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AUDIT OF SCHOOL CONSTRUCTION
III PROJECT - JORDAN
PROJECT NO. 278-0276

AUDIT REPORT NO. 3-278-88-11
April 11, 1988

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

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MEMORANDUM FOR DIRECTOR, USAID/Jordan, Lewis P. Reade

FROM: RIG/A/Nairobi, Richard C. Thabet 

SUBJECT: Audit of School Construction III Project-Jordan
Report No. 3-278-88-11

This report presents the results of our Audit of School Construction III Project-Jordan. Five copies of the audit report are enclosed. The draft report was submitted for your comments and based on your comments, we made changes to the report. The final audit report contains no recommendations and no action is required on your part.

I wish to commend USAID/Jordan for its efforts on this most successful project. The method of financing chosen during the initial project design contributed toward the schools being constructed under budget, and is commendable. USAID Jordan's monitoring and enforcement of the financing arrangement with the Government of Jordan during the life of the project are also commendable. We plan to discuss the agency-wide implications of using this method of financing with the Assistant Administrator, Bureau of Policy, Planning and Coordination in Washington, D.C. I appreciate the cooperation and courtesy extended to my audit staff during the audit.

Background

Since fiscal year 1975, A.I.D. has provided significant support to the Government of Jordan's program to expand Jordan's educational infrastructure. In 1975, USAID/Jordan provided a loan of \$7 million under the School Construction I Project (278-0190) to help finance the cost of 18 schools with 371 classrooms. In fiscal year 1980, the School Construction II Project (278-0232) provided a grant of \$6.7 million to partially finance the construction cost of 14 schools with about 420 classrooms. In addition to the School Construction I and II Projects, USAID/Jordan provided three loans for Village Development in the Jordan Valley and Southern Ghors, that were used in part to construct 72 new schools with a total of 1,020 classrooms. The 1,811 classrooms constructed under the above A.I.D. projects have provided schools for about 63,400 children.

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Project No. 278-0276, School Construction III continues these efforts by providing \$30 million for about 40 more Jordanian schools. The 40 schools will have about 1200 classrooms for about 42,000 compulsory level (grades one through nine) students in poor, congested areas throughout Jordan. Schools were to be constructed from the same standard design used for the School Construction II Project. Each school was to have administrative space, about 30 classrooms, a library, and science and vocational laboratories. The project was undertaken to accommodate a growing school-age population, replace inadequate leased or government-owned schools, and reduce the need for having two class sessions per day in some schools.

As of September 30, 1987, USAID/Jordan had agreed to contribute toward the cost of 37 schools. Construction activity at that time ranged from surveying the school site to completion of structural framing and the floors. A.I.D.'s financial contribution toward the 37 schools totalled \$24,418,790, or \$659,967 per school, which represented 72.9 percent of total estimated cost for the 37 schools. The Exhibit shows the 37 schools and USAID/Jordan's contribution towards their cost.

A modified Fixed Amount Reimbursement (FAR) system was used to disburse project funds. Under terms of the modified FAR, USAID/Jordan would make an initial disbursement of 20 percent of the amount approved for each school after the GOJ had submitted evidence showing that construction was ready to proceed. Four additional payments totalling 80 percent of the approved amount were payable in increments as construction progressed and furnishings and equipment were put into place. As of September 22, 1987, USAID/Jordan had approved disbursements totaling \$3.1 million, which represents the first FAR payment for 22 of 37 schools officially approved to date.

Audit Objectives and Scope

A program results and economy and efficiency audit was made of the School Construction III Project. The objectives of the audit were to determine whether:

- the project was meeting its objectives;
- A.I.D. resources were being used efficiently and effectively within terms of the project agreement; and
- USAID/Jordan was adequately monitoring the project.

The audit was made during September through December 1987, primarily at the Office of USAID/Jordan in Amman, Jordan. Visits were made to eight school construction sites in As Salt/Azarieh, As Salt/Azieh, Damia, Kherbet, Kufrinjeh, Souf, Um El Hiran and Wadi Mousa, Jordan. U.S. funds audited were obligations of \$30 million, commitments of \$24.4 million and disbursements of \$3.1 million. We also confirmed that counterpart contributions of approximately \$9.1 million for the first 37 schools were being made in conformance with the project agreement.

The audit reviewed documentation in project files and financial records, including project implementation letters, progress reports, correspondence and accounting records. The documentation was dated from 1982 through September 1987. Discussions were held with officials from USAID/Jordan, the Jordanian Ministry of Education, local school officials and private Jordanian consulting and engineering firms.

