

# USAID

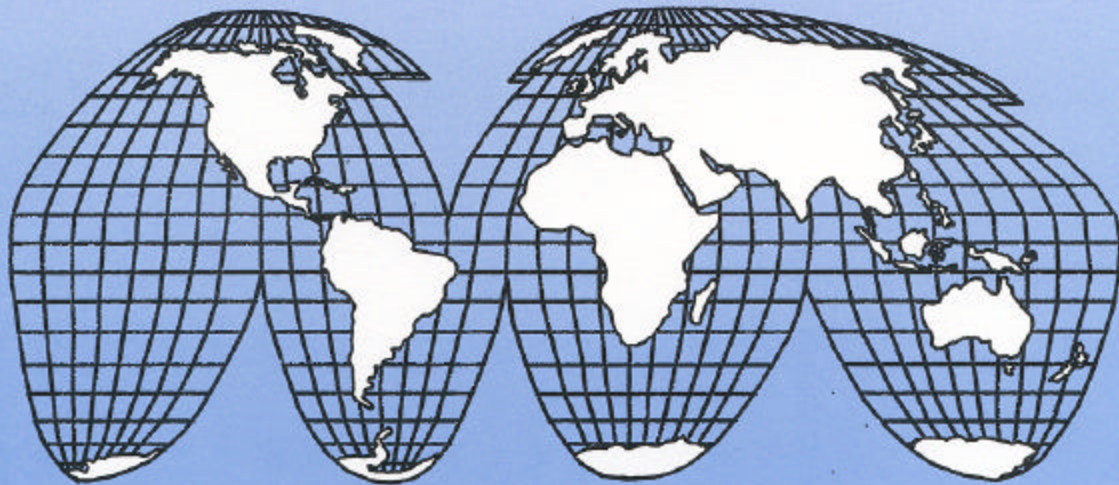
## OFFICE OF INSPECTOR GENERAL

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### **Report on Inter-American Foundation's Financial Statements, Compliance, and Internal Controls for Fiscal Year 2000**

**Audit Report No. 0-IAF-01-009F**

**April 2, 2001**



**Washington, DC**

**U.S. Agency for International Development**

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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

## MEMORANDUM

**TO:** The Board of Directors and the President,  
Inter-American Foundation

**FROM:** AIG/A, Toby L. Jarman

**SUBJECT:** Independent Auditor's Report on the Inter-American Foundation's  
Financial Statements, Compliance, and Internal Controls for Fiscal  
Year 2000, Audit Report No. 0-IAF-01-009-F

This report presents the results of the financial statement audit of the Inter-American Foundation (IAF) for the fiscal year ended September 30, 2000. The audit was contracted for by the U.S. Agency for International Development Office of Inspector General and was conducted by Regis & Associates, PC (the audit firm). This report is being issued in accordance with guidelines established by the Office of Management and Budget for reporting the results of financial statement audits. As a result of several issues identified during the audit, additional work will be performed on IAF's fiscal year 2000 financial activities.

The primary purpose of the audit was to determine whether IAF's financial statements present fairly, in all material respects, the net position and results of operations for the fiscal year ended September 30, 2000. Specifically, the objectives of the audit were to:

- Determine whether the principal financial statements present fairly in all material respects, in conformity with generally accepted accounting principles, the (1) assets; (2) liabilities and net position; (3) net costs; (4) change in net position; (5) budgetary resources; and (6) reconciliation of net costs and budgetary obligations of IAF.
- Report on IAF's internal controls related to these financial statements and the internal controls related to the performance measures contained in the IAF's Management Discussions and Analysis section.

