

096411

~~3.40.24~~

93-0423



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

6
36

INTERNATIONAL DIVISION

APR 6 1973

B-173240



The Honorable John A. Hannah
Administrator, Agency for
International Development

Dear Dr. Hannah:

This letter provides the results of our study and our recommendations relating to a transaction which does not meet the legal requirements for a valid deobligation and obligation of funds. The transaction consisted of deobligating in August 1972 from the population accounts \$10 million of prior-year supporting assistance funds, which had been used under the earmarking provision of Title X of the Foreign Assistance Act, and simultaneously obligating for the same projects \$10 million of current-year population funds.

Over a period of four fiscal years - 1968 through 1971 - AID obligated almost all of the \$260 million earmarked for population assistance only, by Title X of the Foreign Assistance Act. Pursuant to Title X, these obligations were funded from available appropriations, such as Development Loans, Technical Assistance, and Supporting Assistance.

Beginning in fiscal year 1972, a separate line item appropriation for the population program was made available and the use of other appropriations for population activities was discontinued.

Nevertheless, in mid-1972, many of the obligations recorded in 1971 and earlier years for population activities remained in AID's accounts as unliquidated obligations because the related activities had not then been completed.

Also, in mid 1972, AID wanted to augment its fund availabilities for the supporting assistance program. To accomplish this, in August 1972 AID recorded in its population accounts a deobligation of \$10 million of fiscal year 1971 and earlier years supporting assistance funds and simultaneously recorded for the same projects an obligation of \$10 million of fiscal year 1973 population funds.

~~701484~~ 096411

We found that there was no valid basis for the deobligation of the prior-year funds or for the use of 1973 appropriations for funding obligations incurred in prior years.

We were told on November 1, 1972, that AID intended to reobligate the deobligated supporting assistance funds as part of the next cash grant to Jordan. However, the deobligated funds were not used for such purposes, but instead the grant was made from fiscal year 1973 supporting assistance funds.

We brought this matter to the attention of responsible AID officials in February. They agreed that the \$10 million transaction was improper because the prior-year funds were still needed for the population projects. They also provided us with a copy of an instruction from the Deputy Administrator to take whatever steps are required to assure that the Supporting Assistance funds in question remain available for the population projects for which they were originally obligated.

Even though these officials agreed that the instant transaction was improper, they expressed the view that any earmarked funds made available through a proper deobligation would be available for re-obligation for the purpose of the original appropriation, by virtue of the language used in the appropriation acts. For example, if development loan or supporting assistance funds are appropriately de-obligated from the population "pipeline" they can be reobligated for development loan or supporting assistance purposes.

Although we believe that the "deob-reob" authority permits this view we are concerned that AID's position is not consistent with the direction from the Congress at the time of the earmarking that the funds were intended for population assistance only.

RECOMMENDATIONS AND SUGGESTIONS

We agree with the Deputy Administrator's instructions that action be taken to correct the improper transaction. Therefore, we recommend that the prior-year supporting assistance funds be reinstated to the ongoing projects from which they were improperly de-obligated and that the improperly obligated current-year funds be made available for obligations that are incurred in the population program during fiscal year 1973.

You may wish to reconsider the position of AID and take the steps necessary to ensure that recoveries of funds earmarked for the population program are used only for population program activities and are not used for other program activities.

B-173240

We would appreciate receiving your comments on this matter together with advice as to the corrective action taken or contemplated. We would also appreciate receiving copies of your statements of the action taken on our recommendations, to be submitted pursuant to section 236 of the Legislative Reorganization Act of 1970 to the House and Senate Committees on Government Operations and Committees on Appropriations.

We are sending copies of this report today to the above Committees; the Subcommittee on Foreign Operations, Senate Committee on Appropriations; the Foreign Operations and Government Information Subcommittee, House Committee on Government Operations; the Secretary of State; and the Director, Office of Management and Budget.

Sincerely yours,

Charles D. Hyland
for
Oye V. Stovall
Director