractors to locate and track non-returnees, and (5) develop procedures for issuing bills for collection to non-returnees. The Mission made a management decision on recommendations one through four, but did not make a management decision on the fifth recommendation.

(Audit Report No. 9-524-03-012-P)

Risk Assessment of Major Functions Within USAID/Mexico

Since the activation of the North American Free Trade Agreement in 1994, Mexico has become the second largest trading partner of the U.S. and is among the top ten export markets for 43 U.S. states. In November 2002, it became the primary supplier of crude oil to the U.S., providing almost 16 percent of imports. As President Bush announced during Mexican President Fox's visit in September 2001 and reiterated in early May 2002 at the White House, "This is a recognition that the United States has no more important relationship in the world than the one we have with Mexico. Good neighbors work together and benefit from each other's successes."

The purposes of this risk assessment were to assist the OIG in planning future audits and to identify opportunities for improvement in USAID/Mexico operations. In judging the risk exposure for the functions, the OIG considered several factors, among them the amount of funding of the individual functions relative to the overall Mission budget, the experience of key staff members, and the level of risk inherently present in the activity.

Based upon its review, the OIG assigned high risk to USAID/Mexico's tuberculosis function; moderate risk to the HIV/AIDS, democracy, environment and energy, executive office, and financial management office functions; and low risk to the functions for microfinance, training, internship exchanges and scholarships, and the contracting and program offices.

USAID/Mexico management generally agreed with the report.

(Audit Report No. 1-523-03-003-S)

Audit of USAID/Dominican Republic Participant Training Activities

This audit was conducted, as part of the OIG's fiscal year 2003 audit plan, to determine (1) USAID/Dominican Republic's compliance with selected requirements for administering participant training conducted in the United States; (2) non-returnee rate for overseas participants from the Dominican Republic who were trained in the

United States and whether USAID/Dominican Republic took appropriate actions when participants failed to return; and (3) additional actions USAID/Dominican Republic should take to meet new requirements for selecting, monitoring, and reporting on participant training in the United States.

USAID/Dominican Republic complied with a requirement to define participant training administration roles. However, it did not comply with other requirements. Therefore, the OIG recommended that USAID/Dominican Republic (1) ensure that participant trainees travel on J-1 visas; (2) obtain insurance, medical eligibility, English proficiency, and tax identification numbers; (3) ensure that participants sign training commitment forms; and (4) limit access to visa application processing systems. The Mission took final action on three of the four recommendations; however, a management decision has not been reached on Recommendation Number 2.

(Audit Report No. 1-517-03-007-P)

Audit of the Professional Document System Implementation in the Latin America and Caribbean Region

In the course of conducting risk assessments at four missions in the Latin America and Caribbean region, the OIG learned that procurement professionals were experiencing difficulties with the software tool USAID purchased to help them create procurement documents. As a result, the OIG planned an audit to determine (1) how acquisition professionals in the Latin America and Caribbean region use the Professional Document System (ProDoc) to create procurement documents, (2) what the nature of problems encountered by users was, and (3) how USAID addressed these problems.

To gather information for analysis, the audit used questionnaires completed by ProDoc users and interviews with ProDoc support management. Issues the OIG identified included the following:

- Some USAID policy clauses were missing from the database.
- ProDoc users could not tell if policies originating in Contract Information Bulletins or Acquisition and Assistance Policy Directives were incorporated into ProDoc.
- ProDoc users needed additional resources to supplement training.
- Workflow questions and on-line help needed to be clarified.
- One mission was using a version of ProDoc that was over five months out of date.
- Users voiced concerns that fields in standard forms were sometimes too small to hold the required data or that the fonts were too small.
- Users mentioned that significant amounts of editing were required to finalize ProDoc documents.

The OIG made recommendations to address the above issues.

USAID management agreed with the recommendations; however, a management decision has not been reached.

(Audit Report No. 1-598-03-003-P)

Audit of USAID/Guatemala's P.L. 480 Title II Non-Emergency Food Aid Delivery Systems

As part of its fiscal year 2003 audit plan, the OIG conducted an audit to determine if USAID/Guatemala, through its monitoring and oversight activities, ensured that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended recipients in accordance with existing agreements.

USAID/Guatemala P.L. Title II food assistance was generally delivered to the intended recipients in accordance with existing agreements. However, the OIG found that one cooperating sponsor required beneficiaries to make a payment to receive their food ration, a practice not allowed by regulation.

The OIG recommended that USAID/Guatemala (1) notify the cooperating sponsor in writing that they cannot refuse food to participants who do not make voluntary contributions and (2) implement a monitoring system to ensure that cooperating sponsors do not refuse food to participants who do not make voluntary contributions.

USAID/Guatemala reached a management decision on both recommendations.

(Audit Report No. 1-520-03-008-P)

Investigation Results in Termination of Foreign Service National Employee

An OIG investigation was initiated based on information that a project officer in the USAID/Honduras Mission solicited a bribe from a USAID contractor by demanding a $100,000 cash payment. The payment represented five-percent of a $2 million contract, for which the employee served as the Cognizant Technical Officer (CTO).

The OIG investigation revealed that the employee solicited the bribe from the contractor by telling the Chief of Party (COP) that he could steer the contract renewal to the contractor. The subject then told the COP to have the company's CEO bring the funds to Honduras in a shoebox to pay for this "service." As soon as the individual solicited the funds, but before the contract renewal was awarded, the information was reported to the OIG. The contractor did not pay the employee the money requested.

When interviewed by the OIG, the employee admitted to requesting money from the COP and CEO as compensation for his work as the CTO for their company's contract with USAID/Honduras. This money would have been in addition to the employee's salary from USAID. As a result of the investigation, the individual was terminated for cause and forfeited severance pay of approximately $60,000.

Investigation Leads to Dismissal of Two Foreign Service National Employees

An OIG investigation into allegations of vehicle misuse in Guatemala led to the termination of two senior Foreign Service National (FSN) employees. An acting executive officer and the Chief of the Motor Pool were determined to have driven mission vehicles over one thousand kilometers after hours and on weekends for non-official purposes. In addition, the investigation revealed that Mission personnel and guards were intimidated into not reporting the vehicle misuse. Based upon the OIG investigation, both individuals were initially placed on administrative leave and denied entry into the Mission. Subsequently, the Mission fired both individuals for cause.

Bureau for Management

Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers

Cognizant Technical Officers (CTOs) are important members of USAID's acquisition and assistance teams. It is the CTO's responsibility to ensure, through liaison with the contractor or grant recipient, that the terms and conditions of the acquisition or assistance instrument are accomplished.

The OIG conducted this audit to determine whether selected USAID Washington Bureaus—Global Health; Economic Growth, Agriculture and Trade; and Asia and the Near East—provided adequate training and guidance to their CTOs and held them accountable for performing their responsibilities. The OIG found that the three bureaus audited had not provided CTOs enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them; moreover, the three bureaus lacked a mechanism to identify the training needed and a process to formally hold all their CTOs accountable for the performance of the tasks assigned to them. In addition, the audit noted that the bureaus did not have designation letters for all contracts.

The OIG recommended that the three bureaus:

- Develop training plans and schedule CTOs for the required training.
- Maintain updated CTO master lists to ensure CTOs receive training on a timely basis.
- Incorporate CTO duties into position descriptions, work objectives, and statements of work.
- Require supervisors to solicit comments from contracting officers on each CTO's performance, as part of the performance evaluation process.

In addition, the OIG recommended that the Office of Procurement issue CTO designation letters for each contract.

USAID has reached a management decision on all recommendations.

(Audit Report No. 9-000-03-009-P)

Audit of USAID/Washington's Classified Administrative Support Service Contractors

Administrative support service contractors provide a wide variety of services that play an important role in helping agencies to accomplish their missions. An administrative support service contractor is a non-personal service contractor[5] who provides USAID/Washington offices with administrative and technical support.

As part of the Office of Inspector General's multi-year strategy for auditing procurement activities, the Performance Audits Division of the Office of Inspector General conducted this audit to determine whether USAID/Washington ensured that selected classified contractors who provide administrative support services complied with the security requirements of their contracts. The audit determined that USAID generally ensured that selected classified contractors providing administrative support services complied with security requirements. However, the Office of Procurement lacked an adequate internal control system to ensure that all contractors were complying with the security requirements relating to (1) visitation letters, (2) termination letters, (3) security training, and (4) the return of USAID building passes.

The audit included one recommendation for the Office of Procurement to establish procedures to improve contractor compliance with the security requirements for administrative support services contracts. The Office of Procurement concurred with the recommendation and planned to issue additional guidance and clarify responsibilities of responsible individuals to implement the recommendation. Based on the Office of Procurement's written comments, a management decision had been reached.

(Audit Report No. 9-000-03-008-P)

Risk Assessment of USAID/ Washington's Management of Telephone Services

The OIG conducted a risk assessment of USAID's major telephone services: calling cards, cell phones, facsimile machines, local service, long distance service, Private Branch Exchange, pagers, and the telephone directory. The assessment concluded that the risk exposures for local and long distance services are high; Private Branch Exchange and cell phones are moderate; and calling cards and facsimile machines are low.

As a result of this risk assessment, the OIG suggested that the Office of Information Resource Management (M/IRM) address the issues that applied to the eight telephone services. For example, the OIG suggested that calling cards should be revalidated with all employees currently holding cards and that specific accountability should be established. Additionally, the OIG advocated that M/IRM implement written procedures to standardize required or desired internal control actions and to serve as guidelines for any new staff.

Responding to the report's suggestions, M/IRM stated that they have already taken actions to implement some of the suggestions and planned to implement the others. For example, M/IRM is:

- Obtaining an offer of reimbursement from one vendor for international calls that were significantly overcharged.
- Consolidating and reducing its number of dedicated trunk lines, thereby reducing its local service cost.
- Planning to use several approaches to improve telephone areas that were not at high risk but that will improve economy and efficiency.

