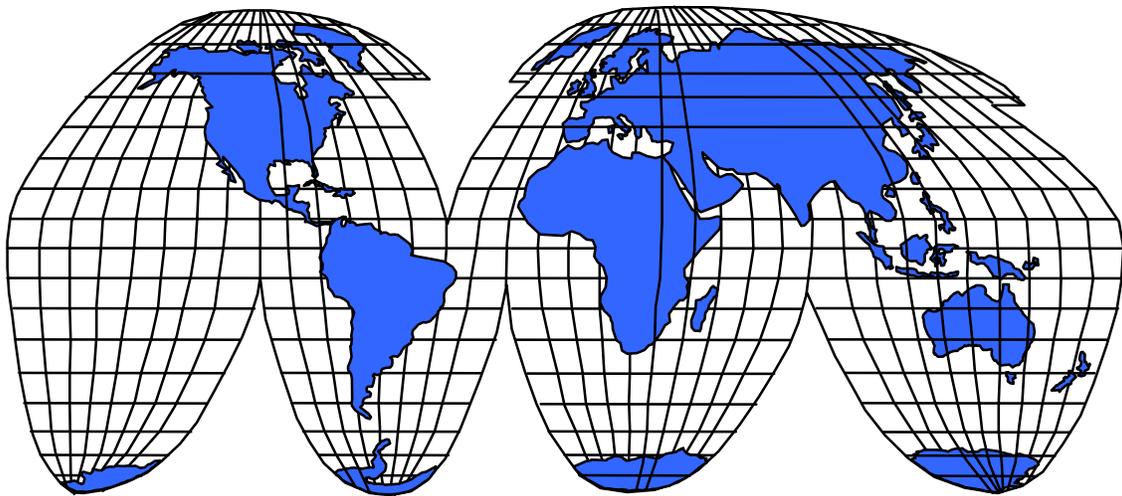


USAID

OFFICE OF INSPECTOR GENERAL

**FIVE
YEAR
PLAN**

For Fiscal Years 2001-2005



U.S. Agency for International Development

FORWARD

This document presents the FY 2001-2005 strategic plan for the USAID Office of Inspector General.

This is the fifth plan that consolidates long-term audit and investigations activities into a single document. The plan articulates goals and objectives that serve as a framework for our work over the next five years.

While this plan serves as our general long-range strategy, it is supplemented by an Annual Plan. Change in our environment, such as new laws and new priorities, will require us to conduct a periodic assessment of our plans.

The office welcomes insight from those who will read this plan. We appreciate comments from readers that will serve to enhance our future planning and allow us to meet the interests of those who will use our strategic plan.

The consolidated Appropriations Act (P.L. 106-113), of November 29, 1999, expanded the responsibilities of the USAID/OIG. Section 205 of the Appropriations Act amended the Inspector General Act of 1978, to authorize the USAID/OIG to provide Inspector General services to the African Development Foundation and the Inter-American Foundation.

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GLOSSARY

AFR	Africa
ADF	African Development Foundation
AIG/A	Assistant Inspector General for Audit
AIG/I	.....	Assistant Inspector General for Investigations
AWACS	.....	AID Worldwide Accounting and Control System
CFO	.....	Chief Financial Officer
DOJ	.....	United States Department of Justice
ENI	.....	Europe and the New Independent States
EXO	.....	Executive Order
FAM	.....	Foreign Affairs Manual
FFMIA	.....	Federal Financial Management Improvement Act
FMFIA	.....	Federal Managers' Financial Integrity Act
FSN	.....	Foreign Service National
GAO	.....	General Accounting Office
GMRA	.....	Government Management Reform Act
GPRA	.....	Government Performance and Results Act
IAF	.....	Inter-American Foundation
ICASS	.....	International Cooperative Administrative Support Services
LAC	.....	Latin America and the Caribbean
NGO	.....	Non-Governmental Organization
NMS	.....	New Management System
OIG	.....	Office of Inspector General
OIG/A	.....	Office of Inspector General - Audit
OIG/I	.....	Office of Inspector General - Investigations
OMB	.....	Office of Management and Budget
PCIE	.....	President's Council on Integrity and Efficiency
PSC	.....	Personal Services Contractor
PVO	.....	Private Voluntary Organization
QAR	.....	Quality Assurance Review
R-4	.....	Results Review and Resource Request
USAID	.....	United States Agency for International Development
USDH	.....	United States Direct Hire [employee]
USG	.....	United States Government

INTRODUCTION

Long-range Planning

Long-range planning affords an organization the opportunity to define how it will operate for an extended period of time. This approach is an effective and efficient way to operate, and prepares an organization to be more responsive to a changing environment.

Long-range planning requires an organization to state its mission as well as its goals and objectives for carrying out operations. Long-range plans should also identify assumptions that will impact implementation of the plan. The plan presented on the following pages is our vision of the work the USAID Office of Inspector General (OIG) will be performing over the next five years.

Authority and Responsibility

The USAID Office of Inspector General was established on December 16, 1980, by Public Law 96-533, which amended the Foreign Assistance Act of 1961. On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981, bringing the USAID Inspector General under the purview of the Inspector General Act of 1978.

The Inspector General Act of 1978 (IG Act), as amended, authorizes the Inspector General to conduct and supervise audits and investigations. As a result of this work the OIG recommends policies to (1) promote economy, efficiency and effectiveness, and (2) detect and prevent fraud and abuse in the programs and operations of USAID. The Inspector General is responsible for keeping the Administrator and the Congress fully informed about problems and deficiencies in USAID programs and operations, as well as the necessity for, and progress of, corrective actions.

