



# VIETNAM EDUCATION FOUNDATION

## Recent Improvements Made in Internal Controls, but Weaknesses Persist

Highlights of [GAO-10-442](#), a report to the Chairman and Ranking Member, Committee on Foreign Relations, U.S. Senate

### Why GAO Did This Study

The Vietnam Education Foundation (VEF) Act of 2000 established VEF as an independent agency of the executive branch. A 13-member board of directors provides primary oversight. VEF also receives guidance from other entities in carrying out its mission to further bilateral relations between the United States and Vietnam through educational exchanges in science, technology, and other fields. In light of challenges identified in managing VEF's operations, GAO was asked to examine the extent to which VEF has implemented a framework for internal control. To address this objective, GAO analyzed VEF's financial statements, audits, board meeting minutes, and policies and procedures, and conducted interviews with past and current board members, as well as VEF management and staff. GAO's *Standards for Internal Control* were used to assess this information.

### What GAO Recommends

GAO recommends that the VEF Board direct the Executive Director to take steps to implement actions across all five standards of internal control, including identifying and addressing gaps in the control environment, and assessing and managing risks. GAO also recommends that the VEF Board monitor and oversee VEF management's actions. VEF agreed with our recommendations.

### What GAO Found

Since 2003, VEF has implemented some elements of internal control, but still lacks a comprehensive risk-based internal control framework. At its inception, VEF's board and management were responsible for creating programs as well as internal control; they focused on the former to start up a fellowship program and build ties with Vietnamese institutions. VEF then implemented some elements of internal control in response to external auditor findings, and since May 2009 has enhanced or adopted additional control activities, such as approving a Hanoi office manual. However, key gaps still exist in the five internal control standards:

- A supportive attitude toward internal control and conscientious management is the foundation for all other standards, but the control environment at VEF has been inadequate and reactive. GAO found that VEF is not fully aware of its internal control responsibilities and has not clearly articulated a performance-based compensation framework.
- Management needs to comprehensively identify risks, but VEF officials have conducted individual assessments of particular risks, such as creating budget forecasts, and not a comprehensive assessment.
- Control activities are the policies and procedures that enforce management's directives, but GAO identified several areas in which VEF lacks clear control activities, such as lack of an office manual documenting policies for its Washington staff.
- An agency should have relevant, reliable, and timely communications relating to internal as well as external events, but GAO determined that VEF management has not always communicated critical information effectively with either VEF's board or staff.
- Ongoing monitoring of internal control should occur in the course of normal operations, but GAO found instances where VEF did not engage in ongoing monitoring, such as whether it continued to meet the requirements for exceptions to the Fly America Act.

Existence of Selected Control Activities at VEF

	2003	2004	2005	2006	2007	2008	2009	None exist
Hanoi office manual		Ⓟ						
Washington office manual								○
Performance-based compensation criteria – Washington								○
Performance-based compensation criteria – Hanoi					Ⓟ			
VEF-wide contracting procedures								○
VEF-wide monthly expenditure tracking				Ⓟ				

Ⓟ Start date      Ⓟ In development      ▶ Continuing activity      ○ None exist

Source: GAO analysis of VEF documents.

View [GAO-10-442](#) or key components. For more information, contact Jess T. Ford at (202) 512-4268 or [fordj@gao.gov](mailto:fordj@gao.gov).