The OIG will monitor the progress made by M/IRM to ensure that there is accountability and control over the major telephone services used by USAID.

(Audit Report No. A-000-03-002-S)

[5] Non-personal service contractors remain employees of their parent contractor organizations.

Bureau for Policy & Program Coordination

Audit of USAID's Efforts to Meet the Requirements of the Government Performance and Results Act of 1993

In the 1990s, Congress and the Executive Branch laid out a statutory and management framework providing the foundation for strengthening government performance and accountability, with the Government Performance and Results Act of 1993 (Results Act) as its centerpiece. The Office of Inspector General's Performance Audits Division conducted this audit to determine the status of USAID's efforts in implementing the Results Act.

USAID is implementing the requirements of the Results Act except that it has struggled with meeting some reporting requirements. For instance, USAID did not finalize and issue an annual performance plan for fiscal year 2002, did not establish performance targets for the majority of indicators in its fiscal year 2003 annual performance plan, and did not include results data for fiscal year 2002 performance goals in its fiscal year 2002 performance and accountability report.

This report includes two recommendations to: (1) improve USAID's performance reporting system to enable the reporting of current year results for its program activities and (2) incorporate annual output indicators into the performance reporting system.

The Bureau for Policy and Program Coordination concurred with the recommendations and plans to incorporate some current year results data and annual output indicators into its fiscal year 2003 Performance and Accountability Report. Based on the Bureau's written comments, a management decision had been reached for each recommendation.

(Audit Report No. 9-000-03-011-P)

African Development Foundation

In November 1999, the President signed Public Law 106-113, which amended the Inspector General Act of 1978 by assigning audit and investigative responsibilities for the African Development Foundation (ADF) to the USAID/OIG. ADF is a U.S. government corporation.

ADF began field operations in 1984 and provides grants directly to community groups in Africa. Based in Washington, D.C. and governed by a seven-member Board of Directors appointed by the President of the United States and confirmed by the U.S. Senate, ADF receives its funding from congressional appropriations and also obtains supplemental funding from public and private sources. During fiscal year 2003, ADF supported 240 projects in 13 African countries. With an appropriation of $18.7 million in fiscal year 2003, ADF provides development grants directly to local organizations in Africa.

OIG Strategy for ADF

The OIG is implementing a comprehensive strategy, including financial and performance audits, to maintain effective oversight of ADF operations. An important aspect of the strategy lies in the OIG's annual audit of ADF's organization-wide financial statements. To achieve the most timely and cost-effective audits, the OIG coordinates this audit work with non-Federal auditors and provides technical audit advice and liaison to ADF and its auditors on a continual basis. Also, the OIG advises the auditors and, where appropriate, ADF of any deficiencies found in the audits. The OIG presents audit recommendations to ADF through its annual financial statement audit report.

Performance audits also play a key role in maintaining ADF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected ADF operations. These assessments were used to determine where selected ADF operations could be vulnerable and to assist in developing future plans. Further, the OIG has disseminated information to ADF and conducted employee briefings on the OIG Hotline. ADF employees and others can contact the OIG Hotline or the OIG directly to report their concerns about ADF operations.

In addition to the above-mentioned financial and performance audits, the OIG meets periodically with ADF management to discuss ongoing ADF operations, emerging issues, and upcoming audit services that ADF may require. Finally, the OIG continues to remain responsive to any congressional concerns regarding ADF.

Management Challenges

In pursuit of its mission, ADF faces a number of problems, concerns, and difficult issues. This section describes the continuing efforts by ADF to address those major management challenges and OIG efforts to assist in overcoming these challenges.

Performance Monitoring

Prior to fiscal year 2002, ADF established and funded Country Liaison Offices (CLOs) in countries with active grantee projects to help grantees establish benchmarks, prepare monitoring and assessment plans, maintain accounting systems, and submit performance reports to ADF. In addition, CLOs submitted their own periodic reports to ADF describing grantees' progress and the condition of the grantees' financial systems.

In response to an OIG audit in fiscal year 2001, which concluded the use of the CLO model was not appropriate, ADF terminated its agreements with the CLOs and adopted a new field operations model. This new model has two components:

- cooperative agreements with a local community development non-governmental organization (NGO) in each program country designed to strengthen the NGO's capacity to assist grassroots groups, including ADF's clients; and
- representative offices at the country level to conduct program outreach and provide oversight.

As of September 30, 2003, ADF had recruited field representatives for 10 of the 13 countries where it has active programs and is currently negotiating with a prospective representative in the eleventh country.

During a subsequent audit in 2002, prior to the full implementation of the new field operations model, the OIG further concluded that ADF's project-monitoring guidelines were not always followed and grantees' reports did not always include accurate and useful information.

Since these audits, ADF has strengthened its performance-monitoring system by (1) aligning grantee project performance indicators with ADF's objectives, (2) instituting periodic monitoring and reporting on projects, and (3) conducting regular reviews of its project portfolio. ADF's monitoring of the financial performance of its grantees' projects has also been improved with the introduction of software that enhances the assessment of project profitability and sustainability.

Implementing an Integrated Financial Management System

ADF prepares a complete set of financial statements, and a private accounting firm, with OIG oversight, audits those statements. Even though ADF again received an unqualified opinion on its financial statements for fiscal year 2002, the OIG identified a number of significant challenges. For example, ADF performed significant accounting functions in systems that are not connected to its general ledger. Information from these separate accounting systems was used to compile elements of ADF's financial statements. Because of this, key elements of the financial statements were developed from sources other than the general ledger.

In response to the OIG recommendations, ADF will undergo a full conversion of its financial management systems to provide for a complete integration of it general ledger. In fiscal year 2003, ADF negotiated an interagency agreement with the U.S. Department of Interior, National Business Center, to supplement ADF's accounting operations and provide full systems support utilizing the federalized Oracle Financial Management System. The conversion is scheduled to begin the first quarter of fiscal year 2004 and will be completed by March 31, 2004.

OIG Oversight Activities

In February 2003, the OIG reported on ADF's awarding and monitoring of grants.[6] Additionally, the OIG is currently overseeing ADF's fiscal year 2003 financial statement audit, which is being performed by a non-Federal audit firm. Finally, in fiscal year 2004, the OIG plans to perform a risk assessment of ADF's use of information technology.

[6] "Audit of Awarding and Monitoring of Grants by the African Development Foundation," February 28, 2003 (Audit Report No. 9-ADF-03-005-P)

Inter-American Foundation

In November 1999, the President signed Public Law 106-113, which amended the Inspector General Act of 1978 by assigning audit and investigative responsibilities for the Inter-American Foundation (IAF) to the USAID/OIG. IAF is a U.S. government corporation.

IAF was established in 1969 and provides grants directly to local organizations in Latin America and the Caribbean. Based in Arlington, Virginia, IAF has 47 employees and is governed by a nine-member Board of Directors appointed by the President of the United States and confirmed by the U.S. Senate. IAF's operating budget and program budget consist of congressional appropriations and funds derived through the Social Progress Trust Fund. During fiscal year 2003, IAF supported 209 projects in 17 countries. With an appropriation of $16.2 million in fiscal year 2003, it provides development grants directly to local organizations in Latin America and the Caribbean.

OIG Strategy

The OIG is implementing a comprehensive strategy to maintain effective oversight of IAF operations that includes financial and performance audits. The first key aspect of the strategy lies in the OIG's annual audit of IAF's organization-wide financial statements. The OIG contracts with non-Federal auditors directly, coordinates the work to achieve the most timely and cost-effective audit, and provides technical audit advice and liaison to IAF and its auditors on a continual basis. Also, the OIG advises the auditor and, where appropriate, IAF of any deficiencies found in the audits when the deficiencies require corrective action by the auditor, and presents audit recommendations to IAF through its annual financial statement audit report.

Performance audits also play a key role in maintaining IAF accountability. After initially identifying relevant management controls, the OIG performed risk assessments of selected IAF operations. These assessments were used to determine where selected operations could be vulnerable and to assist in developing future plans. Further, the OIG has disseminated information to IAF and conducted employee briefings on the OIG Hotline. IAF employees and others can contact the Hotline or the OIG directly to report their concerns about IAF operations.

In addition to the above-mentioned financial and performance audits, the OIG meets periodically with IAF management to discuss ongoing IAF operations, emerging issues, and upcoming audit services that IAF may require. Finally, the OIG continues to remain responsive to any congressional concerns regarding IAF.

Management Challenges

In pursuit of its mission, IAF faces a number of programmatic challenges and difficult issues. Moreover, as noted in previous semiannual reports, IAF has or continues to address management challenges that have been identified by the OIG and the General Accounting Office—management challenges such as performance monitoring, organizational structure changes, and results documentation. As discussed below, IAF has identified management initiatives to address these challenges.

IAF has brought to fruition several major management initiatives, including (1) outsourcing of procurement, human resources, accounting, budget services, payroll, and Equal Employment Opportunity services; (2) significant changes in organizational structure; and (3) formulation of new programmatic vehicles.

The OIG has been instrumental in helping IAF systematically and effectively monitor the outsourced services. The new organizational structure reduces the number of management layers and provides for an interlocking and flexible set of peer-led teams. In the program area, IAF has formed a network of over 40 corporate foundations from throughout Latin America and has signed 12 cooperative agreements to co-fund development projects. IAF is using this network to transfer its project methodology and approach to these foundations, thereby fostering sustainability. Still, these partnerships present IAF with a management challenge—how to monitor the progress of grants made through the partnerships. A committee composed of partners and IAF is currently researching this issue.