We examined USAID/Jordan's internal controls over site selection, contracting, construction and disbursement activities conducted under the project. An impairment experienced in reviewing internal controls was that some of the documentation provided by the GOJ over site selection and contracting was in Arabic. In these cases, we relied on translations made by personnel from within the Office of the USAID/Jordan of parts of the written material. We also considered the final evaluation of the School Construction II project made by USAID/Jordan officials in August 1985. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

The project was progressing quite well. Project objectives were being met, in that the project would result in well designed and constructed schools and the number of classrooms would meet the project's quantitative goals. Project resources were being efficiently and effectively used within terms of the project agreement. Individual schools were expected to cost less than estimated, and most schools should be completed by the Project Assistance Completion Date of September 30, 1989.

The success of the project, in our opinion, can be attributed in part to the method of financing chosen during the initial project design. USAID/Jordan also adequately monitored and enforced project conditionalities and contracting and construction activities during project implementation.

The estimated project cost of \$41.4 million includes a potential A.I.D. contribution of \$30 million, which was obligated in September 1985. As agreed with the Government of Jordan (GOJ), USAID/Jordan contributed 75 percent of an individual school's cost, up to a maximum of \$750,000 per school. Once the amount of A.I.D.'s contribution was determined, it was fixed, regardless of the amount of actual costs subsequently experienced. The GOJ contributed 25 percent of the cost up to \$1 million and paid all costs in excess of \$1 million at any individual school. The GOJ also contributed land for the 40 schools.

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Discussion - The Grant Agreement between the Hashemite Kingdom of Jordan and the United States, September 24, 1985, stated that about 40 schools will be constructed containing about 1200 classrooms. The agreement further stated that A.I.D.'s contribution to the project would not exceed \$30 million, and that the project may be cancelled upon 30 days written notice by either party. Further, the project paper, September 19, 1985, described the project's purpose as helping to satisfy demand for school classroom space with modern, efficient classroom facilities.

USAID/Jordan has substantially met the above targets. As of September 30, 1987, USAID/Jordan had approved 37 schools for construction that will contain 1107 classrooms, and was preparing to approve three more schools with about 84 classrooms. The total of 1191 classrooms will accommodate about 41,700 students.

USAID/Jordan planned to spend all \$30 million of obligated funds and was prepared to approve additional schools until all \$30 million was committed. After approving school numbers 38 through 40, the project's goals of constructing 40 schools with about 1200 classrooms will substantially have been met.

Approximately \$3.6 million will remain in the project after funding the 40 schools. A.I.D.'s contribution toward the first 37 schools totalled \$24,418,790, or \$659,967 per school (Exhibit). As USAID/Jordan had budgeted A.I.D. contributions of \$750,000 per school, the project had remaining available funds that USAID/Jordan planned to use for additional schools or to purchase additional equipment.

USAID/Jordan had excess funds because careful management had kept costs within estimate and therefore available contingency funds were unneeded. USAID/Jordan had estimated a cost of \$1,035,000 per school, consisting of \$900,000 for construction, supervision, furnishing and equipment, and \$135,000 for contingencies. Total approval costs for the above cost elements for the first 37 schools averaged \$905,631 per school. Therefore most of the contingency funding of \$135,000 per school was unneeded. USAID/Jordan's portion of the resulting savings totalled \$3.6 million.

USAID/Jordan has contributed significantly towards Jordan's educational infrastructure. Including the first 40 schools constructed under the School Construction III Project, USAID/Jordan will have contributed toward about 3,000 compulsory-level classrooms for about 105,000 children. The \$3.6 million left in the project will enable USAID/Jordan to even go further and exceed the project goals by building three or four additional schools.

Compliance and Internal Control

There were no compliance or internal control issues reported above.

Other Pertinent Matters

A compliance issue noted during the audit but not reported above concerned conditions precedent. USAID/Jordan did not require the GOJ to fully satisfy conditions precedent related to sites selected for project schools. A.I.D. Handbook 3 required that conditions precedent specify actions essential to project success. Project objectives required that schools be located to benefit disadvantaged groups and to improve the learning environment by replacing schools with poor facilities or overcrowded conditions. The objectives were considered sufficiently critical to the project's success so that the project's grant agreement, September 24, 1987, required the GOJ to provide evidence that each school met the site selection criteria jointly agreed to by the parties.

This condition was not properly satisfied. A comparison of information provided by the GOJ concerning the sites and the evidence that was required according to the criteria (see Appendix) showed the following deficiencies:

- There was no rank order of proposed sites in descending order according to the four categories: sites that had (1) no existing schools, (2) inadequate rented schools, (3) inadequate GOJ-owned schools, and (4) GOJ-owned schools that required split sessions to accommodate all students.
- There was no information showing that prospective students would come primarily from low-income families that lived within two kilometers of the proposed sites.
- The GOJ presented no information on projected demographic change near the proposed school sites.
- No information was presented on the relative availability of utilities or the cost of land and construction. Information on availability of land for potential future expansion was provided for only the first 8 of the 37 approved sites.