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

The audit firm reported that it was unable to express an opinion on IAF's fiscal year 2000 principal financial statements because their audit scope was impaired. The audit firm reported that IAF's financial management systems could not produce complete, reliable, and timely financial statements that were consistent with its general ledger and verifiable to supporting documentation for its fiscal year ended September 30, 2000. The audit firm also reported that IAF had four material internal control weaknesses related to its financial management systems and three instances of material non-compliance with selected provisions of applicable laws and regulations (*See Appendix III*). The four significant internal control weaknesses identified by the audit firm in forming their conclusions are described below:

- IAF did not prepare complete, reliable, and timely financial statements that were based on its general ledger for the year ended September 30, 2000.
- During fiscal year 2000, IAF did not consistently perform a monthly reconciliation of its fund balance with the U. S Treasury. This was further complicated by (1) insufficient segregation of duties for recording, disbursing, and reconciling IAF's funds and (2) insufficient supervisory review of staff.
- IAF recorded as an expense about \$1.7 million transferred to the U.S. Bureau of the Public Debt at year-end even though practically no services were provided or contracted for with third parties by September 30, 2000.
- Supporting documentation for IAF's fiscal year 2000 general ledger transactions was incomplete, unreliable, and not provided in a timely manner.

In addition to the financial management systems and internal control deficiencies noted above, the audit firm identified and made recommendations to IAF to correct the following three material instances of noncompliance with applicable laws and regulations: (*See Appendix III*):

- IAF's financial management system did not comply with certain requirements of the Office of Management and Budget Bulletin 01-02.
- IAF's financial statements did not include a Management Discussion and Analysis section describing the financial and programmatic activities and achievements for the year.
- IAF did not fully comply with the provisions of the Prompt Payment Act.

Based on our review of the Regis & Associates, PC, report we are making the following recommendations for inclusion in USAID's Consolidated Audit Recommendation Tracking System:

**Recommendation No. 1: We recommend that the Inter-American Foundation:**

- 1.1 Establish and implement policies and procedures to ensure that a balanced general ledger is maintained that enables the preparation of complete, reliable, and timely fiscal year-end principal financial statements, as required by the Chief Financial Officers' Act.**
- 1.2 Establish and implement policies and procedures to ensure that any significant changes, discrepancies, or other items impacting the general ledger and principal financial statements are supported and documented.**
- 1.3 Prepare and provide all future principal financial statements and accompanying general ledger to the independent auditors within 45 to 60 days after the end of the fiscal year.**

*(Refer to page 15 and 16 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

**Recommendation No. 2: We recommend that the Inter-American Foundation establish and implement policies and procedures to ensure that, as part of its year end accounting process and the preparation of its principal financial statements, the management discussion and analysis **section** is prepared and included in the annual audit of the principal financial statements.**

*(Refer to page 16 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

**Recommendation No. 3: We recommend that the Inter-American Foundation:**

- 3.1 Establish and implement policies and procedures to ensure that payments to vendors and other payees are made within the mandated timeframes.**
- 3.2 Ensure that the required interest and penalties are paid to vendors and other payees when payments are delinquent.**

*(Refer to pages 17 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

**Recommendation No. 4:** We recommend that the Inter-American Foundation, evaluate the transfer of the \$1,671,533 to the U.S. Bureau of the Public Debt on September 25, 2000, to ensure that the transaction was accounted for properly, and that only the portion of the amount actually expensed in fiscal year 2000 is shown as such. Subsequently, make any necessary adjustments to ensure the proper presentation of the transfer in the general ledger and principal financial statements.

*(Refer to page 19 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

**Recommendation No. 5:** We recommend that the Inter-American Foundation:

- 5.1 Complete all outstanding reconciliations of the Fund Balance with the U.S Treasury and resolve all differences.
- 5.2 Identify and propose correcting entries with explanations to ensure that the Inter-American Foundation's balances agree with the Fund Balance with the U.S. Treasury.
- 5.3 Establish and implement policies and procedures to ensure the timely preparation of the reconciliations of the Fund Balance with the U. S Treasury and the resolution of all significant differences.
- 5.4 Implement segregation of duties between recording, disbursing, and reconciling functions of the Inter-American Foundation's accounting systems and funds, and conduct monthly supervisory reviews of the financial management staff's work.

*(Refer to page 20 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

**Recommendation No. 6:** We recommend that the Inter-American Foundation establish and implement:

- 6.1 Procedures to ensure that supporting documentation, such as invoices for cash disbursements, contracts, or agreements for obligations, is properly maintained to support general ledger transactions.