The IG Act was amended by the consolidated Appropriations Act, (P.L. 106-113) on November 29, 1999. The IG Act now includes the following:

The Inspector General of the Agency for International Development...shall supervise, direct, and control audit and investigative activities relating to programs and operations within the Inter-American Foundation and the African Development Foundation.

Funding for the additional responsibilities was addressed as follows in the Conference Report for the Act:

In the interest of ensuring the independent

operations of the Inspector General, and that audits and investigations not be dependent upon the availability of funds to the Inter-American Foundation (IAF) and the African Development Foundation (ADF), it was decided not to include a provision mandating that the IAF and the ADF reimburse the Inspector General for all costs incurred with regard to audits and investigations of the programs and activities of those agencies. Nonetheless, any such costs shall be reimbursed to the IG at the IG's request.

The Office of Inspector General has three major elements: Audit, Investigations, and Legal Counsel and Management. The OIG maintains six overseas offices.

Mission Areas

Audit: The Assistant Inspector General for Audit (AIG/A) is responsible for supervising audit activities relating to worldwide foreign assistance programs and operations of USAID, African Development Foundation and the Inter-American Foundation. Audit activities include performance audits of programs and management systems, financial statement audits as required under the Government Management Reform Act (GMRA), and financial audits of grantees and contractors.

Investigations: The Assistant Inspector General for Investigations (AIG/I) is responsible for supervising the performance of investigative activities related to foreign assistance programs and operations. Effective during FY 2000, the AIG/I also assumed investigative responsibilities for the African Development Foundation (ADF) and the Inter-American Foundation (IAF). Investigative activities include investigations of criminal, civil, and serious administrative violations. The Assistant Inspector General for Investigations also operates the USAID Inspector General Hot Line which serves ADF and IAF.

Legal Counsel and Management: The Legal Counsel and the Assistant Inspector General for Management provide advice and guidance to the Inspector General and the Assistant Inspectors General on legal, administrative, financial, and personnel matters. The Assistant Inspector General for Management is directly responsible for implementing and administering personnel, budgetary, contracting, logistical, information resource management, and administrative activities for the OIG's Washington, D.C. offices and the overseas regional offices.

Consultations with Customers

Understanding the views of our customers and ensuring that those views are addressed in conducting our work is vital to the overall success of OIG operations. Traditionally, we have worked with

both USAID and Congress in soliciting input to work plans. Managers in our Audit and Investigations offices hold discussions with USAID managers and Congressional staff members when developing the OIG Annual Performance Plan. These discussions have helped us to focus our limited resources on issues of greatest Agency, Congressional and taxpayer concern. In preparing this plan, we held meetings with the Office of Inspector General at the Department of State, to discuss the issues related to the Foreign Affairs Strategic Plan. Meetings were also held with the Department of Agriculture. We have also met with the Management Bureau and the Program and Policy Coordination Bureau of USAID regarding the Agency's environment. The information gained from these meetings was used to update the description of our environment. Meetings have been held with management of both ADF and IAF.

ENVIRONMENTAL FACTORS

The Administration, Congress, and the State Department establish national priorities for the foreign assistance program. The Foreign Relations Authorization Act, Fiscal Years 1998 and 1999, reorganized agencies in the foreign affairs community. Effective April 1, 1999, USAID operations, especially press relations, budget, and management, are more closely linked with the Department of State than in the past. USAID remains an independent agency.

USAID has undertaken a number of internal management initiatives to redesign internal programs, systems and operations. The Agency has a history of internal management innovations and reorganizations. The Congress will likely amend the Foreign Assistance Act in the next few years and new programs and new priorities are expected. The size and operations of USAID may also change.

The OIG will respond to the changes in the environment in which the Agency operates. The following pages discuss, from a Fiscal Year 2001 perspective, the essential assumptions that OIG is making about the environment.

Additional changes to our plans and operations are possible as we learn more about the operations and programs of the African Development Foundation (ADF) and the Inter-American Foundation (IAF).

Operations in the Overseas Environment

According to the World Bank, corruption--the abuse of public office for private gain--is a global problem that exists in all countries to varying degrees. It also exists in various forms, including: (1) accepting, soliciting, or extorting a bribe, e.g., accepting a bribe to influence a government's choice of firms to supply goods or services; (2) offering bribes to circumvent public policies and processes for competitive advantage and profit, e.g., offering a bribe to influence a government's allocation of monetary or in-kind benefits; (3) engaging in patronage and nepotism; (4) stealing state assets; and (5) diverting state revenues.

Adverse publicity due to corruption has been a pervasive issue throughout USAID's history that has not helped to further the public's confidence in the U.S. foreign aid program. During USAID's early history, a major USAID emphasis involved financing capital development and infrastructure projects. Such activities were found to offer particularly ripe pickings for corrupt officials. In the early 1980's, it was commodity usage and local currency programs that caused USAID much adverse publicity, such

as in the Sahel region of West Africa where the Congress ultimately enacted legislation requiring USAID to certify the accounting systems of recipient governments before disbursing funds to them. In more recent years, considerable adverse publicity to foreign aid has been generated because of the scandals involving massive corruption at the highest levels. Today, USAID is trying to cope with such problems as delivering assistance where the economies are in transition and where there is a risk of government officials privatizing institutions to their personal benefit.