Now that the IAF has consolidated tangible grant performance results reporting, its management is focusing greater attention on performance indicators of democracy-building and other societal changes. IAF is engaged in dialogue with leading experts regarding the effective articulation of such gains. In addition, IAF shortly plans to award a contract for the performance of project evaluations. These evaluations will be designed to assess both how the grantee and IAF performed and to examine the suitability and effectiveness of the performance indicators used. IAF is also reaching out to groups of migrants in the U.S. to help them channel some of their $32 billion in annual remittances home to Latin America into development activities. Dialogue with the OIG as the IAF weighs its alternatives will lend insight into possible options.

OIG Oversight Activities

In February 2003, the OIG reported on IAF's awarding and monitoring of grants.[7] Additionally, the OIG is currently overseeing IAF's fiscal year 2003 financial statement audit, which is being performed by a non-Federal audit firm. Finally, in fiscal year 2004, the OIG plans to perform a risk assessment of IAF's use of information technology.

[7] "Audit of Awarding and Monitoring of Grants by the Inter-American Foundation," February 28, 2003 (Audit Report No. 9-IAF-03-006-P)

APPENDICES

Reports Issued

April 1, 2003 through September 30, 2003

USAID

Financial Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
		—Foreign-Based Organizations—		
0-000-03-038-D	07/16/03	Royal Netherlands Tuberculosis Association, Report on Accounting System Survey		
0-000-03-041-D	08/13/03	Tearfund, Report on Accounting System Survey		
5-492-03-003-D	06/03/03	Audit Report on FriendlyCare Foundation, Inc., Private Sector Family and Reproductive Health System Program, Cooperative Agreement No. 492-A-00-99-00015-00 for the Period January 1 through October 15, 2001 and Cooperative Agreement No. 492-A-00-01-00020-00 for the Period October 16 through December 31, 2001	29	QC
B-168-03-004-D	04/08/03	Report on the Financial Advisory Services for Evaluation of the Republika Srpska Budget Support Program	77	BU
1-519-03-020-N	04/03/03	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Period October 1, 2002 to December 31, 2002		
1-519-03-021-N	04/22/03	Quarterly Financial Audit of USAID Resources, Managed by the National Popular Housing Fund, Under the Special Objective Grant Agreement No. 519-0458, "Earthquake Recovery Program" Housing Activity, for the Quarter Ended December 31 2002		
1-519-03-022-N	07/14/03	Quarterly Financial Audit of USAID Resources Managed by the National Popular Housing Fund (FONAVIPO), Under the Special Objective Grant Agreement No. 519-0458, "Earthquake Recovery Program (EREP)" Housing Activity, for the Quarter Ended March 31, 2003		
1-519-03-023-N	07/14/03	Financial Statement Audit of the Special Objective Grant Agreement, Earthquake Recovery Program (EREP), Schools, Micro and Small Business (Local Municipal Markets) and Health Facilities Reconstruction Activities, Activity No. 519-0458, Managed by the Social Investment Fund for Local Development, for the Quarter Ended March 31, 2003		
1-519-03-024-N	07/28/03	Financial Statement Audit of the Special Objective Grant Agreement, Earthquake Recovery Program, Small and Micro Business Activity, Technical Assistance Fund Sub-Activity, Managed by the National Commission for the Micro and Small Enterprise, for the Period from December 1, 2001 to December 31, 2002	9	QC
1-522-03-025-N	09/03/03	Concurrent Financial Statement Audit of Funds Provided by USAID/Honduras, for the Project FHIS/DIM-Urban Water, Under the Hurricane Reconstruction Program No. 522-0410.03 and No. 522-0410.05, Administered by the Honduran Social Investment Fund (FHIS) through the Main Infrastructure Direction (DIM), for the Period January 1 to June 30, 2002		
1-522-03-026-N	09/09/03	Concurrent Financial Statement Audit of Funds Provided by USAID/Honduras, for the Project FHIS/RECAPS-Urban Water, Under the Hurricane Reconstruction Program No. 522-0410.03 and No. 522-0410.05, Administered by the Honduran Social Investment Fund (FHIS) through the Reconstruction of Potable Water and Sanitation (RECAPS), for the Period July 1 to December 31, 2002		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
1-522-03-027-N	09/16/03	Concurrent Financial Statement Audit of Funds Provided by USAID/Honduras, for the Project FHIS/RECAPS-Urban Water, Under the Hurricane Reconstruction Program No. 522-0410.03 and No. 522-0410.05, Administered by the Honduran Social Investment Fund (FHIS) through the Reconstruction of Potable Water and Sanitation (RECAPS), for the Period January 1 to February 28, 2003		
1-519-03-028-N	09/30/03	Concurrent Financial Statement Audit of the Mother and Child Community Health Services Project in Santiago de Maria, El Salvador, Grant Agreement No. 519-A-00-01-00213-00, Managed by AmeriCares Foundation, Inc., for the Period January 1, 2003 to March 31, 2003		
4-687-03-004-N	05/30/03	Agreed Upon Procedures Review of USAID/Madagascar Resources Managed by Chemonics Int'l Inc. Under Contract No.PCE-I-00-99-00003-00, Rural Road Rehabilitation Project, for the Period January 16, 2001 to Decemberr 31, 2001	8 6	QC UN
4-687-03-005-N	05/20/03	Agreed Upon Procedures Review of the USAID/Madagascar Resources Managed by Chemonics Int'l Inc. Under Contract No. PCE-I-809-99-00003-00, Railroad Rehabilitation Project, for the Period January 31, 2001 to December 31, 2001	1 1	QC UN
4-615-03-006-N	06/18/03	Agreed Upon Procedures Review of USAID-Funded Equipment Procured by the International Medical Corps' (IMC) Under the Disaster Education and Community Preparedness Program, No. 623-A-00-00-000142-00, for the Period July 28, 2000 to September 30, 2002	4	QC
5-388-03-002-N	06/04/03	Financial Audit of the USAID Funded (PL-480 Title III Local Currency Proceeds) Agricultural Technology Transfer Project Implemented by the Bangladesh Agricultural Research Council for the Period from July 1, 2000 through June 30, 2001	2 2 33	QC UN BU
5-492-03-003-N	07/21/03	Financial Audit of USAID/Philippines' Peso Trust Funds for Operating Expenses, General Santos City Airport, and Makar Port for the Period from January 1, 2002 to December 31, 2002		
6-263-03-002-N	05/08/03	Audit of USAID Resources Managed by the Ministry of Health and Population/Health Policy Support Program/Cairo Curative Organization, Under Implementation Letter No. 4, USAID/Egypt's Grant No. 263-0254, for the Period from October 1, 1998, to September 30, 2001	3	QC
6-263-03-003-N	05/26/03	Audit of Deposits and Releases of Funds from the Government of Egypt's Dollar Separate Accounts Under USAID/Egypt's Sector Policy Reform Programs for the Period from July 1, 1999 to June 30, 2001		
6-263-03-004-N	09/30/03	Audit of USAID Resources Managed by the Horticultural Exporters Improvement Association, Grant Agreement No. 263-G-00-99-00010-00, for the Period from October 1, 2000 through December 31, 2001	112 3	QC UN
1-520-03-053-R	05/08/03	Fund Accountability Statement Audit for Industrias Para la Paz, Administered by the Asociacion Gremial de Exportadores de Productos no Tradicionales de Guatemala Under USAID Cooperative Agreement No. 520-A-00-99-00069-00, for the Year Ended June 30, 2002		
1-596-03-054-R	05/13/03	Financial Statement Audit of the Strategic Grant Agreement -- Improved Environmental Management in the Mesoamerican Biological Corridor, USAID Project No. 596-0185, Managed by SICA/CCAD Guatemala, for the Period October 1, 2001 to September 30, 2002		
1-527-03-055-R	05/13/03	Audit of Institute for High Quality Health Care -- MAX SALUD, Cooperative Agreement No. 527-A-00-99-00307-00, for the Period January 1, 2002 to December 31, 2002		
1-527-03-056-R	05/16/03	Financial Statement Audit for the Following Projects Managed by Movement Manuela Ramos-MMR: Reproductive Health in the Community-Reprosalud, Cooperative Agreement No. 527-A-00-95-00372-00, for the Year Ending December 31, 2001; Promotion of Political Participation by Women--Promujer, Cooperative Agreement No. 527-G-00-98-00257-00, for the Period January 1 through September 30, 2001; and Elections 2001, Cooperative Agreement No. 527-G-00-08-00257-00, for the Period February 9 through September 30, 2001 and the General Purpose Financial Statements for the Year Ended December 31, 2001	8 8	QC UN