- 6.2 A filing process that ensures the maintenance and safeguarding of source documents and enables efficient retrieval of document when necessary.**
- 6.3 Procedures with an appropriate mechanism, such as a summary schedule of transactions, to ensure the reliability of account balances.**
- 6.4 Reporting procedures for the results of reconciliations performed in recommendation 6.3 above to keep Senior Management apprised of any significant discrepancies in the general ledger.**

*(Refer to page 21 and 22 of 22, of the Regis & Associates, PC report dated March 30, 2001).*

I would like to express my sincerest appreciation for the courtesies extended by your staff to the auditors.

# OIG EVALUATION OF INTER-AMERICAN FOUNDATION'S MANAGEMENT COMMENTS

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## **IAF Management General Comments**

In its comments, IAF management indicated that for fiscal year 2000 there had been a precipitous loss of qualified staff at the IAF. This happened in the aftermath of a radical reduction in its annual appropriation. Included in the staff loss were the chief accountant and other key accounting staff. In addition to the staff losses, IAF consolidated its office space, resulting in a move, which further exacerbated IAF's difficulties.

In response to these problems, IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. As part of the agreement, IAF will receive accounting and financial reporting services.

IAF management did not agree with the audit firm's opinion that the IAF financial statements were not complete, reliable, or timely. IAF said that the audit firm did not accept the financial statements although IAF and the Department of Treasury made several attempts to make the adjustments necessary to provide auditable statements. In addition, IAF took exception to the audit firm's conclusion that the source documents were incomplete, inaccurate, and unreliable.

IAF management raised several concerns about the audit process, including its timeliness, transparency of audit process, and audit oversight by the USAID OIG. Specifically, IAF also believed that when planning the audit the audit firm overlooked the impact on the audit of staffing problems at IAF. In addition, IAF believed that there was not adequate time to respond to the draft audit report. IAF believed that the audit firm and USAID OIG did not communicate the Foundation's president and general counsel the seriousness of the issues being identified. In its final concern about the audit process, IAF noted that the USAID OIG might have obviated some of the problems if it had provided better technical oversight over the audit. IAF pointed out that the USAID OIG has the responsibility to ensure that the work being conducted and delivered properly.

## **OIG Evaluation of IAF Management General Comments**

The OIG does not concur with the IAF's position that its financial statements were complete, reliable, and timely. Further, the OIG does not agree with IAF concerns about the audit process.

The audit firm, which had performed the IAF audit engagement for the preceding two years, conducted its work in accordance with generally accepted auditing standards. The audit firm reached a conclusion that, in its judgement, an opinion on the fairness of the financial statements could not be given and it disclaimed an opinion. The reason cited for the disclaimer was an impairment of the audit scope. The audit firm identified three internal control weaknesses that contributed to the scope impairment.

The OIG has reviewed the audit firm's work and found it to have met generally accepted auditing standards. Moreover, the OIG concurs with the conclusions reached by the audit firm.

In the normal course of a financial statement audit, the auditor assesses the risk associated with the auditee's ability to produce financial statements from its accounting books and records that are free from material misstatement. The audit risk is influenced by the auditee's internal control system design and implementation at the time of the audit. In the case of the fiscal year 2000 IAF financial statement audit, the audit firm had assessed the audit risk as moderate, which was consistent with the previous two years audit experience.

The audit began on January 23, 2001. At this time the audit firm was aware that there had been some staffing problems at IAF. Early in the audit process on January 31, 2001, the audit firm became aware that the financial statements provided by the Bureau of the Public Debt did not reconcile with IAF's accounting records (general ledger, trial balance, and source documents). These statements contained numerous unsupported adjusting entries. Shortly thereafter, the OIG, as Contracting Officer's Technical Representative, notified the IAF's contract officer that the audit firm was encountering problems on the audit and that modification of the audit contract would be needed. The OIG also informed the IAF audit liaison of the need to modify the contract.

On February 12, 2001, the audit firm was provided a second set of financial statements which was supposed to be generated from the IAF accounting records. Again, there were significant problems noted on the statements. Some of the problems included transposition errors on the financial statements and incorrect balances in several accounts. At this point the audit firm raised its audit risk from moderate to high. On February 15, 2001 the OIG notified the President of IAF that the auditors were experiencing difficulties on the audit. A follow-on meeting with the OIG, the audit firm and IAF was held on February 23, 2001 when the audit firm again requested that IAF produce a set of financial statements that were prepared from the IAF accounting records. Pending the receipt of the third set of financial statements, the audit continued to perform other work.