The World Bank identified evidence that corruption inhibits economic development.

It [corruption] leads governments to intervene where they need not, and it undermines their ability to enact and implement policies in which government intervention is clearly needed--whether environmental regulation, health and safety regulation, social safety nets, macroeconomic stabilization, or contract enforcement.

Corruption will continue to exist in varying degrees and, with it, so will the likelihood of continued and possibly increased adverse publicity for foreign aid, especially in countries where USAID's:

- programs are new,
- assistance is provided quickly without good management controls, or
- presence is below the level necessary to oversee the assistance effectively.

The Congress currently has legislation pending that, if enacted as currently drafted, would require USAID to undertake reports on corruption. The OIG could be required to provide assistance in developing audit and investigation capacities in developing countries as a result of the legislation.

Relationship with the State Department

The State Department is responsible for the development of a Strategic Plan for International Affairs agencies of the U.S. Government (USG). Beginning with the year 2000, USAID aligned its Strategic Plan within this framework. Overseas planning and coordination among foreign affairs agencies has increased with the preparation of a "Mission Performance Plan" which reflects the national interests set forth in the U.S. Strategic Plan of International Affairs.

Flowing from the USAID Strategic Plan is the Results Review and Resource Request (R-4). The R-4 links the budget request to the achievement of the strategic objectives identified in the Strategic Plan. USAID's FY 2001 R-4 guidance acknowledges the

requirement that resources and activities overseas must be coordinated among overseas entities to meet national interests. Internal planning in USAID is consistent within the foreign affairs framework.

This new relationship with the Department of State may result in USAID funds being used to finance high-risk activities. For instance, the Department of State has traditionally shown a preference towards balance of payments support and the use of "notwithstanding" authority. This authority permits the procurement of goods and services outside of normal Federal procurement processes. This kind of assistance will likely increase, and it is also likely that the Department of State will decide to manage some development assistance directly as indicated in the International Affairs budget proposed for fiscal year 2001.

Funding Resources for USAID

The level of funding for the Agency's operating expense budget continues to be a concern for the Agency. Declining levels of operating expense funds are causing USAID to seek ways of providing oversight. This in turn directly affects accountability for foreign aid and USAID's ability to protect it from corruption. The USG has completed a major review of operations overseas for the purpose of assessing the levels of Americans assigned to U.S. Embassies. Its recommendations could further affect both USAID and the OIG. At the same time, the USG is reviewing the security needs for Embassies and other buildings overseas. Those who remain overseas are likely to find significantly higher costs to maintain newer or more secure overseas operations. While some facilities are to be funded by special appropriations, other maintenance costs must be covered from operating expenses. Operating costs related to the International Cooperative Administrative Support Services (ICASS) agreements are expected to rise dramatically in the next five years, making overseas presence even more expensive.

In an environment where corruption poses major risks and requires strong accountability, oversight and other measures to reduce the risks of loss, increased staffing and operating expense budgets would normally be expected to accompany the kinds of new activities that USAID is being required to administer. USAID may find a need to allocate more staff and money to administer high-visibility programs more effectively. However, the absence of additional staff and budget resources will likely result in adverse consequences. USAID often is forced to reduce or eliminate direct hire staff in countries without reducing or eliminating the programs in those countries.

Overseas Presence:

Over the past few years, USAID has decreased the number of USAID Missions/Offices overseas. USAID's net change in the number of field missions and offices has decreased from 97 in 1993, to 81 in 2000.

USAID maintains programs in countries in which there are no US Direct Hire (USDH) presence to manage the activities. The trend for programming USAID activities in countries where it has no presence is not clear. The difficulty in managing such overseas activities has been recognized, however.

According to agency managers, the Congress and the foreign affairs community have required USAID to establish more programs in countries where it has no or limited staff. The shift from USAID managed programs to limited programs managed by non-governmental organizations (NGOs) and private sector resources means that activities are highly vulnerable to loss, waste and abuse.

Work Force Levels:

The Agency has undertaken several initiatives to ensure that there will be adequate staff with appropriate skills to fulfill its mandate. One initiative, the Workforce Planning Task Force, developed recommendations for workforce realignment, flexibility and professional development.

As a result of one of their recommendations, the Agency created an Agency Management Council. The Council meets monthly and approves all external recruitment actions, except for the OIG. The Council is currently working on a USAID headquarters planning initiative. Additional operating expense funds are being sought when new programs are added to better match the programs to the required staffing. The OIG plans to monitor implementation of human resource management actions including training designed to address human resource capability.

Since 1993 the Agency has reduced its staff size by nearly 37 percent to a current level of about 2100 direct hire personnel. Of this number, approximately 680 are assigned overseas. For the balance of the years in this Strategic Plan, USAID projects a stable work force level at 2,000 USDH employees.

USAID Systems Will Change

USAID is implementing a new integrated financial management system to meet all federal accounting and system requirements as mandated by the Federal Financial Management Improvement Act (FFMIA). The new system is to provide for complete, reliable, timely, and consistent financial and management information, including the ability to generate reliable financial statements and to link costs to performance results. Better information should improve

managers' ability to make informed decisions about USAID operations and to improve accountability for resources and results.

Until the new system is implemented, USAID will continue to rely on its current systems. Because these systems do not operate effectively, USAID managers will continue to be hindered by a lack of timely, reliable, and useful information about their programs' financial and performance status. These system deficiencies further increase the risks USAID faces in providing proper stewardship over program resources in an already vulnerable environment.

