095530

2.52.21

36

LM095530

Review Of Accounting System In Operation For Excess Property Revolving Fund

B-158381

Agency for International Development
Department of State

UNITED STATES
GENERAL ACCOUNTING OFFICE

AUG. 31, 1971

095530

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-158381

Dear Dr. Hannah:

We recently completed a review of the accounting system in operation for the Agency for International Development's (AID's) Excess Property Revolving Fund. We are apprising you of our findings to enable you to take appropriate corrective action within a reasonable time so that consideration will not have to be given to withdrawing our prior approval of the system design. We noted also that AID has violated Section 3679, Revised Statutes, 31 U.S.C. 665, which requires that specific action be taken whenever a violation occurs.

We have summarized our findings in the attachment to this letter entitled Accounting System Weaknesses--Excess Property Revolving Fund, dated August 1971. The findings have been described in the summary as (1) unreliable reporting of rehabilitation costs, (2) delayed reporting of income, (3) need for resolution of unbilled costs, (4) expenditures in excess of apportioned funds, and (5) other control weaknesses.

Each section in the attached summary specifies the corrective action that is needed. Most of the needed corrective action relates to implementation of the approved accounting system design, but in the first section, covering unreliable reporting of rehabilitation costs, we have advocated a change in the design. The need for additional action to comply with 31 U.S.C. 665 is explained in the fourth section, covering expenditures in excess of apportioned funds.

We believe that the identified weaknesses have resulted in the issuance of financial statements that have not adequately presented the financial condition and the operating results of the Revolving Fund. For reference purposes, we have included in the attachment current financial statements of the Fund.

Some of the weaknesses also have important implications with respect to operational controls. We believe that those related to inventories, including the rehabilitation and issuance of the inventory items, have especially hampered the exercise of needed controls over day-to-day activities in the excess property program.

We have therefore concluded that the Revolving Fund's existing accounting system does not adequately meet management needs. Accordingly, we recommend that action be taken to change and implement the approved system design, as specified in the attached summary, so that the excess property program can be managed more effectively. We recommend further that action be taken with respect to the over expenditure of apportioned funds, as specified in 31 U.S.C. 665(i).

Section 236 of the Legislative Reorganization Act of 1970 requires that written statements of the action taken with respect to the above recommendations be sent to the House and Senate Committees on Government Operations and to the Committees on Appropriations. We would appreciate receiving copies of the statements furnished to such committees.

Copies of this letter and the attachment are being sent to the above committees, the Subcommittee on Foreign Assistance and Related Programs of the Senate Committee on Appropriations, the Subcommittee on Foreign Operations and Government Information of the House Committee on Government Operations, and the Director, Office of Management and Budget.

We wish to acknowledge the cooperation extended to our representatives during the review. As a part of the review, we discussed our findings with AID officials of the Accounting Division, Office of the Controller, and the Logistics Service Center, and we will be available to answer any questions or render any assistance that you may require concerning the matters discussed in this report.

Sincerely yours,

Oye V. Stovall
Director

Enclosure

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

ATTACHMENT

ACCOUNTING SYSTEM WEAKNESSES
EXCESS PROPERTY REVOLVING FUND
AUGUST 1971

Contents

ACCOUNTING SYSTEM WEAKNESSES
EXCESS PROPERTY REVOLVING FUND
AUGUST 1971

INTRODUCTION

The accounting system weaknesses summarized below were identified by GAO in a review of the accounting system in operation for AID's Excess Property Revolving Fund. The review was conducted during the period January to April 1971, at AID offices in Washington, D.C. and at the Logistics Service Center in New Cumberland, Pennsylvania.

This review has been our first opportunity to test the Revolving Fund's accounting system in operation. We previously approved the design of the accounting system on December 31, 1968, subject to the adoption of certain revisions. On March 20, 1970, we informed AID that we were satisfied that the accounting manual, as revised, included the revisions referred to in our approval letter of December 31, 1968.

We have included in this summary the Revolving Fund's Statement of Financial Condition as of March 31, 1971, and Statement of Operations for July 1, 1970, through March 31, 1971. These statements are included for reference purposes only. As stated in the letter to which this summary is attached, we believe that the accounting system weaknesses identified below have resulted in the issuance of financial statements that have not adequately presented the financial condition and the operating results of the Revolving Fund.