On March 9, the audit firm received the third set of financial statements. Again, the statements were not correct and the audit firm concluded that the statements were unreliable because balances could not be traced to IAF accounting records. Through the audit process, the audit firm kept the IAF Audit Liaison and Director of the Financial Management and Systems Division informed of issues on the audit. On March 23, 2001,

the audit firm discussed the audit issues with the IAF General Counsel. On March 26, the audit firm informed the OIG of its conclusions.

Because of the legislatively mandated reporting date for this audit report, the OIG made a decision to stop further audit work and report the results at that time. Shortly thereafter, the OIG and the audit firm conducted an exit conference with IAF where the audit results were discussed. A draft report was issued on March 30, 2001. IAF was requested to provide comments by April 2, 2001.

### **IAF Management Comments on Recommendation Nos. 1.1 through 1.3**

As noted above, IAF did not concur with audit firm's opinion regarding IAF's financial statements for the fiscal year ending September 30, 2001.

IAF management concurred with the recommendations. IAF management noted that on October 1, 2000, the IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. As part of the agreement, IAF will receive accounting and financial reporting services. IAF management said that, with assistance of the Bureau of the Public Debt, there were established and implemented policies and procedures to enable the preparation of complete, reliable, and timely financial statements and supporting documentation. IAF management said that these services would result in preparing the financial statements and accompanying general ledger within the required time.

### **OIG Evaluation of IAF Management Comments**

As noted in the OIG evaluation of the IAF General Comment, the OIG does not concur with the IAF position on its statements.

The OIG accepts the IAF management decision on Recommendation Nos. 1.1 through 1.3

### **IAF Management Comments on Recommendation No. 2**

IAF management concurred with the recommendation. IAF management noted that on October 1, 2000, the IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. As part of the agreement, IAF will receive accounting and financial reporting services. With assistance from the Bureau of the Public Debt, IAF will have the required Management Discussion and Analysis prepared and included in the financial statements.

### **OIG Evaluation of IAF Management Comments**

The OIG accepts the IAF management decision on Recommendation No. 2.

### **IAF Management Comments on Recommendations No. 3.1 and 3.2**

IAF management concurred with the recommendation. IAF management noted that on October 1, 2000, the IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. As part of the agreement, IAF will receive accounting and financial reporting services. With assistance from the Bureau of the Public Debt, IAF has implemented policies and procedures to assure (1) payments are processed in a timely manner and (2) IAF complies with the Prompt Payment Act.

#### **OIG Evaluation of IAF Management Comments**

The OIG accepts the IAF management decision on Recommendation Nos. 3.1 and 3.2.

#### **IAF Management Comments on Recommendation 4.1 through 4.3**

For recommendation 4.1, IAF management concurred with the recommendation. IAF management said that, with assistance from the Bureau of the Public Dept, it would analyze the transaction that resulted recording an expense in fiscal year 2000, which may be more appropriately recorded in fiscal year 2001.

For recommendation 4.2 and 4.3, IAF management provided additional information regarding the appropriate treatment of a transaction with occurred at the end of fiscal year 2000. The transaction involved an obligation of funds for an agreement with the Bureau of the Public Debt.

#### **OIG Evaluation of IAF Management Comments**

The OIG accepts the IAF management decision on Recommendation No. 4.

In the draft report, the USAID OIG questioned IAF's treatment of the obligation. After discussions with the IAF and Bureau of the Public Debt, additional documentation was provided and the finding and recommendations were not included in the final report.

#### **IAF Management Comments on Recommendation Nos. 5.1 through 5.4**

IAF management concurred with the recommendations. IAF management noted that on October 1, 2000, the IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. As part of the agreement, IAF will receive accounting and financial reporting services. With assistance from the Bureau of the Public Debt, IAF will complete any outstanding reconciliations and make any adjustment for differences with its fund balance with the U.S. Treasury. In addition, IAF management said that policies and procedures have been developed to ensure timely reconciliation of and resolution of differences with its fund balances with the U.S. Treasury. IAF management said that improvements have been made in the segregation of duties and supervisory reviews of transactions.