As part of the new information technology systems, USAID has reassessed the Payroll system and the related data systems. To implement new technology and to reduce operating expenses, USAID will contract for payroll services. Beginning in October 2000, the National Finance Center, New Orleans, will assume responsibility for the USAID Payroll system.

USAID Activities Will Be Vulnerable

Whether USAID expands, contracts, changes direction, or develops and undertakes new and innovative activities, different vulnerabilities must be recognized.

Reduced Staffing Levels:

The Agency continues to reduce the level of oversight provided by USAID career employees and increasingly relying on contractors, Private Voluntary Organizations (PVOs) and Non-Governmental Organizations (NGOs). This trend will likely continue. Reduced USAID presence will increase vulnerabilities and the likelihood that fraud and abuse may go undetected or unreported, particularly in countries where corruption is more prevalent.

Program Direction:

USAID anticipates operating fewer bilateral missions, managing more activities from regional or centralized offices, and increasing its reliance on PVOs and NGOs. USAID activities have been especially vulnerable during periods of rapid change in direction, i.e., when opening or closing overseas missions or when moving into new program areas. Large program increases, especially for emergency programs, are also likely sources of vulnerability.

Working Environment:

USAID works in many countries that lack a strong accountability environment, which is one factor that fosters corruption as discussed earlier. Such countries generally do not maintain

accounting and data systems on the U.S. fiscal year basis. The incompatibility of the USG reporting with data collection on a calendar or other year basis complicates the gathering and analysis of performance measurement of USAID overseas projects. The USG concern about foreign corruption is leading to many initiatives to bring attention to the problem. To the extent that USG programs can strengthen the accountability environment, the Agency programs will benefit. In the meantime, in the absence of local economic and political transparency, USAID must maintain continual vigilance to ensure assistance funds are used for intended purposes.

OIG Field Locations and Staff Distribution May Change

OIG Staff Size and Location:

The Outcome Goals enumerated in this Plan are based on a worldwide USDH authorized ceiling of 196. Approximately 48 employees are assigned overseas. Rising costs for various categories of expenses could put pressure on all categories of funds that are not fixed expenses over the next five years.

The OIG maintains six regional offices. The regional responsibilities for each office vary. Some offices are responsible for USAID programs in more than 20 countries. We continue to evaluate the placement of our regional offices, the level of staff and the associated costs. We will make appropriate adjustments to maintain overseas offices. Increases in the USAID funding for the Eastern European and the New Independent States region required that additional audit and investigations staff be placed overseas. Likewise, emergency supplemental appropriations for the Central American and Caribbean region meant that additional OIG staff was needed to provide oversight from the Regional Inspector General office in San Salvador. These assignments are subject to priority work needs and will be reconsidered for transfer to other locations as the work on these programs is completed.

The cost of deploying direct-hire staff to overseas locations is currently estimated at \$194,000 per employee annually, evenly divided between average salary expense and support costs. There is no current projection of additional security costs overseas that would be allocated through the International Cooperative Administrative Support Services (ICASS) system. Over the next five-year period, all costs associated with OIG operations are expected to rise. The overseas cost is necessary to meet our audit and investigation responsibilities for the foreign assistance program and is essential to our mission. The level of overseas staff will be reevaluated as costs increase without an increase in funding. The audit and investigation field presence is supplemented by performing audit and investigations work with

staff traveling from Washington which is also expensive and time consuming.

Training:

We recognize that changes currently underway in both USAID and OIG management systems, as well as future systems advances, will require a continuing commitment to skill development and training.

Budgetary Levels:

We anticipate receiving a \$27 million appropriation for fiscal year 2001. This would represent an increase of \$2 million from our fiscal year 2000 appropriation. This additional money will enable the OIG to provide congressionally mandated oversight of the Inter-American Foundation and the African Development Foundation and cover inflationary increases in our domestic and overseas operations. We anticipate that the current no-year carryover balance will be eliminated by the end of fiscal year 2002.

Automation:

We anticipate changes in operating procedures, resulting in greater efficiencies, improved processes, and a greater ability to track and report the results of operations.

Position Allocations for Fiscal Year 2001 through 2005

POSITIONS	
IG Immediate Office	6
Audit	126
Investigations	32
Legal Counsel	3
Management	29
Total	196

MISSION, PRINCIPLES, GOALS, PERFORMANCE MEASURES, AND OBJECTIVES

The OIG Mission

The Mission of the Office of Inspector General is to contribute to and support integrity, efficiency, and effectiveness in all activities of the U.S. Agency for International Development, the African Development Foundation, and the Inter-American Foundation.

Principles

In accomplishing this mission, the OIG Team will show commitment to:

Collaboration by working with USAID, ADF, and IAF management to eliminate fraud, waste and abuse in Agency activities; working to promote development; understanding the entire OIG program and its impact on development; helping management find solutions to problems; and remembering that our success is measured by the success of our colleagues.

Integrity by striving to display character, decency, and honor in everything we do; working openly and fairly with our colleagues; acknowledging what works and what does not; showing respect for one another; maintaining independence to ensure objectivity and impartiality; and accepting responsibility for our own actions.

Excellence by striving to produce work that has distinction, merit, quality, and impact; working efficiently with highly trained people who enjoy equal opportunities to excel; delivering products which are accurate, timely, complete, concise, and meaningful; and presenting work in a way which is most useful to responsible officials.