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
1-527-03-057-R	05/19/03	Financial Statement Audit of the Support for the Implementation of the Office of the Ombudsman, and Amendments Thereto, USAID Agreement No. 527-0352, Administered by the Office of the Ombudsman, Covering the Period January 1, 2000 to December 31, 2001		
1-527-03-058-R	05/20/03	Financial Statement Audit of USAID Agreement No. 527-0394 "2001 Elections: Education, Training and Defense of the Voter," Managed by the National Office of Electoral Processes-ONPE, for the Period February 6, 2001 through June 30, 2002	22	QC
1-527-03-059-R	05/20/03	Audit of the Fund Accountability Statement of Campana Nacional por un Voto Responsible e Informado Project, USAID Grant No. 527-G-00-01-00071-00, Managed by Instituto de Dialogo y Propuestas, for the Period February 14 - July 13, 2001		
1-520-03-060-R	05/19/03	Fund Accountability Statement Audit for the Mayan Biosphere Project No. 520-0426 (CATIE/CONAP Project Phase IV) for the Period from January 1, 2001 to March 31, 2001; the Mayan Biosphere Project No. 520-0395 (CATIE/CONAP Project) for the Period from January 1, 2001 to December 31, 2001; and the Environmental Monitoring of the Motagua and Polichic Watersheds Project No. 520-0433-00-01 for the Period from January 1, 2001 to Septemberr 30, 2001, Administered by the Tropical Agriculture Research and Training Center (CATIE)		
1-527-03-061-R	05/20/03	Financial Statement Audit of the Television Ciudadana Project, USAID Grant Agreement No. 527-G-00-00-00124-00, Managed by the Instituto de Dialogo y Propuestas, for the Period July 1, 2000 through November 30, 2001		
1-517-03-062-R	05/30/03	Financial Audit (Closeout) of the Democratic Initiatives Support Project, USAID/ Dominican Republic Project No. 517-A-00-92-0080-00 (Originally No. 517-0265-A-2080-00), Managed by Pontifica Universidad Catolica Madre y Maestra, for the Period April 1, 2001 to March 11, 2002		
1-521-03-063-R	05/29/03	Financial Statement Audit of the Program for the Recovery of the Economy in Transition, USAID/Haiti Project No. 521-A-00-99-00073-00, Component Managed by Societe Financiere Haitienne de Developpement S.A., for the Period October 1, 2000 to September 30, 2001	37 37	QC UN
1-521-03-064-R	06/23/03	Financial Statement Audit of the Forum 2000 Project Under the Recovery of the Economy in Transition Program, USAID/Haiti Project No. 521-A-00-99-00074-00, Managed by Centre Pour la Libre Enterprise et la Democratie, for the Period October 1, 2001 to September 30, 2002	9 8	QC UN
1-527-03-065-R	06/26/03	Fund Accountability Statement Audit of the Asociacion Benefica Prisma (PRISMA) for the Periods October 1, 2000 to September 30, 2001, and January 1, 2001 to December 31, 2001 (respectively, as presented in the memo for the nine component activities) and the Commodity Status Report for the Period October 1, 2000 to September 30, 2001, for Programs and/or Projects Funded by USAID		
1-527-03-066-R	07/01/03	Financial Statement Audit of USAID Agreement No. 527-0368, "Sustainable Environmental and Natural Resources Management SENREM Activity," Managed by the National Environment Council for the Period January 1, 2000 through December 31, 2001		
1-527-03-067-R	07/02/03	Financial Statement Audit of Project Increase of Access to Basic Services and Citizen Participation in Decision-Making, Component I of the Alternative Development Program, Financed Under Cooperative Agreement No. 527-A-00-98-0015100, Managed by the Association of Municipalities of the San Martin Region, for the Year Ended December 31, 2002		
1-511-03-068-R	07/08/03	Fund Accountability Statement of the Population Policies Area, Integrated Health Project, USAID Grant Agreement No. 511-0644.02, Managed by the Ministry of Health and Social Welfare, for the Year Ended December 31, 2001		
1-532-03-069-R	07/08/03	Audit of the Fund Accountability Statement of the Uplifting Adolescents Project II (UAP II), Grant No. 532-A-00-01-00002-00, Managed by People's Action for Community Transformation (PACT), for the Period November 1, 2000 to June 30, 2001		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
1-527-03-070-R	07/14/03	Financial Statement Audit of USAID Agreement No. 527-0356/527-0394, Strengthening of Public Legal Clinics in Lima and Callao, and Implementation of Conciliation and Legal Assistance Centers in the Provinces--Phase II, Managed by the Ministry of Justice of the Government of the Republic of Peru, for the Period January 1, 2000 to December 31, 2001	25	QC
1-527-03-071-R	07/15/03	Financial Statement Audit of Special Objective Grant Agreement No. 527-0348, Managed by the National Commission for Development and Life Without Drugs - -DEVIDA (formerly CONTRADROGAS), for the Period January 1, 2000 through December 31, 2001	7	QC
1-521-03-072-R	07/16/03	Audit of the Fund Accountability Statements for Institute for Liberty and Democracy (ILD), Under USAID Agreement Nos. and Periods as Detailed Below; and of ILD's General Purpose Financial Statements as of December 31, 2002. The Audit Covered the Following Five Activities: (1) USAID/Haiti Cooperative Agreement No. 521-A-00-97-00042-00 "Formalization of Urban Real Property in Haiti," for the Period from January 1 to May 31, 2002; (2) USAID/Washington Cooperative Agreement No. LAG-A-00-98-00047-00 "Formalization of Property in Latin America," for the Period from January 1 to December 31, 2002; (3) Egyptian Center for Economic Studies (ECES) Sub-agreement No. 104-SA-01 "Formalization of Egypt's Informal Urban Section," Under the Cooperative Agreement No. 263-A-00-93-00104-00 Between USAID/Egypt and ECES, for the Period from January 1 to March 31, 2002; (4) ECES Sub-agreement, "Formalization of Business in Egypt," for the Period from May 1 to December 31, 2002; and (5) USAID/Washington Cooperative Agreement No. EMT-A-00-01-00016-00 "Program for Capitalization in the Countries of Central and Eastern Europe and of the Former Soviet Union," for the Period from October 1 to December 31, 2002	2	QC
1-532-03-073-R	07/18/03	Audit of the Grant No. 532-G-00-01-00012-00, Support to Micro and Small Businesses Disadvantaged by Hurricane Georges, Managed by Foundation for National Development, for the Period November 1, 2000 by November 30, 2001		
1-527-03-074-R	07/21/03	Financial Statement Audit of Special Objective Grant Agreement No. 527-0348, Amendments, Implementation Letters of the Project Related to the Work and Contracts No. 01-001-EM/DEP and 01-010-EM/DEP, for the Construction of the "Small Electric System-San Francisco, Santa Rosa-Palmapampa Sector," Managed by the Ministry of Energy and Mines, for the Period January 1, 2001 through December 31, 2001		
1-522-03-075-R	07/18/03	Financial Statement Audit of the Honduran Environmental Protection Fund Project, Cooperative Agreement No. 522-0385-A-00-3330-00, Managed by Fundacion Hondurena de Ambiente y Desarrollo, for the Period January 1, 2000 to December 31, 2001		
1-511-03-076-R	07/18/03	Consolidated Fund Accountability Statement of the Integrated Health Project, USAID Grant Agreement No. 511-0644.02, Managed by the Ministry of Health and Social Welfare, for the Year Ended December 31, 2001	258 240	QC UN
1-527-03-077-R	07/22/03	Fund Accountability Statement Audit for the Framework Subagreement for the Execution of the Alternative Development Program, Subscribed Between the National Commission for Development and Life Without Drugs -- DEVIDA (previously, CONTRADROGAS) and the National Institute for Development -- INADE, Financed by Grant Agreement No. 527-0348, Executed Between the Governments of the United States and Peru, Managed by the Special Project Sierra Centro South -- PESCS, for the Years Ended December 31, 2000 and 2001	9 9	QC UN
1-527-03-078-R	07/23/03	Audit of the Fund Accountability Statement for Cooperative Agreement No. 527-A-00-01-00166-00, Within the Framework of the Alternative Development Program, Managed by the Association of Municipalities of the Apurimac and Ene River Valleys, for the Year Ending December 31, 2002		
1-527-03-079-R	08/14/03	Audit of the Fund Accountability Statement of the "Electoral Education and Citizen Intervention - Democracy Peru 2001" Project, Managed by the Asociacion Servicios Educativos Rurales, for the Year Ending December 31, 2001		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
1-518-03-080-R	08/20/03	Audit of Programa de Sostenibilidad Financiera y Alianzas Estrategicas, Agreement No. 518-A00-98-00-00187-00, Administered by Fundacion Grupo Esquel - Ecuador, for the Year Ended December 31, 2002		
1-527-03-081-R	08/20/03	Financial Audit of the Coverage with Quality Project, USAID/Peru Grant Agreement No. 527-0375, Managed by the Government of Peru (Ministry of Health), for the Period January 1 to December 31, 2001	26	QC
1-527-03-082-R	09/04/03	Fund Accountability Statement Audit for the Rural Roads Rehabilitation and Maintenance Project -- PROVIAS RURAL, Implementation Framework Sub-Agreement for the Alternative Development Program, Under the Special Objective Grant Agreement No. 527-0348, Managed by the National Commission for Development and Life Without Drugs -- DEVIDA, for the Year Ended December 31, 2002		
1-527-03-083-R	09/09/03	Fund Accountability Statement Audit of the USAID/Peru Bilateral Agreement No. 527-0391, "Addressing the Threats of Emerging and Re-emerging Infectious Diseases--VIGIA Project," Managed by the Ministry of Health of the Republic of Peru, for the Period January 1, 2000 to December 31, 2001		
1-527-03-084-R	09/16/03	Audit of the Fund Accountability Statement and Its Reconciliation with the Cash Balance of the Development Programs Funded Through the Food Monetization Program PL 480-Title II, Managed by TechnoServe Inc., for the Period from October 1, 2000 to September 30, 2001	14 14	QC UN
1-527-03-085-R	09/18/03	Audit of the Fund Accountability Statements for USAID Projects: Creating Awareness Concerning the Drug Problem in Coca-Growing Areas, Agreement No. 527-A-00-98-0071-00, Component 5, for the Year Ending December 31, 2002; Treatment of Abandoned Children in Peru's Coca-Producing Areas, Agreement No. 527-G-00-99-00302-00, for the Period from October 1, 2001 to September 30, 2002; and Open Homes for Peru Street's Children and Adolescents, Agreement No. 527-G-00-99-00321-00, for the Period from October 1, 2001 to September 30, 2002 -- Managed by the Center for Information and Education on the Prevention of Drug Abuse		
1-520-03-087-R	09/23/03	Audit of the Fund Accountability Statement for USAID Project No. 520-98-A-00-00037-00, Mejor Salud para Mujeres y Ninos del Area Rural, Managed by Asociacion Pro-Bienestar de la Familia de Guatemala (APROFAM), for the Year Ended December 31, 2002		
1-522-03-088-R	09/23/03	Financial Audit of the Endowment Fund Under USAID Cooperative Agreement No. 522-0388-A-00-5401-00: Basic Education and Skill Training, Managed by the Advisory Center for Human Resources Development of Honduras (CADERH), for the Year Ended December 31, 2002		
1-518-03-089-R	09/30/03	Audit of the Fund Accountability Statement for the Biodiversity Conservation Program in the Galapagos Marine Reserve, USAID Cooperative Agreement No. 518-A-00-98-00105-00, Managed by the Fundacion Charles Darwin Para las Islas Galapagos, for the Year Ended December 31, 2001		
4-663-03-003-R	04/30/03	Audit of the Ethiopian Orthodox Church Development and Inter-Church Aid Commission Under Cooperative Agreement No. FSP-A-00-98-00032-05 for the Year Ended September 30, 2001	9	QC
4-623-03-004-R	05/08/03	Audit of the Commonwealth Regional Health Community Secretariat Under Agreement No. 698-0483-23-80-0003 for the Period September 28, 1998 through June 30, 2001		
4-621-03-005-R	05/30/03	Audit of the Population and Housing Census Project No. 621-0173 for the Period January 11, 2001 through February 28, 2002		
4-621-03-006-R	06/02/03	Audit of the Agricultural Transport Assistance Program Under USAID Project No. 621-0166 for the Period July 1, 2000 to June 30, 2001	124	QC
4-674-03-007-R	06/25/03	Audit of English Language Educational Trust, Under Award No. 674-G-00-00-00004-00 for the Period April 1, 2001 to March 31, 2002	5 5	QC UN

