

## U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Area Auditor General, Africa  
Nairobi, Kenya

December 12, 1979

MEMORANDUM FOR: Mr. James R. Wachob  
Charge d'Affaires  
Embassy/Swaziland

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

SUBJECT : Memorandum Report on Examinations of AID  
Special Self-Help Development Activities  
in Swaziland. Audit Report No. 3-645-80-5.

INTRODUCTION

The overall purpose of Self-Help programs is to demonstrate U.S. interest in the welfare and self-help endeavours 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 to a community helping itself.

During FY 1978, \$96,334 in Self-Help funds were obligated in Botswana; in FY 1979 \$85,000 was allotted. We examined the Swaziland 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/Swaziland, 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 Swaziland.

The audit findings in this report were discussed with Embassy/Swaziland 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 FY 1979 projects selected by the Embassy in Swaziland met Self-Help 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 to the extent intended under Manual Order 1323.1.2. The status of projects was limited to a report prepared by an Embassy intern in August 1979.

Project management was generally in accordance with regulations and procedures, but some improvement was needed in project administration.

Our last audit report on Swaziland 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

The Embassy had not obtained completion reports from the beneficiaries or reported on its own inspections of projects to the extent intended under Manual Order 1323.1.2.

Our prior audit report issued on June 13, 1974, criticized the Swaziland 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...

Except for a one time follow-up and status report on 1979 projects, prepared by a summer intern, we found no reports of trips or inspections of 1978 or 1979 projects. 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 no 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. The one source of information was prepared by an Embassy summer intern who reviewed the entire 1979 Self-Help program and submitted a report in August 1979. We do not believe this fully met the requirements of Manual Order 1323.1.2. (page 9) which states, "Followup will be made at least once during the implementation stage of a project and more frequently if the nature and amount of U.S. financing warrants."

Completion reports would make it 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/Swaziland, when preparing and approving IAAs, 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.

### Financial Status

The lack of reconciliation feedback between EAAC and Embassy/Swaziland, and 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 Swaziland Self-Help program was allotted \$85,000 compared to a net allotment of \$98,334 in FY 1978, and \$25,000 in FY 1974. During FY 1979 through July 31, the Embassy obligated \$84,470 for 26 Self-Help projects from the \$85,000 allotment.

At the time of our review, eleven projects were at least six months old; and seven were financially complete. Normally all projects are expected to be complete within six months of signing an IAA. The Embassy did not have a review procedure for checking the validity of obligations over six months old. The Embassy should follow up and determine which balances can be deobligated. Timely deobligation action (within the same fiscal year) frees funds for other worthwhile projects.

All projects need to be scrutinized for deobligation action when implementing documents (purchase orders) have not been issued or only partially issued. We observed that implementing documents were not being issued in some cases within the one month time period specified in the IAA and the Standard Revisions Annex attached thereto. This was partly because implementing documents were issued after receipt of suppliers' invoices, and not at the time of signing an IAA. Of the last eight IAAs (all signed more than one month prior to our review), implementation documents had not been issued for six IAAs.

Three projects were carried forward from FY 1978 with unliquidated balances totaling \$7,401. Two projects show different obligations between Embassy and EAAC records.

<u>IAA No.</u>	<u>Obligation</u>	
	<u>Embassy</u>	<u>EAAC</u>
8-845-16	\$1,000	\$3,000
8-845-32	\$5,761	\$3,779

In October 1978, the Embassy reported by cable to EAAC the differences in obligations, but at the time of our review these differences remained. The Embassy had taken no action to clear residual balances because of lack of current information on their existence. Periodic reports from EAAC would give the Embassy the necessary "feedback" information. Since all FY 1978 projects were more than six months old, they should be reviewed and closed out unless there is a clear justification for holding 1978 project funds open.

In response to our draft report, the Controller of EAAC stated:

"I believe it would be appropriate to clarify the issue regarding financial data which is routinely provided for Self Help activity by EAAC. We routinely send to each of our client posts copies of monthly U-101 reports and quarterly Project Financial Activity reports. These reports are pouched directly to the client AID post.... We had unfortunately assumed that EAAC reports would be distributed within the U.S. Mission as required. Effective with the December 31 reports, appropriate copies of U-101's and PFAR's applicable to Self Help activities will be pouched directly to the American Embassy."

Recommendation No. 2

Embassy/Swaziland, in conjunction with EAAC, review FY 1979 and FY 1978 unliquidated balances and take deobligation action unless justification exists for not closing these balances.

Recommendation No. 3

Embassy/Swaziland should include in the checklist approach (see Recommendation No. 1) a procedure to review for deobligation those projects which are not financially complete within six months.

Project Implementation

Assistance to local community educational institutions is a valid undertaking under Self-Help criteria, but in Swaziland there may have been an over-emphasis on projects involving school construction and renovation. Of the \$84,470 obligated in FY 1979 (through July 31), almost \$54,000 was used in school construction projects.

Although the value of education at the community level cannot be denied, it does not seem appropriate for the U.S. government to concentrate its Self-Help support on school construction projects. To do so removes pressure from the Swaziland government to increase its own commitment to education. In fact, teachers were not always immediately available for Self-Help classrooms when they were completed.

The Embassy advised us they had already decided to reduce the level of support for school construction projects, but on a gradual basis. They further stated that in FY 1980, less than 50 percent of Self-Help funds would be programmed for school projects.

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