Goals and Performance Measures

The goals of the OIG are defined by our Strategic Framework and are related directly to the statements on Mission and Principles.

Each goal articulated below, has accompanying performance measures that describe what we expect to accomplish. This concept of goals and related performance measures is what drives the specific work to be accomplished during the next five years. That

work is detailed later in this document in the section on implementing annual plans.

Performance measures for goals are a means to assess the OIG's long-term impact. It is obviously a very difficult task to measure OIG impact, especially since the OIG does not have line authority over management. However, it is essential that we be in a position to demonstrate whether we are successfully carrying out our legislative mandate and our mission in collaboration with management.

To assess effectiveness, integrity, and efficiency, our challenge is to show, over a long period of time, whether USAID, ADF and IAF is improving or declining in these areas.

Historically, the OIG community has focused on performance measures such as the number or amount of increased efficiencies, amount of funds recovered, or the number of cases successfully prosecuted. The following goals and performance measures include traditional measures and progress in reaching positive goals in the OIG Mission Statement and the IG Act.

GOAL

To promote and preserve integrity of USAID,
ADF and IAF programs and operations.

Measures: The OIG and management contribute to integrity as demonstrated by the extent that USAID, ADF and IAF:

- have accurate and reliable financial systems, files, records and available underlying supporting evidence;
- identify and resolve material internal control weaknesses in financial management practices;
- identify and resolve instances of noncompliance with applicable laws and regulations;
- identify funds owed to their agency and ensure payment of debts;
- make measurable progress toward their own reliable financial reporting and that of external recipients;
- successfully promote transparency and accountability in recipient country environments;
- have employees, Foreign Service nationals, and contractors with sufficient knowledge to identify possible integrity problems in programs or operations;
- have employees, foreign service nationals, and contractors who identify integrity problems on a timely basis and take steps to address them; and
- take appropriate action based on investigative findings.

Objectives and Work in Support of the Integrity Goal

Audit will perform audits in compliance with the Government Management Reform Act (GMRA) and the Chief Financial Officers Act supplemented by audits of contractors and grantees (U.S. and foreign based), under the requirements of the Single Audit Act and USAID policy extending the Act's principles to non-U.S. contractors and grantees. OIG/A will audit USAID activity to implement the provisions of the Federal Financial Management Improvement Act). OIG/A will also work with recipient country Supreme Audit Institutions to promote transparency and accountability.

OIG/A's objectives will be to help assure, as appropriate, the :

- implementation of the requirements of the Government Management Reform Act of 1994 and the Chief Financial Officers Act of 1990, and in producing overall financial statements that accurately present operations;
- audit coverage of grants, contracts and cooperative agreements;
- implementation of an integrated financial management system that meets FFMIA requirements;
- implementation of the Federal Managers' Financial Integrity Act (FMFIA) requirements by strengthening its process for
(1) establishing and assessing management controls, and
(2) reporting and correcting control deficiencies; and
- capabilities and performance of recipient country Supreme Audit Institutions to provide improved accountability over donor funds.

Investigations will investigate alleged violations of federal criminal, civil, law and serious administrative infractions; provide evidence to the Department of Justice, Agency decision-makers, and others; and equip personnel with training in fraud detection and prevention.

OIG/I objectives will be to:

- Detect and prevent fraud, waste, and abuse in programs and operations;
- Vigorously pursue personnel integrity cases via the Special Investigations Division; and
- Engage in proactive measures to reduce employee and partner misconduct and heighten awareness of fraud and corruption.

* * * * *

GOAL

To work to promote and preserve efficiency of USAID, ADF and IAF.

Measures: The OIG and management contribute to efficiency as demonstrated by the extent that USAID, ADF and IAF:

- link costs to results;
- have systems that accurately report costs and results;
- have demonstrated success in decreasing costs relative to results; and
- change strategies when results diminish relative to costs.

Objectives and Work in Support of the Efficiency Goal

Audit will perform audits and reviews that relate to efficiency. Most specifically, this work will focus upon implementation of the Chief Financial Officers (CFO) Act and upon USAID's reengineering initiatives.

OIG/A's objectives will be to:

- work to meet CFO Act requirements for accurate reporting (particularly of cost information), integration of accounting and budgeting information, and performance measurement development and implementation; and
- work to meet its reengineering objectives by auditing or reviewing various aspects of those initiatives such as budgeting, procurement and/or personnel reform throughout the five year period.

GOAL

To promote and preserve the effectiveness of
USAID, ADF and IAF.

Measures: The OIG and management contribute to effectiveness as demonstrated by the extent that USAID, ADF and IAF:

- have measurable performance targets;
- have adequate systems that report performance;
- achieve or is on schedule to achieve performance targets;
- change strategies when performance targets are not met; and
- make positive, systemic changes in the way they do business as a result of investigative efforts.

Objectives and Work in Support of the Effectiveness Goal

Audit will maintain flexibility addressing significant issues affecting effectiveness. However, it will increasingly orient its operations under this goal to focus upon two primary areas of concern, namely:

- implementation of the Government Performance and Results Act ("Results Act" or GPRA); and
- implementation of the Clinger-Cohen Act, most specifically in its development and implementation of disciplined processes to select, control, and evaluate information technology investments.

OIG/A's objectives will be to:

- work with USAID, ADF and IAF to implement Results Act requirements; and
- work to implement disciplined capital investment processes in developing management information systems.