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
4-623-03-008-R	07/07/03	Audit of the Association for Strengthening Agricultural Research in Eastern and Central Africa Under USAID Award No. 623-A-00-98-00054-00 for the Year Ending December 31, 2001		
4-674-03-009-R	08/21/03	Audit of the Educational Opportunities Council Under USAID Cooperative Agreement No. 674-0309-A-00-0038-00 for the 12 Months Ended December 31, 2001		
4-663-03-010-R	09/10/03	Audit of the Relief Society of Tigray's P.L. 480 Title II Development, Tigray Post War Rehabilitation, Integrated Food Security and Title II Section 202(e) Programs Funded by USAID Agreements No. FFP-A-00-99-0095-07, 663-G-00-01-00362, 663-G-00-01-00322 and FFP-G-00-97-00105-00 for the Fifteen Months Ended December 31, 2001	727 368	QC UN
4-674-03-011-R	09/12/03	Audit of the Centre for Higher Education Transformation Trust Under USAID Agreement No. 674-G-00-00-00003-00 for the Period January 1, 2001 to December 31, 2001	5	QC
5-386-03-015-R	04/01/03	Financial Audit of the ICICI Bank Limited on the Trade in Environmental Services and Technologies Program Under USAID Project No. 386-0530 for the Period from April 1, 2001 to March 31, 2002		
5-386-03-016-R	04/01/03	Financial Audit of the Voluntary Health Services on the AIDS Prevention and Control Project Under USAID Project No. 386-0525 for the Period from April 1, 2001 to March 31, 2002	70 1	QC UN
5-386-03-017-R	04/01/03	Financial Audit of the AVERT Project Managed by the AVERT Society Under USAID Project No. 386-0544 for the Period from June 21, 2001 to March 31, 2002	90 12	QC UN
5-367-03-018-R	04/16/03	Financial Audit of the Department of Health Services, Government of Nepal, Under USAID Strategic Objective Grant Agreement, Project No. 367-02A1 Implementation Letter No. 24 (for the Period from July 17, 1999 to July 15, 2000) and Implementation Letter Nos. 28 and 33 (for the Period from July 16, 2000 to July 15, 2001)	26 3	QC UN
5-497-03-019-R	05/30/03	Financial Audit of Yayasan WWF Indonesia: Cooperative Agreement No. 497-A-00-00-00002-00 (for the Period from January 1, 2001 through June 30, 2002), Grant Agreement No. 497-G-00-01-00020-00 (for the Period from May 9, 2001 through June 30, 2002), and Grant Agreement No. 497-G-00-01-00059-00 (for the Period from September 29, 2001 through June 30, 2002)	493 374	QC UN
5-493-03-020-R	07/09/03	Financial Audit of the Kenan Foundation of Asia, Accelerating Economic Recovery in Asia Program, Cooperative Agreement No. 442-A-00-99-00072-00, for the Year Ended September 30, 2001	92 57	QC UN
5-497-03-021-R	07/11/03	Financial Audit of Yayasan Institut Studi Arus Informasi, USAID Grant Agreement No. 497-G-00-98-00022-00 for the Period from January 1, 1999 through August 9, 2000, and USAID Grant Agreement No. 497-G-00-99-00020-00 for the Period from May 1, 1999 through December 31, 2001	59 2	QC UN
5-386-03-022-R	07/11/03	Financial Audit of the National Institute of Urban Affairs Relating to Costs Incurred on the Financial Institution's Reform and Expansion Project Under USAID Grant Agreement No. 386-A-00-99-00075 for the Period from April 1, 2001 to March 31, 2002		
5-493-03-023-R	07/11/03	Financial Audit of the Asian Disaster Preparedness Center, USAID Cooperative Agreement No. 386-A-00-00-00068-00, USAID Grant Agreement No. AOT-G-00-98-00184-00, and USAID Grant Agreement No. AOT-A-00-00-00262-00 for the Year Ended December 31, 2001	139 77	QC UN
5-492-03-024-R	07/31/03	Financial Audit of the Sustaining the Initiatives of KASAPI in Advancing the Participation of the Indigenous People Program, Managed by the Philippine Business for Social Progress Inc. Under USAID Grant Agreement No. 492-G-00-98-0031-00, for the Period from October 1, 2001 to September 30, 2002		
5-367-03-025-R	08/12/03	Financial Audit of USAID Resources Managed by the Centre for Victims of Torture, Nepal Under Cooperative Agreement No. 367-A-00-02-00120-00, for the Period from June 19, 2002 to December 31, 2002	2	QC

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
5-367-03-026-R	08/14/03	Financial Audit of Dairy Development Corporation, Under USAID Agreement Numbers 367-XXX-000-7626 and OSGM/416 DDP: G-367-1/643-00, for the Period from May 16, 1999 to July 15, 2001		
5-442-03-027-R	08/19/03	Financial Audit of the Institutional Development and Service Delivery Support Project, USAID/Cambodia Cooperative Agreement No. 442-A-00-99-00033-00, Managed by the Reproductive Health Association of Cambodia, for the Period from January 1, 2001 to December 31, 2001	443 443	QC UN
5-386-03-028-R	08/20/03	Financial Audit of the Program for the Advancement of Commercial Technology, Child and Reproductive Health, USAID/India Project No. 386-0496, Managed by the Industrial Credit & Investment Corporation of India Bank Ltd., for the Period from April 1, 2001 to March 31, 2002	403 12	QC UN
5-497-03-029-R	09/23/03	Financial Audit of the Sub-Sector Analysis and Vertical Intervention Program for Small and Medium Enterprises, USAID/Indonesia Cooperative Agreement No. 497-A-00-00-00043-00, Managed by the Asosiasi Lembaga Konsultan Usaha Kecil Indonesia for the Period from August 25, 2000 to August 31, 2002	49 31	QC UN
5-367-03-030-R	09/23/03	Closeout Financial Audit of the USAID/Nepal Cooperative Agreement No. 367-A-00-97-0086-00, Managed by the Nepal CRS Company Pvt. Ltd. (Nepal CRS Company) for the Period from July 16, 2001 to October 15, 2002	1	QC
5-493-03-031-R	09/24/03	Financial Audit of the Asian Urban Disaster Mitigation Program Phase III (USAID Cooperative Agreement No. 386-A-00-00-00068-00), OFDA 98 (USAID Grant No. AOT-G-00-98-00184-00), and Subrecipient Grant - Climate Forecasting Applications in Bangladesh (USAID Grant No. AOT-A-00-00-00262-00), Managed by the Asian Disaster Preparedness Center (ADPC), for the Period from January 1, 2002 to December 31, 2002	24	QC
5-388-03-032-R	09/25/03	Financial Audit of the National Integrated Population and Health Program, USAID/Bangladesh Cooperative Agreement No. 388-A-00-97-00033-00, Managed by the Social Marketing Company, for the Period from October 1, 1999 to September 30, 2001	475 353	QC UN
6-263-03-009-R	04/01/03	Audit of the American Chamber of Commerce in Egypt, Grant Agreement No. 263-G-00-96-00073-09, for the Year Ending December 31, 2001		
6-294-03-010-R	04/10/03	Financial Audit of the Women Affairs Technical Committee, Advocacy for Equal Rights for Women through Strengthening the Networking of Women's Institutions and Committees, USAID Award No. 294-A-00-98-00034-00, for the Ten Months Ending October 31, 2001		
6-263-03-011-R	04/21/03	Audit of USAID Resources Managed by the Ministry of Health and Population Under USAID/Egypt's Healthy Mother/Healthy Child Project No. 263-0242, Project Implementation Letter No. 2a and Implementation Letter No. 4 for the Period from July 1, 2001 to June 30, 2002	2	QC
6-294-03-012-R	04/30/03	Financial Audit of the Women Affairs Technical Committee, Advocacy for Equal Rights for Women through Strengthening the Networking of Women's Institutions and Committees, USAID Award No. 294-A-00-98-00034-00, for the Year Ending December 31, 2000		
6-263-03-013-R	04/30/03	Audit of USAID Resources Managed by the Ministry of Health and Population/Schistosomiasis Vaccine Development Program, Implementation Letters No. 2 and 3, Results Package No. 263-0265.01, for the Period from July 1, 2001 through June 30, 2002		
6-294-03-014-R	05/18/03	Audit of the Civic Forum Institute, Award No. 294-A-00-99-00048-00, for the Year Ended December 31, 1999	34	QC
6-294-03-015-R	05/19/03	Audit of the Civic Forum Institute, Award No. 294-A-00-99-00048-00, and Grant Agreement No. 20000.144.0 for the Year Ended December 31, 2000	2	QC