UNRELIABLE REPORTING OF REHABILITATION COSTS

We found that the Revolving Fund's financial reports were unreliable with respect to their stated costs of rehabilitating excess property acquisitions. The unreliability has been caused by the use of an unsuitable technique to account for the cost of issued property and by failure to record all the costs as they were incurred.

Of the two causes cited above, the use of an unsuitable cost accounting technique has had overriding effects because it has distorted reported costs even when all the appropriate costs had been recorded. The principal effect of unrecorded costs has been to understate reported liabilities for rehabilitation costs incurred but not paid.

Unsuitable Cost Accounting Technique

The prescribed technique of accounting for rehabilitation costs applicable to issued property, which was adopted in 1968, is based on averages. While we originally approved this method, we believe that the technique is no longer suitable for the excess property program.

The prescribed technique calls for accumulating the actual rehabilitation costs for all rehabilitated property (deferred rehabilitation costs) until property is issued, at which time a computed portion is removed from the deferred costs and reported as an operating expense. The portion removed and reported as an expense is computed by applying an average cost ratio to the original acquisition value of the issued property. The average cost ratio is periodically determined by comparing deferred costs with the original acquisition value of all ready-for-issue property on hand.

The data below illustrates how the use of an average cost ratio has distorted reported costs. The data covers property representing about 90 percent of the rehabilitation costs reported for property issued from all field offices during January 1971:

	Acquisition Value of Issued Property	Cost of Rehabilitation		Over (under) Reported	
		Reported	Actual	Amount	Percent
Field Offices:					
East	$ 41,076	$ 6,572	$12,904	$(6,332)	(96.3)%
Central	9,808	1,569	1,901	(332)	(21.2)
Tooele	16,404	2,625	2,384	241	9.2
Okinawa	550,200	88,111	-	88,111	100.0
Total	$617,488	$98,877	$17,189	$81,688	82.6%

The above data shows that $81,688 of a reported $98,877, or 82.6 percent, was an overstatement of the reported cost of rehabilitating the issued property. This overstatement resulted from the application of an average cost ratio of 16 percent to the original acquisition value of all issued property, whereas the actual cost of rehabilitating the issued property shown above fluctuated from 31 percent at field office East to nothing at field office Okinawa.

Accordingly, the use of an average cost ratio to compute the rehabilitation cost of issued property caused distortion not only in the total cost reported for the month but also in the distribution of costs to the various field offices. The portion attributed to field office Okinawa was especially misleading because Okinawa earned no income during January to offset its share of the computed rehabilitation costs. The property shown as issued by Okinawa consisted of a transfer of two aircraft, initially acquired as excess property in a ready-for-issue condition, to the property disposal office.

We noted that, during the seven months ending with January 1971, rehabilitation costs totaling $273,779 were reported as an expense of the program for property transferred to Property Disposal. We examined into most of these transfers and found that, of a total of $254,000 in reported rehabilitation costs, only about $80,000 had actually been incurred. The remaining $174,000 represented cost distortion caused by using an average cost ratio.

Some or all of the cost distortion described above could have been offset by reverse distortion in costs applicable to other issued property, but we were unable to determine the total effect of all the distortion during the period. The total distortion could not be determined because some of the actual rehabilitation costs applicable to property on hand at the beginning and the end of the period were not readily available, and consequently the recorded balances of deferred rehabilitation costs could not be compared with the actual costs to identify prior distortion.

Thus, the reported amounts of deferred rehabilitation costs were also unreliable because they consisted merely of the balances remaining after unreliable amounts had been removed for association with issued property.

When adopted in 1968, the use of an average cost ratio, although not exact, was believed to be a reasonably satisfactory method of determining the cost of issued property. This belief was held because the original acquisition value of issued property averaged about $2 million a month and the average rehabilitation costs were estimated at 9 percent of the original acquisition value. It was believed that the relatively large volume of issued property would dilute the effect of any distortion that might be caused by unusual costs incurred to rehabilitate selected property.

During the first seven months of fiscal year 1971, however, the original acquisition value of issued property averaged only about $383,000 a month and, as previously indicated, average rehabilitation costs had substantially increased. In our opinion, the combination of these two changes, plus the fact that rehabilitation costs now vary widely among the field offices, make the use of an average cost ratio an unsuitable technique of accounting for the cost of issued property.