**OIG Evaluation of IAF Management Comments**

The OIG accepts the IAF management decision on Recommendation Nos. 5.1 through 5.4.

**IAF Management Comments on Recommendation 6.1 through 6.4**

IAF management agreed with the recommendations. IAF management noted that on October 1, 2000, the IAF entered into a reimbursable services agreement with the Department of the Treasury's Bureau of the Public Debt. IAF management said that policies and procedures have been implemented to assure that supporting documents are maintained, safeguarded, and more efficiently retrieved. The IAF management said that it had, effective October 1, 2000, implemented mechanism to ensure accuracy of account balances. In addition, the IAF management said that policies and procedures were implemented as of October 1, 2000 to ensure that senior management would be apprised of significant discrepancies in the accounting books and records.

**OIG Evaluation of IAF Management Comments**

The OIG accepts the IAF management decision on Recommendation No. 6.1 through 6.4.

**INTER-AMERICAN FOUNDATION'S  
MANAGEMENT COMMENTS**

MEMORANDUM

TO: Toby L. Jarman, AIG/A

FROM: David Valenzuela, President

DATE: April 2, 2001

SUBJECT: IAF Response to the IG Draft Audit Report for the IAF's Financial Statements, Internal Controls, and Compliance for Fiscal Year 2000

cc: Board of Directors

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Attached please find the IAF response to the Office of Inspector General's draft audit report for the IAF's Financial Statements, Internal Controls, and Compliance for Fiscal Year 2000.

The IAF has not received a satisfactory explanation for the reason the audit firm Regis and Associates chose to reject one three separate occasions Financial Statements prepared by Treasury on IAF's behalf, and Treasury's offer to resolve jointly whatever discrepancy may have existed. This decision had a wide range of unfortunate consequences, many of which could have been avoided with better and more timely communication by all parties.

The IAF will continue to work with Treasury and Regis to finalize pending audit issues.

The IAF invites the Office of Inspector General to review current operations under the outsourcing agreements for procurement, accounting, reporting and travel with Treasury.

**Inter-American Foundation's Management Comments  
to the Office of Inspector General's Recommendations  
contained in the draft audit report of the  
Inter-American Foundation's Financial Statements, Internal Controls,  
and Compliance for  
Fiscal Year 2000**

**Introduction**

The management of the Inter-American Foundation ("IAF") acknowledges that operational and control weaknesses may have occurred from February to August, 2000, which could have had an impact on the results of the Office of Inspector General's Fiscal Year 2000 Audit of Financial Statements, Internal Controls, and Compliance. However, during that same period IAF management was taking the following measures to address those possible weaknesses:

- March 2000, the IAF franchised the procurement, contracting, and travel management functions to the U.S. Department of the Treasury, Bureau of Public Debt ("Treasury").
- May 2000, the IAF established an internal independent audit function at the suggestion of the Chair of the Board of Directors Audit Committee.
- September 2000, the IAF franchised the accounting, certification, and disbursement functions to Treasury.
- October 2000, the IAF engaged Treasury to assist with preparing the Fiscal Year 2000 Financial Statement.

In past years, the IAF consistently received unqualified audits devoid of material weaknesses. IAF's difficulties in Fiscal Year 2000 can be attributed to a precipitous loss of qualified staff in the aftermath of a radical reduction in annual appropriations from \$22 million in Fiscal Year 1999 to \$5 million in Fiscal Year 2000. During Fiscal Year 2000, the IAF lost more than a third of its staff, including the president and CEO, the senior vice president and general counsel, the deputy general counsel, the chief accountant, the director of procurement, and other key staff in the areas of accounting, personnel, procurement, and grant management. Despite the hiring of temporary workers, the IAF Office of Financial Management and Systems (FMS) was overwhelmed by the ongoing needs of the agency to service a portfolio of over 260 active grants and contractors throughout Latin America and the Caribbean. The IAF's difficulties were further exacerbated when FMS offices were moved from one floor to another in an effort to consolidate space as a means of reducing operating costs. The IAF's sole remaining accountant then suffered serious illness during the months of June and July.