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
6-263-03-016-R	06/26/03	Audit of USAID Resources Managed by the Ministry of Health and Population Under Implementation Letter No. 2, Health Policy Support Program, Grant Agreement Number 263-0254, for the Period July 1, 2001 through June 30, 2002		
6-294-03-017-R	07/15/03	Audit of the Palestine Trade Center, Cooperative Agreement No. 294-A-00-01-00103 -00, for the Period from March 20, 2001 to December 31, 2001		
6-294-03-018-R	07/21/03	Audit of the Civic Forum Institute, Award No. 294-A-00-99-00048-00 for the Year Ended December 31, 2001	1	QC
6-263-03-019-R	08/21/03	Audit of USAID Resources Managed by the Ministry of Health and Population/ Epidemiology and Surveillance Unit, Combating Emerging and Endemic Diseases, Implementation Letter No. 1, USAID/Egypt's Grant Agreement No. 263-0265, Component No. 3, for the Period July 1, 2001 to June 30, 2002		
6-263-03-020-R	08/28/03	Audit of USAID Resources Managed by the Foreign Relations Coordination Unit, Project Implementation Letter No. 14, University Linkages Project II, Project No. 263-0211, for the Period July 1, 2001 to June 30, 2002		
6-263-03-021-R	08/28/03	Audit of USAID Resources Managed by the Foreign Relations Coordination Unit, Project Implementation Letter No. 14, University Linkages Project II, Project No. 263-0211, for the Period July 1, 2002 to December 31, 2002	1 1	QC UN
6-294-03-022-R	09/02/03	Audit of the Palestinian Academic Society for the Study of International Affairs, Civil Society Empowerment through Training and Skills Development Project, USAID Grant No. 294-00-97-A-00025-00, for the Year Ended December 31, 2002		
6-263-03-023-R	09/03/03	Audit of USAID Resources Managed by Dakahlya Businessmen Association for Community Development, through USAID Cooperative Agreement No. 263-A-00-97-00062-00, Under Grant Agreement No. 263-0228 for the Period January 1, 2002 through December 31, 2002		
6-294-03-024-R	09/23/03	Audit of USAID Resources Managed by the Palestinian Working Women Society for Development Under USAID Cooperative Agreement No. 294-97-00-A-0029-00 for the Period January 1, 2001 through October 31, 2001		
6-263-03-025-R	09/24/03	Audit of USAID Resources Managed by the Assiut Businessmen Association Under USAID Cooperative Agreement No. 263-A-00-02-00007-00 for the Period November 7, 2001 to December 31, 2002		
7-641-03-005-R	06/18/03	Recipient-Contracted Audit of Funds Provided to the Ghana Social Marketing Foundation International Under USAID's Grant No. 641-A-00-00-0079(B) for the Year Ended June 30, 2001		
7-641-03-006-R	06/20/03	Recipient-Contracted Audit of Funds Provided to the Ghana Social Marketing Foundation Under USAID's Grant No. 641-A-00-00-0021 for the Year Ended June 30, 2002		
7-688-03-007-R	09/22/03	Recipient-Contracted Audit of Local Currency Expenses Incurred by the "Office of the Niger Upper Valley" (OHVN) to Implement the Strategic Objective "Sustainable Economic Growth" Project No. 688-0273 from January 1, 2001 through December 31, 2001	13	QC
B-114-03-006-R	06/04/03	Audit of the Fund Accountability Statements and the Schedule for the Calculation of the Indirect Cost Rate of the Center for Social and Economic Research for the Year Ended December 31, 2001	2	QC
B-118-03-007-R	06/17/03	Audit of Academy of Management and the Market for the Year Ended December 31, 2001	8	QC
B-687-03-008-R	07/21/03	Audit of MEDECINS DU MONDE, in Paris, France, for the Period Ended December 31, 1999, Under the Following USAID Agreements: AOT-G-00-99-00009-00 Kosovo; AOT-G-00-98-00149-00 Uganda; 687-A-00-98-00216-00 Madagascar; FHI/FCO number 84705 (968-1032-G-00-3029) Ivory Coast	5	QC
B-118-03-009-R	07/22/03	Audit of the Institute for Urban Economics in Moscow, Russia, for the Period January 1 through December 31, 2001		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
B-650-03-010-R	09/02/03	Audit of Veterinaires Sans Frontieres ASBL in Brussels, Belgium Under USAID Grant No. AOT-G-00-00-00178-00 for the Year Ended December 31, 2001		
B-118-03-011-R	09/12/03	Audit of IPO Junior Achievement Russia Under Grant No. 118-G-00-98-00151-00, for the Year Ended December 31, 2001		
B-185-03-012-R	09/15/03	Audit of Foundation for Development of Democratic Rights in Budapest, Hungary Under USAID Cooperative Agreement No. 185-A-00-99-00102-00 for the Year Ended December 31, 1999	37	QC
B-118-03-013-R	09/15/03	Audit of Moscow Public Science Foundation Under the USAID Cooperative Agreement No. 118-A-00-99-00142-00 for the Year Ended December 31, 2001	7 7	QC UN
B-650-03-014-R	09/15/03	Audit of Tierarzte ohne Grenzen e.V. Germany (Veterinaires Sans Frontiers), Under USAID Grant No. AOT-G-00-00-00196-00 for the Year Ended December 31, 2001	7	QC
B-115-03-015-R	09/16/03	Audit of Soros Foundation Kazakhstan, Grant No. 115-G-00-00-00001 for the Period from February 22, 2000 to February 21, 2002		
B-118-03-016-R	09/18/03	Audit of the Institute for Elections Systems Development, Grant No. 118-A-00-00-00106-00 for the Year Ended December 31, 2001		
B-183-03-017-R	09/24/03	Audit of the Foundation for Local Government Reform, Grant No. 183-G-00-01-00103-01 for the Period August 1, 2001 through September 30, 2002		
		—U.S.-Based Grantees—		
5-442-03-004-D	06/03/03	Report on Application of Agreed-Upon Procedures to Review Expenditures, Internal Control Structure, and Compliance with Agreement Terms and Conditions, of Population Services International (PSI) - Social Marketing Activities for the Prevention of HIV/AIDS/STI in Cambodia, Under USAID Cooperative Agreement No. 492-A-0097-00005-00 for the Period January 1, 1998 to June 30, 2002	75	QC
0-000-03-016-T	04/07/03	Initial Review of the Audit Report of Search for Common Ground for the Fiscal Year Ended December 31, 2001		
0-000-03-017-T	05/08/03	Initial Review of Audit Report for Center for Economic Initiatives for the Fiscal Year Ended December 31, 2001		
0-000-03-018-T	05/08/03	Initial Review of Audit Report for ACDI/VOCA and Affiliate for the Fiscal Year Ended December 31, 2001		
0-000-03-019-T	06/06/03	Initial Review of Audit Report for Air Serv International, Inc. for the Fiscal Year Ended December 31, 2001		
0-000-03-020-T	05/20/03	Initial Review of Audit Report for the International Center for the Fiscal Year Ended December 31, 2001		
0-000-03-021-T	05/20/03	Initial Review of Audit Report for Refugee Construction & Relief Services, Inc. D/B/A Shelter Now International and Shelter for Life for the Fiscal Year Ended December 31, 2001		
0-000-03-022-T	05/20/03	Initial Review of Audit Report for Pro Women (Programs for Women) for the Fiscal Year Ended December 31, 2001		
0-000-03-023-T	06/06/03	Initial Review of Audit Report for CARE USA for the Fiscal Year Ended June 30, 2001		
0-000-03-024-T	06/06/03	Initial Review of Audit Report for Fair Labor Association Inc. for the Fiscal Year Ended December 31, 2001		
0-000-03-025-T	06/06/03	Initial Review of Audit Report for American Center for International Labor Solidarity for the Fiscal Year Ended December 31, 2001		
0-000-03-026-T	06/06/03	Initial Review of Audit Report for Management Sciences for Health Inc. for the Fiscal Year Ended June 30, 2002		
0-000-03-027-T	06/26/03	Initial Review of the Audit Report of Education Fund of the American Center for International Labor Solidarity for the Fiscal Year Ended December 31, 2001		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
0-000-03-028-T	07/22/03	Initial Review of the Audit Report of FINCA International, Inc., for the Fiscal Year Ended August 31, 2002		
0-000-03-029-T	08/13/03	Initial Review of Audit Report of Interchurch Medical Assistance, Inc. for the Fiscal Year Ended June 30, 2002		
0-000-03-030-T	08/13/03	Initial Review of Audit Report of Institute for Sustainable Communities for the Fiscal Year Ended September 30, 2002		
0-000-03-031-T	08/20/03	Initial Review of the Audit Report of Institute for Mercy Corps for the Fiscal Year Ended June 30, 2002		
0-000-03-032-T	08/27/03	Initial Review of the Audit Report of Catholic Relief Services for the Fiscal Year Ended September 30, 2002.		
0-000-03-033-T	08/20/03	Initial Review of the Audit Report of Heifer Project International for the Fiscal Year Ended June 30, 2002		
0-000-03-034-T	08/20/03	Initial Review of the Audit Report of Opportunity International and Affiliates for the Fiscal Year Ended December 31, 2001		
0-000-03-035-T	08/29/03	Initial Review of the Audit Report of Arizona-Kazakhstan Partnership Foundation, Inc. for the Fiscal Year Ended June 30, 2002		
0-000-03-036-T	08/29/03	Initial Review of the Audit Report of University Research Corporation International for the Fiscal Year Ended June 30, 2002		
0-000-03-037-T	09/08/03	Initial Review of the Audit of Pathfinder International for Fiscal Year Ended June 30, 2002		
0-000-03-038-T	09/08/03	Initial Review of the Audit of World Vision, Inc. for the Fiscal Year Ended September 30, 2002		
		—U.S.-Based Contractors—		
0-000-03-036-D	04/07/03	TVT Associates, Inc. Report on Fiscal Years 1999, 2000, 2001 and 2002 Incurred Costs		
0-000-03-037-D	04/07/03	Associates in Rural Development, Inc. Supplemental Report on Audit of Fiscal Year 1998 Incurred Costs		
0-000-03-039-D	07/16/03	Sigma One Corporation, Report on Audit of 1996 Incurred Costs	17	QC
0-000-03-040-D	06/23/03	Sigma One Corporation, Report on Audit of 1997 Incurred Costs	72	QC
0-000-03-042-D	08/13/03	Training Resources Group. Inc. Report on Incurred Cost Audit for Fiscal Years Ended 1999 and 2000		
5-438-03-002-D	05/29/03	Report on Application of Agreed-Upon Procedures, Barents Group LLC, Local Staff Labor Costs - Mongolian Privatization Program, Contract PCE-I-00-00037-00, Delivery Order No. 800	261	QC
		—Enterprise Fund—		
0-000-03-012-E	08/05/03	Audit of the Financial Statements as of September 30, 2002, Together With the Auditors' Report of Independent Public Accountants on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards for the Bulgarian-American Enterprise Fund, Dated December 12, 2002		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