Corrective action needed

We believe that the prescribed technique of accounting for the cost of issued property should be changed. The new technique should consist of accumulating the rehabilitation costs of each item of rehabilitated property and reporting the actual costs as an expense of the program as each item of property is issued. In this connection, we noted that the actual rehabilitation cost of property issued to Nigeria was identified and reported during April 1971, because Nigeria had agreed to pay for the property on the basis of actual costs rather than on the basis of a predetermined percentage of acquisition value (see next section, beginning on page 7). We believe that the Nigerian transaction demonstrates both the desirability and the practicability of reporting on the basis of actual costs, and that the same method should be used to determine the cost of issued property even when no special reimbursement agreement has been made.

We believe also that provision should be made for reviewing the rehabilitation cost accounts and making any adjustments found to be needed. This should include periodic verifications of the recorded balance representing deferred rehabilitation costs.

Unrecorded Rehabilitation Costs

Rehabilitation costs have not been recorded as they were incurred because adequate procedures were not established for recording them promptly. The Revolving Fund's accounting system calls for recording costs as contractor invoices are received and for accruing at the end of the month unbilled costs represented by work in process. We found, however, that many of the billed costs were not recorded until payment was made, and that none of the unbilled costs on domestic work orders was being accrued.

As of December 31, 1970, we identified rehabilitation costs for which bills had been received, totaling $131,990, that had not been recorded as unpaid costs. As a consequence, accounts payable reported at December 31, 1970, were understated by that amount, and these costs were not considered in arriving at the average cost ratio for computing the cost of property issued in January.

The principal reason for delayed recording of billed costs was that contractor invoices were being submitted to the Logistics Service Center, where they were processed for approval prior to submission to the Central Accounts Branch for recording and payment. The Central Accounts Branch then added to the delay by not recording them as accounts payable until they had been paid.

Similarly, the unrecorded accruals for work in process at December 31, 1970, caused an understatement of the Revolving Fund's recorded liabilities as well as the rehabilitation costs considered in arriving at the average cost ratio for computing the cost of property issued in January. The amount by which accrued rehabilitation costs were understated at December 31, 1970, was not readily determinable. The maximum amount was about $417,000, the estimated cost of work authorized by work orders outstanding on that date.

Corrective action needed

In our opinion, the recording of costs as they are incurred is a fundamental requirement for adequate accounting. We believe that it will be especially important to record costs promptly if the actual cost of issued property is to be identified in monthly statements of operation, as previously advocated.

To properly consider rehabilitation costs, adequate procedures should be developed for recording the costs as they are incurred.

DELAYED REPORTING OF INCOME

We found that the reporting of income in the Revolving Fund's financial reports has been delayed. Substantial income was earned, for example, during February and March 1971, when property was shipped to Nigeria, but the income was not recorded as earned in these months. Delays in reporting smaller amounts of income have occurred with respect to the sale of property by the property disposal officer.

In the case of the Nigerian project, the normal procedure of billing the customer and recording income simultaneously with the shipment was not followed because Nigeria had agreed to pay the actual cost of providing the equipment and, at the time of the shipments, the necessary data for developing actual costs had not been accumulated. Such data became available, and the transaction was billed and recorded, during April 1971.

The amount of income derived from the Nigerian sale was over $1 million, consisting of $647,000 for rehabilitation costs, $144,000 for overhead, and $210,000 for transportation costs. By not recording the income promptly, accounts receivable and gross income were understated and the deferred rehabilitation cost account was overstated in the February and March financial reports, the reported net operating losses for the months of February and March were overstated, and the reported net operating gain for April was overstated.

In the case of income derived from sales by the property disposal officer, we noted that the practice has been to record such income when payment was received rather than when the sale was made. This practice has resulted in delayed reporting of income because payment was usually not received in the month of the sale.

Corrective action needed

We believe that proper accounting requires the recording of income at the time the income is earned. We recognize that in some cases exact data will not always be available for this purpose. We believe, however, that reasonable estimates can be made in those cases to permit prompt recording of income, and that necessary adjustments to the estimates can be made subsequently.

Accordingly, appropriate procedures should be developed to ensure that all income is recorded when the income is earned.