-2-

Notwithstanding these difficulties, the IAF was able to complete its grant making activities for Fiscal Year 2000. The IAF appropriation for Fiscal Year 2001 was increased to \$12 million, enabling the IAF to stabilize its staffing situation and implement its strategy to outsource its vital support functions. On January 30, 2001, the IAF Board of Directors unanimously selected a new president and expressed satisfaction with the improvement of program operations and grant management.

The IAF invites the Office of Inspector General to examine current IAF policies and procedures under its agreements with Treasury to ascertain that all issues revealed in the audit have been addressed and the audit recommendations have been adopted fully. In the meantime, the IAF is working with Treasury and the independent auditors to bring to satisfactory conclusion all issues or findings identified in the Fiscal Year 2000 Financial Audit.

### **The Financial Statements**

The assertion of the independent auditors, Regis & Assoc. ("Regis"), that the IAF "was unable to provide, complete, reliable, and timely financial statements" is simply not true. Rather, Regis declined to accept the financial statements, which Treasury prepared (a) when requested, (b) in compliance with federal requirements, and (c) based on the general ledger as reported by Treasury under the FFS system.

In an attempt to accommodate Regis's point of view, a direct discussion, via teleconference, was held with Treasury. Regis directed Treasury to make certain adjustments and to issue revised financial statements. Treasury complied and reissued the financial statements as per Regis's instructions. Several days later, Regis again stated that it could not rely on or use the data. Again, Treasury took Regis's instructions and reissued the financial statements-which Regis once again found wanting.

Similarly, the IAF takes exception to the statement made by Regis that supporting source documentation was incomplete, inaccurate or not provided in a timely manner. Management was not made aware that further documentation support was needed. In fact, management offered to obtain temporary help or have Treasury staff assist but Regis continually declined help, assuring IAF management that all was well. To this day, the IAF's management does not know what documentation Regis needed.

### **The Audit Process**

In connection with the audit process the IAF would like to raise several concerns. These revolve around the issues of timeliness, transparency and audit oversight.

Timeliness. On Friday, March 30, the IAF was informed for the first time of the audit observations and received the Inspector General's draft report at 4:00 p.m. that same day

-3-

with a request that the response be delivered by 10:00 a.m. Monday, April 2. Regis repeatedly attributed the tardiness of its work to the fact that in previous years it had performed the audit within a certain amount of time and expected the same circumstances this year. Yet Regis was informed in September 2000 that the IAF had outsourced its entire accounting and procurement systems. IAF management fails to understand how Regis could have overlooked this obvious condition when planning its work. Regis exacerbated the problem by failing to (a) seek additional help when it finally grasped the complexity of the task at hand, and (b) inform IAF management on a timely basis.

Transparency. As indicated, throughout the audit process there was an utter failure to communicate with IAF management. Despite numerous pleas for information, Regis, contrary to law and custom, elected not to disclose a number of significant issues to the President and General Counsel. If these issues had been disclosed on a timely basis, the IAF would have had an opportunity to provide pertinent information which would have satisfied many of the concerns that Regis raised.

Transparency is more than professional courtesy. Indeed, the Inspector General and Regis had a duty under OMB Bulletin 0 1 -02 to communicate specifically what the issues were and to allow the IAF to remedy any concern that was raised. OMB Bulletin No. 0 1 - 02, Attachment "Audits of Federal Financial Statements," paragraph 5, Communication, states: "There shall be open and timely communication between agency management, including the CFO, and the Inspector General (and the audit firm, if the audit is contracted out) throughout the audit process. The purpose of this communication is to ensure that all parties are kept up to date on the progress and results of the audit to avoid '**surprises**' at the end." (Emphasis added.)

Finally, Regis may have had a duty, under the Codification of Statements on Auditing Standards under AU Section 380.16, Difficulties Encountered in Performing the Audit, issued by the American Institute of Certified Public Accountants (AICPA), to report to the audit committee of the IAF any serious difficulties encountered during the audit. Whether or not these standards apply strictly, one would expect a professional audit firm to follow them in any case.

Audit Oversight . Perhaps many of the audit problems would have been obviated had there been adequate oversight over the scheduling and progress of the audit. The Inspector General, as Contracting Officer's Technical Representative in this instance, has the responsibility of ensuring that the work being performed under contract to the U.S. Government is being conducted and delivered properly.