USAID Miscellaneous Reports

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
		—Quality Control Reviews—		
0-000-03-004-Q	07/31/03	Quality Control Review of the Audit of the Urban Institute Performed by PricewaterhouseCoopers LLP, for the Fiscal Year Ended December 30, 2001		
0-000-03-005-Q	08/29/03	Quality Control Review of the Audit of Academy for Educational Development Performed by KPMG LLP, for the Fiscal Year Ended December 31, 2001		
1-527-03-007-Q	06/05/03	Quality Control Review of the Audit Report and Working Papers Related to "Empresa Agricola/Ganadera Salamanca S.A.A. Estados Financieros," for the Period from December 31, 2000 to December 31, 2001		
4-690-03-006-Q	04/16/03	Quality Control Review of KPMG's Audit of USAID/RCSA IUCN-ROSA Regional Networking and Capacity Building Initiative for Southern Africa, Cooperative Agreement No. 690-0283-A-00-5950 for the Period January 1, 2000 to December 31, 2000 and USAID/RCSA IUCN-ROSA Natural Resources Management Programme, Award No. 690-A-00-96-00046-00 for the Period January 1, 2000 to December 31, 2000		
4-690-03-007-Q	04/30/03	Quality Control Review of KPMG's Audit of USAID/RCSA IUCN-ROSA Regional Networking and Capacity Building Initiative for Southern Africa, Cooperative Agreement Award No. 690-0283-A-00-5950-00 for the Period January 1, 2001 to December 31, 2001		
4-674-03-008-Q	04/08/03	Quality Control Review of Deloitte & Touche's Audit of the Educational Opportunities Council, Cooperative Agreement No. 674-0309-A-00-0038-00, for the Period January 1, 2001 to December 31, 2001		
4-674-03-009-Q	04/10/03	Quality Control Review of PricewaterhouseCooper's Financial Audit of the African Centre for the Constructive Resolution of Disputes, Cooperative Agreement No. 674-0301-A-00-6064-00 and Grant No. AOT-G-00-97-00369-00, for the Period January 1, 2000 to December 31, 2000		
4-674-03-010-Q	05/30/03	Quality Control Review of Grant Thornton's Audit of Project Literacy Education Centres Under USAID Agreement No. 674-A-00-99-00027-00 for the Year Ended December 31, 2001		
4-617-03-011-Q	05/23/03	Quality Control Review of Sam Bisase & Co. Audit of Improving Mother and Child Care at Lacor Hospital, Grant No. 617-G-00-01-00003-00 for the Period June 28, 2001 to June 30, 2002		
4-674-03-012-Q	05/20/03	Quality Control Review of the Audit of South African Institute of Race Relations, Under USAID Award No. 674-A-00-90-00039 for the Period April 1, 2001 to March 31, 2002		
4-690-03-013-Q	06/20/03	Quality Control Review of the Southern Africa Enterprise Development Fund for the Year Ending September 30, 2001, Grant No. AOT-G-00-95-00086-00		
4-617-03-014-Q	08/05/03	Quality Control Review of Deloitte & Touche's Audit of Aktion Afrika Hilfe e.V for the Period July 1, 2000 to September 30, 2001, Award No. 617-G-00-98-00005-00		
4-674-03-015-Q	09/04/03	Quality Control Review of Audit of the National Institute for Community Education Trust for the Year Ended March 31, 2002, USAID Award No. 674-A-00-96-00044		
5-386-03-004-Q	06/11/03	Quality Control Review of the Recipient-Contracted Audit Conducted by Khanna & Annadhanam, New Delhi, India, of the National Institute of Urban Affairs' Financial Institutions Reform and Expansion Project for the Period from April 1, 2001 to March 31, 2002		
5-386-03-005-Q	08/20/03	Quality Control Review of the Audit Report and Working Papers for the Financial Audit Conducted by Dalal & Shah, Chartered Accountants, Mumbai, India, of the Program for the Advancement of Commercial Technology, Child and Reproductive Health, USAID/India Project No. 386-0496, Managed by the Industrial Credit & Investment Corporation of India Bank Ltd., for the Period from April 1, 2001 to March 31, 2002		
B-193-03-001-Q	04/09/03	Quality Control Review of the Czech and Slovak American Enterprise Fund Audit		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
B-186-03-002-Q	04/30/03	Quality Control Review of the Romanian-American Enterprise Fund Audit		
		—Other—		
1-523-03-003-S	06/24/03	Risk Assessment of Major Functions Within USAID/Mexico		
5-492-03-002-S	09/02/03	Follow-Up of USAID/Philippines' Implementation of Recommendation No. 1, Audit Report No. 5-492-99-006-P, "Audit of USAID/Philippines' Response to Customs Duties on Donated Contraceptives," Dated September 27, 1999		
9-000-03-001-S	05/23/03	Survey of Principal Processes Used to Manage Funds Provided Under the P.L. 480, Title II Program		
A-000-03-002-S	08/06/03	Risk Assessment of USAID/Washington's Management of Telephone Services		

USAID Performance Audit Reports

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
		—Economy and Efficiency—		
1-598-03-003-P	05/09/03	Audit of USAID's Implementation of the Professional Document System in the Latin America and the Caribbean Region		
1-521-03-004-P	05/29/03	Audit of USAID/Haiti's Executive Office Operations		
1-523-03-005-P	06/27/03	Audit of USAID/Mexico's Training, Use and Accountability of Cognizant Technical Officers		
1-522-03-006-P	07/18/03	Audit of the Honduran Social Investment Fund's Selection of Contractors for Construction Contracts Financed by USAID/Honduras		
1-517-03-007-P	09/09/03	Audit of USAID/Dominican Republic Participant Training Activities		
1-520-03-008-P	09/26/03	Audit of USAID/Guatemala's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribution Program		
4-612-03-002-P	08/27/03	Audit of USAID/Malawi's Training, Use and Accountability of Cognizant Technical Officers		
5-442-03-001-P	06/23/03	Audit of USAID/Cambodia's Monitoring of USAID-Financed Commodities Held in Customs	50	QC
5-000-03-002-P	08/05/03	Audit of Selected Micro and Small Enterprise Development Loan Guarantees in the Philippines	892	QC
6-278-03-003-P	04/01/03	Audit of USAID/Jordan's Performance of End-Use Checks on Purchased Commodities		
7-685-03-003-P	05/30/03	Audit of USAID/Senegal's Casamance Conflict Resolution Program		
7-620-03-004-P	09/12/03	Audit of USAID/Nigeria's Participant Training Activities		
9-596-03-007-P	07/10/03	Audit of USAID/Guatemala-Central American Program's (G-CAP) Training, Use and Accountability of Cognizant Technical Officers (CTOs)		
9-000-03-008-P	09/17/03	Audit of USAID/Washington's Classified Administrative Support Service Contractors		
9-000-03-009-P	09/22/03	Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers		
9-687-03-010-P	09/24/03	Audit of USAID/Madagascar's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribuion Program	46	QC
9-000-03-011-P	09/30/03	Audit of USAID's Efforts to Meet the Requirements of the Government Performance and Results Act of 1993		
9-524-03-012-P	09/30/03	Audit of USAID Nicaragua's Participant Training Activities		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
A-000-03-002-P	08/11/03	Audit of USAID Office of Foreign Disaster Assistance's Information Technology Systems Security Plan		
A-000-03-003-P	09/22/03	Audit of USAID's Compliance with Provisions of the Federal Information Security Management Act of 2002		
A-000-03-004-P	09/30/03	Audit of USAID's Information Systems Security Officer Training Program		
B-118-03-002-P	04/09/03	Audit of USAID/Russia's Monitoring of American International Health Alliance's Performance		
B-168-03-003-P	06/26/03	Audit of USAID/Bosnia-Herzegovina's Business Development Program		

AIG/A Memoranda to USAID Management

Report Number	Date of Report	Report Title	Amount of Findings ($000s)	Type of Findings
AIG/A Memorandum 03-000	04/25/03	Iraq Seaport Administration and Airports Administration Contracts		
AIG/A Memorandum 03-001	06/06/03	USAID's Compliance with Federal Regulations in Awarding the Iraq Education Sector Contract		
AIG/A Memorandum 03-002	06/20/03	USAID's Compliance with Federal Regulations in Awarding the Iraq Personnel Support Services Contract		
AIG/A Memorandum 03-003	07/23/03	USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Contract		
AIG/A Memorandum 03-004	09/09/03	USAID's Compliance with Federal Regulations in Awarding the Iraq Sub-National Governance and Civic Institution Support Contract		

BU--Better Use of Funds
QC--Questioned Costs
UN--Unsupported Costs
Note: UN is part of QC

Audit Reports Over Six Months Old With No Management Decision*

As of September 30, 2003

NOTHING TO REPORT.