NEED FOR RESOLUTION OF UNBILLED COSTS

We found that the Revolving Fund's Statement of Financial Condition has for some time included an accrued liability of $377,000 for unbilled costs incurred by the Army for shipments of material from Frankfurt to Tokyo prior to fiscal year 1970. We were informed by responsible officials at the Logistics Service Center that the Army was unable to bill for these shipments because the shipments were not coded in a manner which would allow the Army to differentiate excess property program shipments from other shipments made at the same time. It therefore appears that the Army has paid from its appropriated funds, without providing for reimbursement, legitimate costs of the excess property program.

Corrective action needed

We believe that the Army's failure to obtain reimbursement for costs paid on behalf of the excess property program had the effect of being a contribution of capital to the Revolving Fund. To correct for this unintended result, immediate action should be taken to resolve the issue, with the intention of either releasing the funds to the Army or returning the funds to the United States Treasury.

EXPENDITURES IN EXCESS OF APPORTIONED FUNDS

We found that accrued expenditures during the first nine months of fiscal year 1971 exceeded the apportioned funds authorized for expenditure during that period. The funds were over-expended because AID had determined that all accrued expenditures need not be charged against apportioned funds when the expenditures occured. This determination ignored the system of fund control prescribed by the Revolving Fund's approved accounting system.

The Revolving Fund's accounting system provides for controlling funds through a complete set of budgetary accounts. Among other things, the accounts are designed to permit periodic comparisons between the amounts apportioned for expenditure and the amounts that have been either expended or obligated for expenditure. The system provides for charging all accrued expenditures to apportioned funds as the expenditures occur.

By the end of December 1970, the budgetary accounts had been maintained only for fiscal year 1970 transactions. Responsible officials, therefore, were not necessarily aware of the true status of apportioned funds for fiscal year 1971 activities. We informed them at that time that, based on readily available records, almost all the apportioned funds had been either expended or obligated for expenditure.

Selected Expenditures Excluded for Control Purposes

AID officials requested additional apportioned funds during February 1971, but the request was obviously not intended to cover all accrued expenditures. By March 31, 1971, based on recorded transactions, apportioned funds were over-expended by $425,717 and the additional funds that had been requested in February (subsequently authorized in April) were insufficient to cover the deficit already incurred, outstanding obligations at March 31, 1971, and estimated administrative expenditures for the balance of the year. Thus, the indication was that apportioned funds would continue to be over-expended at June 30, 1971, even if no new program activities occured during the final quarter of the year.

Our determination of the status of apportioned funds as of March 31, 1971, including projected transactions for the balance of the year, is summarized below:

Apportioned Funds		
Administrative expenditures (3 quarterly apportionments)		$ 736,185
Program expenditures (annual apportionment)		2,397,370
Total funds to March 31, 1971		$3,133,555
Accrued expenditures		
Operating expenses (including prior year adjustments)	$2,017,551	
Increase in deferred rehabilitation costs and inventories	1,541,721	
Total expenditures to March 31, 1971		3,559,272
Deficit incurred		$ (425,717)
Projected transactions		
Deficit incurred (above)	425,717	
1/Outstanding obligations at March 31, 1971	515,263	
Estimated administrative expenditures for 4th quarter	222,936	
Minimum fund requirements	1,163,916	
Additional funds authorized in April (including 4th quarter administrative expenditures)	1,043,090	
Projected minimum deficit		$ (120,826)

1/Prior experience had indicated that these obligations would result in accrued expenditures by June 30, 1971.

Of the accrued expenditures shown above, only the operating expenses, totaling $2,017,551, were considered by AID to be the expenditures chargeable to apportioned funds. The additional expenditures for deferred rehabilitation costs and inventory acquisitions, totaling $1,541,721, were intended to be regarded as expenditures of apportioned funds when they were subsequently recognized as operating expenses of the program. AID officials have described this concept as the "applied" method of determining expenditures chargeable to apportioned funds.

Corrective action needed

We are not aware of any valid basis for excluding selected accrued expenditures to determine the status of apportionments made on the accrual basis. We believe, in fact, that no meaningful method of controlling expenditures is possible through the apportionment process by utilizing AID's "applied" concept.

To properly control apportioned funds, AID should discontinue its practice of subjecting apportionments to the "applied" concept, and implement in its place the system of fund control prescribed by the Revolving Fund's approved accounting system.

