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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Area Auditor General, Africa
Nairobi, Kenya

December 13, 1979

MEMORANDUM FOR: Ambassador John R. Clingerman
U.S. Embassy
Lesotho

FROM : Ray D. Cramer *RD Cramer*
Area Auditor General, East Africa
Nairobi, Kenya

SUBJECT : Memorandum Report on Examination of
AID Special Self-Help Development
Activities in Lesotho.
Audit Report No. 3-632-80-6.

INTRODUCTION

The overall purpose of Self-Help programs is to demonstrate U.S. interest in the welfare and self-help endeavors of local communities in less developed countries. The Self-Help program provides an administrative mechanism within which the principal U.S. Diplomatic Officer may respond quickly and without regard to the comprehensive or sectoral strategies of regular bilateral assistance programs. The immediate objective of AID engaging in any self-help activity is to generate public good will and demonstrate the benefits which can accrue from a community helping itself.

During FY 1978, \$134,648 in Self-Help funds were obligated in Lesotho, in FY 1979 \$115,000 was allotted. We examined the Lesotho program to determine whether Self-Help funds were being used for intended purposes; whether objectives were being achieved; and whether the programs were being conducted in compliance with AID Manual Order 1323.1.2, other AID regulations and applicable legislation. Our audit included steps to verify the efficiency and economy of administrative management, the effectiveness of project implementation, and the financial accountability for funds expended by AID.

Program results were observed through project site visits, reviewing project documentation and files maintained by Embassy/Lesotho, and reviewing financial records maintained by the East Africa Accounting Center (EAAC) in Nairobi, Kenya.

Prior to October 6, 1979, Self-Help activities for the three countries of Botswana, Lesotho, and Swaziland were directed by one Ambassador who resided in Gaborone, Botswana. Effective October 6, 1979, with the departure of the Ambassador, each of the United States Embassies in the three countries began reporting directly to the Department of State in Washington, D.C. This report addresses Self-Help audit issues in Lesotho.

The audit findings in this report were discussed with Embassy/Lesotho staff administering the Self-Help program at the conclusion of the audit field work. A draft of this report was submitted for comments to the Embassy and EAAC in November 1979. Comments provided by these entities were considered in finalizing this report.

CONCLUSIONS

The projects selected by the Embassy in Lesotho met the criteria to (a) improve basic economic and social conditions at the local community level, (b) stimulate local community action, and (c) generate good will toward the United States. Although these projects fell within the Self-Help criteria, we were unable to measure success because:

- The Embassy had not requested completion reports from the beneficiary upon completion of the projects, or reported on their own inspections of the projects' progress.
- The Individual Activity Agreements (IAAs), which are the implementing contracts between the host country and U.S. government, did not contain some basic project information, such as the final date for issuing implementing documents.

Our last audit report on Lesotho Self-Help activities, dated June 14, 1974, made several recommendations for correction of deficiencies found during that audit. Subsequently, the recommendations were closed based on assurances that corrective actions had been taken. During our current review (some five years later), we found similar deficiencies to those cited in our 1974 report. In correcting the deficiencies noted in this report, actions should be taken which will ensure continuation of the corrective measures.

FINDINGS AND RECOMMENDATIONS

Physical Status

Project status could not be readily determined because neither trip reports nor completion reports were prepared by the beneficiaries or Embassy administrative staff. Our prior audit report issued on June 14, 1974, criticized the Lesotho Self-Help program for failing to document visits to project sites, for failing to file completion reports on closed out projects, and failing to obtain assurances that projects had in fact been successfully completed.

The Embassy stated in response to our prior Self-Help report for the three countries of Botswana, Lesotho, and Swaziland, that they would "do their best to visit all project sites and document these visits. Completion reports on closed out projects will be done..." However, the physical status of FY 1979 projects could not readily be determined because we found no report of trips or inspections in the files, and because Individual Activity Completion Notifications were not prepared. AID Manual Order 1323.1.2 states the implementing agent or activity supervisor should submit completion reports. In cases where this is not done, the responsible U.S. official should prepare a completion notification based on visits to projects (required at least once during project implementation) or whatever information is available.

The reason for completion reports not being submitted by project beneficiaries is apparent--there was not a requirement in the IAAS for submission of completion reports. Thus, the Self-Help beneficiary was not aware of AID's requirement for a completion report. The Embassy had not followed up by requesting these reports; nor had the Embassy prepared a completion report from other available information. As a result, it was not possible to readily verify that the intended beneficiaries of Self-Help funds in fact received the services and commodities for which funds were expended.

Recommendation No. 1

Embassy/Lesotho, when processing IAAs through the approval process, use a checklist approach to ensure that the requirement for project supervisors (beneficiaries) to submit a completion report upon physical completion of the project is included in the IAA. In instances where the requirement is not subsequently met by the beneficiary, the Embassy should prepare a completion report pursuant to Manual Order 1323.1.2.

Project Documentation

The lack of essential data in Individual Activity Agreements limited measurement of project success. Our prior audit issued on June 14, 1974, criticized the Self-Help program in Lesotho for not executing IAAs consistent with Manual Order 1323.1.2 guidelines and sample format.

Again, during this audit we found that IAAs did not conform with the sample IAA in Manual Order 1323.1.2. (Attachment B). IAAs should, but did not, contain the terminal date for issuing implementing documents, which can be no later than one month after date of the agreement. Instead the IAAs stated the project would be terminated if implementing documents were not initiated within six months of signing the agreement. Without the required terminal dates, it becomes difficult to determine if projects are being implemented expeditiously.

Recommendation No. 2

Embassy/Lesotho develop an essential items checklist to ensure that IAAs are prepared in accordance with provisions of Manual Order 1323.1.2. and the sample shown under Attachment B to the Manual Order.

Financial Status

A failure on the part of the Embassy to monitor project obligation and expenditure progress caused delays and mistakes in the adjustment of Self-Help project accounts. In FY 1979, the Lesotho Self-Help program was allotted \$115,000 compared to a net allotment of \$134,000 in FY 1978 and \$40,000 in FY 1974. During FY 1979 (through July 31, 1979), the Embassy obligated the full allotment of \$115,000 under 22 Self-Help projects. Eighteen of the projects were over six months old, but only ten were financially complete with a zero balance. Disbursements should normally be completed within six months of signing an IAA.

The USAID/Lesotho Controller had started a review procedure during FY 1979 for checking the validity of obligations over six months old. However, we noted two projects signed in December 1978 in which obligations exceeded \$40,000, but less than \$10,000 were covered by implementing documents. These projects should be closely reviewed and deobligated unless strong justification exists for continuing them. Timely deobligation action (within the same fiscal year) frees funds for other worthwhile projects.

Eight projects were carried forward from FY 1978 with unliquidated balances totaling \$3,235. A number of these were projects with residual balances resulting from actual costs being in variance with the original obligation. They required upward or downward adjustments. Manual Order 1323.1.2. provides for such adjustments to be shown on the Memorandum Obligation Record (MOR).

In response to this point in our draft report the USAID/Lesotho Controller stated that he had been reconciling FY 1979 account data. In addition, following our audit the Controller stated that the Self-Help portfolio was reviewed with the result that MORs were issued and presented to EAAC in November 1979 to clear all remaining FY 1979 IAA balances except two.

We are not making an audit recommendation as to actions on FY 1979 and 1978 accounts, since the above procedures should provide the necessary information to identify, review, and act on projects which are not financially complete within a prescribed time limit.

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