As a result of not satisfying the site selection criteria, schools constructed under School Construction III may not have fully met project objectives. Therefore, USAID/Jordan had no assurance that the \$24.5 million previously approved under School Construction III will be used to best advantage.

Although we are not making a formal recommendation, USAID/Jordan should ensure full compliance with conditions precedent established in its projects, or formalize waivers from established conditions.

Another issue concerned disbursements. We noted one instance where USAID/Jordan had disbursed funds of \$132,832.40 to the GOJ for the first payment for the Dairet El-Sir school without the invoice having been certified for payment by the project officer. Good internal control requires that disbursing officials rely upon certification that the amounts invoiced are proper, based upon the detailed knowledge of the project officer. This instance was the only one noted and there was no adverse impact, as the funds were properly due the GOJ.

AUDIT OF SCHOOL CONSTRUCTION
III PROJECT - JORDAN

EXHIBIT AND APPENDICES

ExhibitSchools Approved By USAID/Jordan
As of September 30, 1987

<u>Number</u>	<u>Name of School</u>	<u>Total Cost</u> ^{1/}	<u>USAID/Jordan's Contribution</u>
1	Awajan	\$817,224	\$612,918
2	Jabal Al-Nasr	846,969	635,227
3	Wadi El-Hajar	875,738	656,804
4	Biader Wadi El-Sir	822,980	617,236
5	Prince Hasan Quarter	915,231	686,424
6	North Hashami	913,876	685,408
7	Kherbit Al-Soug	795,755	596,817
8	North Joufeh	929,101	596,826
9	Um El-Hiran	784,878	588,659
10	Sahhab	865,594	649,196
11	Jabal El-Hussein	896,981	672,661
12	Daret El-Sir	885,549	664,162
13	Al-Fagaha	711,557	533,668
14	Irbid/Sheikh Khalib	909,957	682,468
15	Al-Mafrag	912,752	684,564
16	Al-Ain-Al-Baida	877,220	657,915
17	Ramtha	925,682	694,262
18	Irbid/Al-Barha	964,500	723,375
19	Kufrinjeh	1,142,132	750,000
20	New Zarga	930,547	697,910
21	Tebneh	1,083,214	750,000
22	Kufor Awan	1,076,077	750,000
23	Jubaiha	1,040,747	750,000
24	Madaba/Maein	889,647	667,235
25	Salt/Al-Azarieh	1,284,376	750,000
26	Salt/Um Acieh	1,028,584	750,000
27	Balama	863,815	647,562
28	North Ruseifa	656,358	492,269
29	Aqaba	1,026,094	750,000
30	Ma'an	835,277	626,458
31	Tafila/Al-Burnus	1,034,399	750,000
32	Al-Husseinieh	912,332	684,249
33	Wadi Musa	1,224,027	750,000
34	Hawara	667,424	500,568
35	Beshra	725,653	544,240
36	Souf	858,832	644,124
37	Damia	567,380	425,535
	Totals, 37 schools.	<u>\$33,498,359</u>	<u>\$24,418,740</u>
	Average per School	<u>\$905,361</u>	<u>\$659,965</u>

^{1/} Total cost includes contracted cost of construction and construction supervision, inclusive of architectural and engineering services; and estimated cost of furnishings and equipment.

SITE SELECTION CRITERIA

Implementation Letter No. 2, December 24, 1985, as agreed to by Dr. Abdalla Nsour, Jordanian Minister of Planning, and Mr. Gerald F. Gower, USAID/Jordan Director, specifies:

- "1. Project schools will be sited so that they:
 - a. Primarily serve students from low income families living within 2 kms of the site.
 - b. Primarily serve male and female students in the compulsory (Grades 1-9) cycle taking into full consideration requirements for female schools.
 - c. Take into account demographic change in the community.
- "2. Sites meeting these general criteria would then be selected according to the following priorities in descending order:
 - a. Sites where no MOE (Ministry of Education) educational facilities are now available.
 - b. Sites which would replace inadequate rented facilities.
 - c. Sites which would replace inadequate MOE-owned facilities.
 - d. Sites which would replace or expand MOE-owned facilities where split sessions are now being held.
- "3. Other considerations financial, economic and engineering in making site selection:
 - a. The relative availability of services shall be considered (power, water and sewerage).
 - b. Relative costs of site preparation and construction (level versus difficult sites).
 - c. Land availability for future expansion."

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