***Applies to USAID, ADF, and IAF.**

Significant Audit Recommendations Described In Previous Semiannual Reports Without Final Action

As of September 30, 2003

USAID

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action TargetDate
A-000-97-008-P	USAID's Compliance with Federal Computer Security Requirements	09/30/97	2.2	09/30/97	12/03
			2.4	09/30/97	12/03
			2.5	09/30/97	12/03
0-000-99-001-F	USAID's Financial Statements Internal Controls and Compliance for FY 1998	03/01/99	1.1	03/01/99	10/03
0-000-99-002-F	Report to USAID Managers on Selected USAID Internal Controls	03/31/99	10.2	07/01/99	09/05
9-000-01-003-P	USAID's Cargo Preference Reimbursements Under Section 901d of the Merchant Marine Act of 1936	03/30/01	1	03/30/01	06/04
			2	03/30/01	06/04
			5	03/30/01	06/04
			6	03/30/01	06/04
9-000-02-004-P	USAID's Governmentwide Commercial Purchase Card Program	03/19/02	3	09/06/02	10/03
9-000-02-005-P	USAID's Staff Training and Development Activities	07/11/02	1	07/11/02	08/04
			2	07/11/02	08/04
			3	07/11/02	08/04
A-000-02-004-P	USAID/Washington's Management of Its Photocopying Program	09/25/02	1	02/07/03	10/03
			2	02/07/03	10/03
9-000-03-001-P	Audit of USAID's Workforce Planning for Procurement Officers	11/13/02	1	07/10/03	12/03
1-514-03-002-P	Audit of USAID-Financed Human Rights Activities in Colombia	12/13/02	1	12/13/02	10/03
			2	12/13/02	10/03
			3	12/13/02	10/03
9-000-03-002-P	Audit of USAID's Human Capital Data	12/20/02	1	12/20/02	12/03
			2	12/20/02	12/03
			3	12/20/02	12/03
			4	12/20/02	12/03
			5	12/20/02	12/03
			6	12/20/02	12/03
			7	03/24/03	12/03
0-000-03-001-C	Report on USAID's Consolidated Financial Statements, Internal Controls, and Compliance for Fiscal Year 2002	01/24/03	2.1	01/24/03	12/03
			2.2	01/24/03	12/03
7-688-03-001-P	Audit of USAID/Mali's Self-Help Program	02/28/03	2	02/28/03	04/04

African Development Foundation

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action TargetDate
9-ADF-01-002-P	Selected Processes at the African Development Foundation	02/26/01	1	06/14/01	12/03
9-ADF-03-005-P	Audit of Awarding and Monitoring of Grants by the African Development Foundation	02/28/03	1	02/28/03	12/03
			2	02/28/03	10/03
			3	02/28/03	11/03
			5	02/28/03	12/03

Inter-American Foundation

Report Number	Subject of Report	Issue Date	Rec. No.	Management Decision Date	Final Action TargetDate
9-IAF-03-006-P	Audit of Awarding and Monitoring of Grants by the Inter-American Foundation	02/28/03	1	02/28/03	12/03
			2	02/28/03	12/03
			3	02/28/03	03/04
			4	02/28/03	12/03

Reports Issued With Questioned And Unsupported Costs

April 1, 2003 through September 30, 2003

REPORTS	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS[1]
A. For which no management decision had been made as of April 1, 2003	20	$4,411,351[2]	$1,558,286
B. Add: Reports issued April 1, 2003 through September 30, 2003	60	$5,352,472[3]	$2,077,694
Subtotal	80	$9,763,823	$3,635,980
C. Less: Reports with a management decision made April 1, 2003 through September 30, 2003	57[4]	$7,012,747[5]	$2,121,767
i. Value of Recommendations Disallowed by Agency Officials		$4,814,630	$1,238,961
ii. Value of Recommendations Allowed by Agency Officials		$2,198,117	$882,806
D. For which no management decision had been made as of September 30, 2003	19	$2,751,076[6]	$1,514,213

[1]Unsupported Costs are included in Questioned Costs, but are provided as additional information as required by the Inspector General Act Amendments of 1988 (P.L. 100-504).

[2]Amounts include $2,031,617 in Questioned Costs for audits performed for the OIG by other Federal audit agencies.

[3]Amounts include $454,518 in Questioned Costs for audits performed for the OIG by other Federal audit agencies.

[4]Unlike the monetary figures of this row, this figure is not being subtracted from the subtotal. Some audit reports counted here are again counted in the figure below it.

[5]Amounts include $2,411,536 in Questioned Costs for audits performed for the OIG by other Federal audit agencies.

[6]Amounts include $74,599 in Questioned Costs for audits performed for the OIG by other Federal audit agencies.

Reports Issued With Recommendations That Funds Be Put To Better Use

April 1, 2003 through September 30, 2003

REPORTS	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
A. For which no management decision had been made as of April 1, 2003	0	$0
B. Add: Reports issued April 1, 2003 through September 30, 2003	3	$109,889[1]
Subtotal	3	$109,889
C. Less: Reports with a management decision made April 1, 2003 through September 30, 2003	2	$109,504[1]
i. Value of Recommendations Agreed to by Agency Officials		$76,674
ii. Value of Recommendations Not Agreed to by Agency Officials		$32,830
D. For which no management decision had been made as of September 30, 2003	1	$385

[1]Amounts include $76,674 in Questioned Costs for audits performed for the OIG by other Federal audit agencies.

Reporting Requirements

(5) Summary of Instances in Which Information or Assistance Was Refused

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires the identification of any reports made to the head of the agency describing where information or assistance was refused or not provided. During this reporting period, there were no reports to the Administrator of USAID describing instances where information or assistance was unreasonably refused or not provided.

(11) Decisions and Reasons for Significant Revised Management Decisions

The Inspector General Act requires that each Inspector General's Semiannual Report to the U.S. Congress include a description and explanation of significant revisions of management decisions. During this reporting period, there were no significant revisions of management decisions

(12) Significant Management Decisions with Which the Inspector General Disagrees

The Inspector General Act requires that each Inspector General's Semiannual Report to the U. S. Congress include information concerning any significant management decisions with which the OIG is in disagreement. During this reporting period, there were no management decisions with which the OIG disagreed.

(13) Remediation Plan

The Inspector General Act requires an update on issues outstanding under a remediation plan required by the Federal Financial Management Improvement Act of 1996 (FFMIA). FFMIA requires agencies to substantially comply with (1) Federal financial management system requirements, (2) Federal Accounting Standards, and (3) the U.S. Standard General Ledger at the transaction level. According to Office of Management and Budget Circular No. A11, an agency that is not substantially compliant with FFMIA must prepare a remediation plan. The purpose of the remediation plan is to identify activities planned and underway that will allow an agency to achieve substantial compliance with FFMIA.

USAID needs to continue to improve in two key areas before the Agency can become substantially compliant with FFMIA:

- Although USAID has made improvements in its computer security and taken several steps to improve its information security program, further improvements are needed. According to USAID's fiscal year 2002 accountability report, USAID plans to correct this material weakness during fiscal year 2004.
- USAID needs to implement a worldwide, integrated financial management system, allowing the Agency to use the U.S. Standard General Ledger at the transaction level. According to officials in the Office of Financial Management, USAID plans to begin piloting the system at three locations in April 2004, which will be run parallel to the current legacy system. USAID plans to complete its worldwide deployment of the system by the summer of 2005.

The Office of Inspector General will continue to monitor USAID's progress in becoming substantially compliant with FFMIA.

OIG Statistical Summary

USAID

As of September 30, 2003

Investigative Actions

WORK LOAD			CIVIL	
Cases Pending (04/01/03)	96		Civil Referrals	0
Cases Opened	66		Complaints	0
Cases Closed	55		Judgements/Recoveries	0
Cases Pending (09/30/03)	107		Settlements	0
CRIMINAL			ADMINISTRATIVE	
Prosecutive Referrals	4		Reprimands/Demotions	0
Prosecutive Declinations	2		Personnel Suspensions	4
Indictments	0		Resignations/Terminations	7
Convictions	0		Other Administrative Actions	0
Fines	0		Recoveries	8
Restitutions	0		Suspensions/Debarments	4
			Savings	4

Investigative Recoveries

JUDICIAL RECOVERIES	$0
ADMINISTRATIVE RECOVERIES	$1,033,844
SAVINGS*	$63,186,638
TOTAL INVESTIGATIVE SAVINGS/ RECOVERIES	$64,220,482

*Includes $59,540,709 in program funds redirected for valid USAID business.

INSPECTOR GENERAL

HOTLINE

The Office of Inspector General (OIG) maintains a hotline to make it easy to report allegations of fraud, waste, abuse, mismanagement, or misconduct in the programs and operations of USAID, the Inter-American Foundation (IAF) and the African Development Foundation (ADF). USAID, IAF, and ADF employees, contractors, and program participants or the general public may report allegations directly to the OIG. The Inspector General Act of 1978 and other laws protect persons making hotline complaints. Submit complaints by email, telephone, or mail to:

Phone 1-202-712-1023
1-800-230-6539

Email ig.hotline@usaid.gov

Mail USAID OIG HOTLINE
P.O. BOX 657
Washington, DC 20044-065

Individuals who contact the hotline are not required to identify themselves. However, the OIG encourages those who report allegations to identify themselves so they can be contacted if additional questions arise as OIG evaluates their allegations. Pursuant to the Inspector General Act of 1978, the Inspector General will not disclose the identity of an individual who provides information unless that individual consents or unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. You may request confidentiality when using the telephone or mail. Email complaints can not be kept confidential because electronic mail systems are not secure.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Room 6.06D
Washington, DC 20523

The Semiannual Report to the Congress
is available on the Internet at
http://www.usaid.gov/oig/public/semiann/semiannual1.htm