OIG/A began examining USAID's implementation of the Results Act during fiscal year 1997. We will continue this effort by:

- (1) scheduling performance audits of USAID's seven strategic goals over a multi-year period. These audits will determine

whether USAID's goal-oriented operations comply with Results Act requirements, namely, "Does USAID (a) have adequate performance targets, (b) have adequate results reporting systems, (c) achieve targeted results, and (d) change strategy when planned results are not achieved?;"

- (2) reviewing USAID's annual Performance Plans, which USAID must submit to the Office of Management and Budget (OMB) to meet Results Act requirements.

OIG/A began examining USAID's compliance with specific requirements of the Clinger-Cohen Act in fiscal year 1998, and will continue auditing this area throughout the five-year period. We began reviewing USAID's implementation of an integrated financial management system during fiscal year 1996, intensified our focus in fiscal year 1997 and 1998, and will continue auditing the system through its full development and implementation.

* * * * *

**FROM GENERAL GOALS TO PERFORMANCE GOALS
IN THE ANNUAL PLANS – Work from 2001 through 2005**

Each year, the OIG develops and publishes a plan of the work it expects to accomplish during the fiscal year. These annual plans detail the specific work for the major mission areas—audit and investigations. That work is designed to be consistent with the mission, goals, and objectives outlined in this strategic plan. The vision for program coverage that the Assistant Inspectors General believe will be essential to fulfilling the OIG mission is presented in the following sections.

-- AUDIT --

The audit goal is to help USAID, ADF and IAF implement strategies for sustainable development and provide USAID managers with information and recommendations that will improve program and operational performance. In preparing a five-year audit strategic plan, our purpose is to provide a framework within which USAID, ADF and IAF programs and functions can be considered for audit. The complexity of the programs and functions demand that our staffing resources be targeted at those high risk programs and functions most vulnerable and in need of assistance.

The Congress and the Administration recently established a number of reforms. The major reforms, many since 1990, have added new requirements on Agency managers.

During this period, we are focusing our audit activity on USAID's efforts to implement requirements of:

- the Federal Managers' Financial Integrity Act of 1982;
- the Chief Financial Officers Act of 1990;
- the Government Performance and Results Act of 1993;
- the Government Management Reform Act of 1994;
- the Single Audit Act as amended in 1996;
- the Clinger-Cohen Act of 1996 (formerly the Information Technology Management Reform Act of 1996);
- the Federal Financial Management Improvement Act of 1996; and
- the Government Information Security Act of 1999.

In addition to audit activities designed to help the USAID, ADF and IAF meet legislative requirements, OIG/Audit will also focus audit activity in areas that are considered high-risk. This kind of activity includes audits of Public Law 480, Title II food programs, procurement, and emergency and reconstruction assistance, such as assistance responding to Hurricane Mitch, the conflicts in Kosovo and Bosnia, etc. As well, non-Federal auditors will provide significant audit activity, under our general oversight, to contribute to and support the financial integrity of contractors, non-governmental organizations, and other institutions that receive USAID funding.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA)

FMFIA requires affected Federal agencies to establish adequate internal accounting and administrative controls to prevent, to the greatest possible extent, fraud, waste and abuse in Federal programs. Agencies must annually report to the President and Congress whether their systems of internal accounting and administrative controls provide reasonable assurance that internal control objectives are achieved.

Chief Financial Officers (CFO) Act of 1990

The CFO Act requires affected Federal agencies to, among other things, develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls.

Government Performance and Results Act of 1993 (Results Act or GPRA)

The Results Act requires affected Federal agencies to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality and customer satisfaction. It requires that agencies develop and implement plans for identifying program objectives and measuring program results.

Government Management Reform Act of 1994 (GMRA)

GMRA requires that each affected Federal agency produce annual audited financial statements of its operations. Under the Act, an agency must complete audited financial statements each year covering all of its accounts and associated activities. These financial statements are to report not only the agency's financial position and operational results, but also must also provide further information allowing Congress and the public to assess management performance and stewardship of agency resources. An agency must submit these statements to OMB no later than March 1 of the following year.

Single Audit Act (as amended in 1996)

The Single Audit Act requires Federal agencies to promote sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities. USAID programs utilize the services of both Federal and non-Federal auditors. Non-Federal auditors include both commercial firms contracted for by OIG/A or by recipients and indigenous host government audit organizations (commonly termed "Supreme Audit Institutions").

Audit Coverage of U.S. Grantees

USAID's U.S. grantees are generally audited under OMB Circular A-133 requirements (although AIG/A retains the authority and capacity to audit specific grants and grantees using its own resources, if deemed necessary). OIG/A manages USAID's A-133 program, reviewing and distributing audit reports and reviewing a sample of auditor working papers to ensure that these recipient-contracted auditors maintain appropriate auditing standards.

Audit Coverage of U.S. Contractors

USAID's U.S. contractors must undergo agreement-specific audits under the terms of their individual contracts. While OIG/A performs a limited number of such audits, most are performed by Federal auditors at the Defense Contract Audit Agency (DCAA), under the terms of an inter-organizational Memorandum of Understanding. OIG/A manages this program, distributes resulting reports to appropriate parties, and tracks audit recommendations through management decision.