## Responses to the Inspector General's Recommendations

### **Recommendation No. 1**

- 1.1 The IAF believes that complete, reliable and timely fiscal year end Principal Financial Statements were indeed provided as required by the Chief Financial Officer's Act. Given staffing shortages, the IAF engaged Treasury specifically to assist in year-end closing and in the preparation of the required financial statements. Effective October 1, 2000, the IAF accounting and reporting was outsourced to Treasury. Accordingly, the IAF has established and implemented policies and procedures that will ensure that a balanced general ledger is maintained to enable the preparation of complete, reliable and timely fiscal year-end financial statements in accordance with the Chief Financial Officer's Act.
- 1.2 Effective October 1, 2000, the IAF engaged Treasury to provide the accounting and reporting services for the IAF. Accordingly, with the assistance of Treasury, the IAF has established and implemented policies and procedures that ensure that any significant changes, discrepancies, or other items impacting the general ledger and Principal Financial Statements are supported and documented.
- 1.3 Effective October 1, 2000, the IAF engaged Treasury to provide the accounting and reporting services for the IAF. Accordingly, with the assistance of Treasury, the IAF will have the required Principal Financial Statements and accompanying general ledger available within the required time.

### **Recommendation No. 2**

Effective October 1, 2000, the IAF engaged Treasury to provide the accounting and reporting services for the IAF. Accordingly, with the assistance of Treasury, the IAF will have the required Management Discussions and Analysis (MD&A) prepared and included in the annual audit of the Principal Financial Statements.

### **Recommendation No. 3**

- 3.1 Effective October 1, 2000, the IAF engaged Treasury to provide accounting and reporting services. Included is a service for processing and paying all vendor invoices. The IAF, with the assistance of Treasury, has implemented policies and procedures to assure that all payments are processed in a timely manner.
- 3.2 Effective October 1, 2000, policies and procedures were established to verify compliance, in all respects, with the Prompt Payment Act.

**Recommendation No. 4**

- 4.1 The IAF concurs with the Inspector General that the amount transferred should not be reflected as an expense in the accounting records. The IAF, in consultation with Treasury, is evaluating and analyzing the transaction. Accordingly, the appropriate adjustments will be reflected in the IAF's books and records.

NOTE: The Inspector General has informed the IAF that Items 4.2 and 4.3 have been withdrawn as a result of discussions with the IAF General Counsel, Treasury and the USAID General Counsel.

**Recommendation No. 5**

- 5.1 The IAF will be consulting with Treasury on the best methods to complete any possible outstanding reconciliation and resolve any potential differences.
- 5.2 Adjustments, if any, will be appropriately recorded in the IAFs accounting books and records.
- 5.4 Effective October 1, 2000, the IAF engaged Treasury to provide accounting and reporting services. Accordingly, policies and procedures have been established to ensure the timely presentation of the Fund Balance with the Treasury reconciliations and the resolution of any significant differences, if any.
- 5.4 Effective October 1, 2000, the IAF engaged Treasury to provide accounting and reporting services. Accordingly, policies and procedures have been implemented to segregate appropriately duties between recording, disbursing and reconciliation within the accounting system. Additionally, appropriate supervisory levels and reviews have been implemented to assure the proper function and recording of transactions.

**Recommendation No. 6**

- 6.1 Effective October 1, 2000, the IAF engaged Treasury to provide accounting and reporting services. Accordingly, policies and procedures have been implemented to assure the IAF that the required support documentation is properly maintained to support all transactions.
- 6.2 Effective October 1, 2000, the IAF, in consultation with Treasury, implemented a filing process that will ensure the maintenance and safeguarding of source documents and the efficient retrieval thereof.

-6-

- 6.3 Effective October 1, 2000, the IAF implemented policies and procedures and the appropriate mechanism to ensure the reliability of account balances.
- 6.4 Effective October 1, 2000, the IAF implemented appropriate policies and procedures to keep senior management apprised of any significant discrepancies in the accounting books and records.

**INDEPENDENT AUDITOR'S REPORT ON  
INTER-AMERICAN FOUNDATION'S FISCAL  
YEAR 2000 FINANCIAL STATEMENTS**

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