Action is also needed to comply with the provisions of Section 3679, Revised Statutes, 31 U.S.C. 665. This legislation requires that funds be apportioned except in cases where an exemption has been obtained, prohibits expenditures in excess of apportioned funds, and prescribes the action to be taken whenever apportioned funds are exceeded. Because the Revolving Fund had not been exempted from the apportionment process, a legal requirement exists for taking the prescribed action.

Discrepancies in Budgetary Accounts

We noted that the budgetary accounts, which contained entries only for fiscal year 1970, did not properly show the status of the Revolving Fund at June 30, 1970. Part of the discrepancy in the accounts was caused by not recording budgetary transactions prior to fiscal year 1970. The balance of the discrepancy was caused by recording erroneous data during fiscal year 1970 in both the budgetary and the proprietary accounts, and then making the needed adjustments in only the proprietary accounts.

The overall discrepancy in the budgetary accounts at June 30, 1970, consisted of a difference between the total funds available for expenditure on an accrued basis, as reflected in the proprietary accounts, and the total of the budgetary account balances in account 950, Unapportioned Funds, and account 965, Unliquidated Obligations. This difference is shown below:

Proprietary accounts	
Revolving Fund net worth at June 30, 1970	$5,700,140
Less: portion in deferred rehab costs and inventories	917,496
Available for expenditure	$4,782,644
Budgetary accounts	
Account 950, Unapportioned Funds, June 30, 1970	4,243,882
Account 965, Unliquidated Obligations, June 30, 1970	209,283
Available for expenditure	4,453,165
Difference	$ 329,479

Of the difference shown above, $185,443 was applicable to transactions prior to fiscal year 1970 that were not recorded in the budgetary accounts, and $144,036 was applicable to erroneous and uncorrected transactions recorded in the budgetary accounts during fiscal year 1970.

Corrective action needed

To obtain meaningful budgetary account balances, the accounts should be corrected for the net effect of all prior errors, procedures should be strengthened to ensure the recording of needed adjustments to the budgetary accounts as those adjustments are made to the proprietary accounts, and the appropriate budgetary account balances should be periodically reconciled with proprietary account balances.

OTHER CONTROL WEAKNESSES

The Revolving Fund's accounting system provides for other controls which have not been maintained. These consist of controls prescribed for cash and inventory transactions.

Delayed Recording of Cash

We noted that the Central Accounts Branch was not promptly recording cash receipts and disbursements in the cash journals. Instead, supporting documentation was held in a suspense file until the end of the month, at which time the documentation was totaled and posted to the appropriate accounts. As of April 20, 1971, unrecorded cash disbursements totaled $214,000 and unrecorded cash receipts totaled $8,778.

The Controller General's principles and standards provide that procedures adopted by federal agencies to account for and assist in providing effective control of cash should be designed to attain complete, honest and accurate accounting for all cash receipts, disbursements, and balances on hand or otherwise available for use. In order to meet these objectives, the principles and standards provide that:

1. All receipts should be deposited promptly and appropriate records of all cash received should be made immediately after receipt.

2. Disbursements should be recorded promptly on the basis of paid vouchers. However, if disbursing is performed by another agency it may be recorded on an approved voucher basis.

The Revolving Fund's prescribed procedures require the recording and footing of all receipts and disbursements of cash on a daily basis. We believe that daily recording of cash transactions is desirable and that no valid basis exists for delaying it.

Corrective action needed

Steps should be taken to ensure compliance with the prescribed procedures for recording cash transactions.

Noncompliance with Prescribed Inventory Control Procedures

We noted that the prescribed internal control procedures for processing and recording inventory acquisitions and issues had not been implemented. The procedures call for independent maintenance of logistic and financial accountability records, with periodic reconciliations of the two to ensure their validity. In actual practice, however, the financial accountability records have been maintained on the basis of results derived from the logistic accountability records. As a consequence, the inventory controls prescribed by the accounting system did not exist.

To control inventory acquisitions, the approved accounting system provides that the Logistics Service Center (LSC) should prepare a single line item release report document and transmit it to the appropriate GSA or DOD holding agency. On the basis of this document, the item is shipped to the designated location where the document is receipted. One receipted copy of the document is to be returned to LSC for logistic accountability, and one receipted copy is to be transmitted to the Central Accounts Branch (CAB) for financial accountability. At the end of each month, LSC is to prepare a machine listing of all inventory acquired during the month, sending a copy to CAB for reconciliation with financial accountability records.