Audit Coverage of Non-U.S. Grantees and Contractors

While the OIG directly audits a limited number of USAID grants and contracts to non-U.S. entities, the vast majority are audited under a recipient-contracted audit program based upon OMB Circular A-133 principles. In-country public accounting firms or Supreme Audit Institutions (SAIs) generally perform these audits. AIG/A helps USAID maintain accountability under this program by:

- determining the capacity of auditing entities to perform the audits;
- providing assistance and training for participating auditors, grantees and USAID personnel within the limits of available OIG resources;
- reviewing final audit reports and a sample of auditor working papers for compliance with appropriate auditing standards; and

- tracking audit recommendations until management decides upon a plan of corrective action.

The Clinger-Cohen Act (formerly the Information Technology Management Reform Act of 1996)

The Clinger-Cohen Act requires affected Federal agencies to implement disciplined processes to manage information technology as a capital investment. The Act requires agencies to appoint a Chief Information Officer and to maximize the return on investments in information technology; assess and manage risks; and monitor progress in terms of costs, system capabilities, timeliness, and quality.

Federal Financial Management Improvement Act of 1996 (FFMIA)

FFMIA requires affected Federal agencies to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Government Information Security Act of 1999

This Act, which is still pending enactment in the Senate, is designed to provide a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources that support Federal operations and assets. When enacted, the Act, would require USAID to obtain an independent evaluation of its computer security status and require the OIG to audit the independent evaluation.

Working with Recipient Country Supreme Audit Institutions

Government operations in many USAID recipient countries lack transparency and effective mechanisms to ensure accountability over donor funds. Most countries receiving USAID funds have, however, established national internal audit agencies referred to as Supreme Audit Institutions, or SAIs. Often called Auditors General, these organizations are a recipient country's first line of defense in combating government fraud, waste, and mismanagement. Unfortunately, these organizations often lack the funding, independence and expertise to play this crucial role. Over the next five years, the OIG will continue to implement a plan to help SAIs improve their ability to fulfill their oversight function. Our objective is to work with USAID management to provide complete accountability over USAID contracts, grants and cooperative agreements and to add at least one SAI per year to the number of organizations authorized to audit USAID funds.

Agency-wide Audits

The OIG will conduct Agency-wide audits of significant issues that have broad impact on USAID headquarters and/or mission programs and operations. These audits may be directed by either regional or Washington audit offices and will generally cover several country programs, as well as bureau and other headquarters offices. Significant issues that are relevant to the overall management of USAID programs will be developed each year during the annual planning process. The purpose of these audits will be to provide relevant and significant information to USAID managers on the overall results of USAID programs and operations. We will, to the greatest possible extent, use scientific sampling techniques to maximize the impact of our recommendations. The audit reports resulting from these worldwide reviews will usually be directed to USAID Assistant Administrators or higher level officials.

Grants to International Organizations and Interagency Transfers

Approximately \$305 million will flow through USAID to International Organizations during the period October 1, 1999 through September 30, 2000. These funds flowed primarily to the United Nations and its agencies. The Foreign Assistance Act requires the Comptroller General of the United States (i.e., the U.S. General Accounting Office) to audit such funds if the United States is the sole contributor to the organization or activity being funded. If the United States is not the sole contributor, which is generally the case, there is no audit access provision and neither the U.S. General Accounting Office (GAO) nor the USAID OIG is empowered to audit such funds. In such cases, the receiving organization submits reports to donors attesting to the proper use of the donated funds. Given these circumstances and absent a change in existing legislation, USAID OIG plans no audit coverage of such funds over the next five years.

Millions of dollars of funding flow through USAID each year to other U.S. Government agencies. These transfers are authorized under Section 632 of the Foreign Assistance Act that addresses allocation and reimbursement of funds among U.S. Government agencies. Where these monies are obligated by USAID prior to transfer, USAID retains audit rights and responsibilities. In the case where the transfer occurs prior to obligation, the receiving Agency incurs audit responsibility. OIG will consider audits targeted toward those funds under USAID responsibility on an ongoing basis throughout the five-year period.

Assisting USAID in Maintaining Accountability in Crisis Situations

USAID is increasingly being asked to respond to unforeseen crises, from weather-related damage in Central America and Southern Africa to man-made crises in Central Africa, the Balkans, and Asia. OIG/Audit and OIG/Investigation, working in collaboration, have developed and will continue to develop innovative approaches to

assist USAID management in maintaining accountability over taxpayer funds in such situations.

In the recent past, such approaches have included:

- (a) concurrent auditing, i.e., auditing relief activity on a "real time" basis;
- (b) extensive training and fraud awareness programs for USAID employees, local auditors, host government representatives, contractors, and grantees;
- (c) risk analyses of local grantees and contractors and grantees; and
- (d) risk analyses of local grantees and contractors to assist USAID management in identifying areas of vulnerability.

OIG will continue to develop innovative approaches tailored to particular circumstances.

-- INVESTIGATIONS --

OIG/I's principal goal is to work with USAID, ADF and IAF to protect and maintain the integrity of their programs and operations. This is done by investigating allegations of Federal criminal violations and serious administrative infractions involving programs and personnel. Results of inquiries involving criminal and civil violations are provided to the Department of Justice (DOJ). Administrative matters are referred to Agency decision-makers. We ensure our investigations are conducted and reported in an independent, timely, objective, and impartial manner.

OIG/I demonstrates commitment to partnership, integrity, and excellence by timely, balanced, and objective investigations. We recognize our duty to protect the rights of employees and others during the course of an investigation. We understand our responsibility to maintain the confidential nature of investigations, and release information strictly in accordance with laws safeguarding privacy.

OIG/I will continue to develop an effective working relationship with USAID, ADF and IAF by ensuring that:

- (a) Employees, grantees, and contractors are familiar with indicators of fraud and abuse and promptly report instances of potential fraud and abuse to the OIG, as required by law.
- (b) Our investigations are conducted in a timely manner, documented accurately, and that useful information is reported.
- (c) Our investigative work product is used as the basis upon which effective action is taken by criminal and civil prosecutors, Agency management and others.

OIG/I measures progress toward achieving this goal by review and statistical analysis of results and workload data (e.g., number and type of inquiries initiated based on employee and contractor referrals, actions taken by Agency management or DOJ as the result of investigative findings, etc.).

General Objectives and Strategies to Contribute to Improving Integrity in USAID, ADF and IAF

OIG/I will continue to address areas relating to:

- Developing relationships which encourage the exchange of information: Employees and contractors are more able and willing to share information regarding fraud, waste, and abuse in programs when they understand their reporting rights and obligations. Specifically, what they should report, the ease with which they may report, and the assurance that protection and confidentiality may be provided in certain

situations. OIG/I will continue its efforts to educate employees regarding what to report, and make the ease of reporting (800 - Hot Line, OIG Mailbox, Email Hot Line) better understood.

- Providing Federal prosecutors, Agency officials, and others who have to take action on the basis of our investigations with the best, most timely and most accurate information available. To achieve this goal, we will:
 - (a) promptly evaluate incoming information and allegations,
 - (b) help customers resolve issues which we will not investigate, and
 - (c) discuss with customers early in the investigative process any special needs or requirements they may have to facilitate appropriate action, define issues, and focus investigative effort.
- Stressing corruption issues: A high-risk environment is expected to exist in the 2001/2005 time frame and our objective will be to develop and implement effective methodologies for identifying, preventing, and eliminating corruption in all programs. Our strategy will consist of six elements.
 - (a) Surveying the environment - We will assess historical corruption in host countries and identify local criminals that may pose a threat to overseas programs. We will also focus on U.S. and local Non-Governmental Organizations (NGOs) and Private Voluntary Organizations (PVOs) with a history of non-conformance to regulations and U.S. law. Finally, we will concentrate on programs that have been susceptible to fraud, waste, and abuse, in the past.
 - (b) Establishing a close working relationship with Agency management - We will work closely with management, NGOs, PVOs and host governments to strive to promote cooperation and collaboration.
 - (c) Emphasizing a team approach - We will encourage the timely submission of referrals and work toward the early solution of problems. Through collaboration, we will develop methods of strengthening programs, when weaknesses are identified.
 - (d) Educating employees and partners - We will train employees and partners in anticorruption issues to ensure that each is aware of his/her responsibilities when confronted with corruption or upon obtaining knowledge of such practices.
 - (e) Enforcing the Foreign Corrupt Practices Act (FCPA)

aggressively - The FCPA prohibits a U.S. firm or agent of the firm from making a "corrupt" payment to a Foreign Official for the purpose of procuring or retaining business. OIG investigators work closely with the Department of Justice (DOJ) in investigating FCPA violations and use the FCPA as a tool in fighting corruption in programs.

(f) Offering recommendations for Systemic Improvement - We will recommend systemic improvements if a weakness is uncovered in a USAID, ADF and IAF program or operation and work with Agency management to correct the problem.

- Publicizing the OIG/I blanket deputation program: OIG/I special agent personnel are Federal law enforcement officers, who are authorized and qualified to carry firearms, execute search warrants and make arrests. We will communicate the legal and professional status of our agents to USAID, ADF and IAF through presentations, meetings, and other means.
- Focusing on USAID Programs in the Balkans, Central America and South Africa: We will target areas with high levels of disaster relief funding as both IG and Agency officials agree that such areas are at a high risk for fraud through diversion and other means. We will employ our four-fold strategy of surveying the environment, working closely with USAID, emphasizing a team approach and educating employees and partners as a means of combating fraud.
- Concentrating on employee integrity issues: In FY 00, OIG/I established a Special Investigations Division (SID), which concentrates exclusively on employee integrity issues. This new division provides complete investigative reports to the Department of Justice or USAID, ADF or IAF management within a target time frame of 90 days. SID conducts and supervises impartial investigations so that all involved parties are guaranteed a thorough, professional and expeditious resolution of allegations.
- Preventing employee misconduct: OIG/I plans active proactive measures to reduce employee misconduct. In pursuit of this goal, we will provide presentations to USAID Missions, which will focus on the various types of USAID employee misconduct investigations and highlight those situations, circumstances and actions that have lead to allegations of misconduct. We believe such an approach will assist employees in avoiding potential problems.

PROFESSIONAL REVIEW

The OIG conducts periodic internal Quality Assurance Reviews (QARs) of the operations of its Washington audit offices and its overseas field offices. Additionally, the OIG participates with other Federal agencies in triennial external peer reviews of its audit operations. Both the QARs and the external peer reviews focus on professional standards.

The Office of Inspector General at the National Aeronautics and Space Administration conducted an external peer review of Audit operations in 1997. The Office of Inspector General, Social Security Administration is performing a current peer review, which is nearing completion as of October 2000. The external review process is conducted in accordance with standards set by the General Accounting Office.

The Investigations unit conducted a Quality Assurance review during 1997. The review examined OIG Investigations operations using guidelines established by the President's Council on Integrity and Efficiency.

**U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, N.W.
Room 6.06D
Washington, D.C. 20523**

**The Strategic Plan is available on the internet at
www.usaid.gov/oig**