We found that LSC instructed the transferring agencies to send both copies of the release report to LSC. CAB, therefore, has been receiving its copy attached to the monthly machine listing of inventory acquisitions prepared by LSC. Since CAB has not been receiving a copy of the release report from the releasing agency, CAB has had no assurance that all inventory items acquired during the month were included on the monthly listing.

To control inventory issues, the accounting system provides that the holding depot annotates two copies of the document directing the disposition. One annotated copy is to be returned to LSC for logistic accountability purposes and one annotated copy is to be transmitted to CAB for financial accountability purposes. Upon receipt of the shipping document, CAB should promptly issue a bill to the ordering agency.

The accounting manual also provides that at the end of each month LSC should prepare a machine listing of issues and forward it to CAB. CAB is to reconcile these reported issues with the shipping documents received from the holding depots.

We found that CAB was not receiving issue documentation directly from the holding depots. Instead, CAB received the annotated issue reports from LSC as an attachment to the monthly machine listing of issues, similar to the procedure used for acquisitions.

Accordingly, CAB has had no assurance that all the issues were included on the listing. In addition, the modified procedures have delayed the submission of bills to recipients of the property until the monthly listings were forwarded by LSC at the end of the month.

Corrective action needed

The prescribed controls over inventory should be implemented.

FINANCIAL STATEMENTS

Agency for International Development
Excess Property Revolving Fund
Statement of Financial Condition
As of March 31, 1971

ASSETS		
Funds with U.S. Treasury	$3,106,059	
Accounts receivable	369,331	
Travel advances	300	
Inventory-purchased parts & supplies	1,067,619	
Deferred rehabilitation costs	1,391,598	
Total assets		$5,934,907
LIABILITIES		
Accounts payable	469,427	
Accrued expenses payable	695,676	
Total liabilities		1,165,103
NET WORTH		
Original investment	5,000,000	
Cumulative net gain from operations as of 6/30/70	700,140	
Operating gain (loss) FY 1971 to date	(930,336)	
Total net worth as of 3/31/71		4,769,804
Total liabilities and net worth		$5,934,907

Note: (1) Non-funded U.S. Government personal property for which the Excess Property Revolving Fund is accountable, has an original acquisition cost value of $20,505,873 as of March 31, 1971 and is not included in this statement.

Note: (2) During the months of February and March, excess property having an original acquisition cost of $1,206,276, was shipped under special rehabilitation standards. Inventory accountability has been appropriately adjusted to reflect these issues. This financial statement, however, gives no effect to income accruing as a result of the shipments. Direct costs related to the special rehabilitation are currently included in inventory-purchased parts & supplies and deferred rehabilitation costs.

GAO Note: The above statement, including the notes, was prepared by AID. We believe that the statement does not adequately present the financial condition of the Revolving Fund at March 31, 1971.

Excess Property Revolving Fund
Statement of Operations
July 1, 1970, through March 31, 1971

Income:		
Service charges[1/]	$730,054	
Accessorial charges	354,952	
Other sales[2/]	2,209	
Total		$1,087,215
Current FY expenses:		
Applied rehab. costs	757,256[4/]	
Reimbursable costs	136,158	
Freight costs	189,262	
Delivery costs	232,787	
Personnel cost	553,033	
Travel & related costs	40,709	
Administrative costs	43,956[3/]	
Total - FY expenses		1,953,161
Net results of current FY operations for the Fund		(865,946)
Additional gain (loss) prior FY adjustment		(64,390)
Net operating gain (loss)		$(930,336)

Notes: (1) Service charges represent a percentage rate applied to the original acquisition cost or standard unit price of the item issued, to recover the expenses incurred in the operation of the program.

(2) Proceeds from sale of property disposed of by PDO.

(3) Includes FY 1971 State Administrative Support costs for Frankfurt ($19,350) and Tokyo ($133).

(4) Includes $276,496 applied costs for "ready for issue" inventory transferred to Property Disposal for FY to date.

GAO Note: The above statement, including the notes, was prepared by AID. We believe that the statement does not adequately present the operating results of the Revolving Fund for the period.