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AUDIT OF  
SWAZJLAND CROPPING SYSTEMS RESEARCH  
AND EXTENSION TRAINING PROJECT  
NO. 645-0212

AUDIT REPORT NO. 3-645-88-05  
MARCH 14, 1988

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

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March 14, 1988

MEMORANDUM FOR DIRECTOR, USAID/Swaziland, Roger D. Carlson

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

SUBJECT: Audit of Swaziland Cropping Systems Research  
and Extension Training Project No. 645-0212

The Office of the Regional Inspector General for Audit/Nairobi has completed its audit of the USAID/Swaziland Cropping Systems Research and Extension Training Project No. 645-0212. Five copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment and your comments are attached to the report. The report contains three recommendations. Recommendation No. 2b is considered closed. Recommendation Nos. 1, 2a and 3 are resolved and will not be closed until completion of planned or promised actions. Please advise me within 30 days of any additional actions taken to implement Recommendation Nos. 1, 2a and 3.

I appreciate the cooperation and courtesy extended to my staff during the audit.

## EXECUTIVE SUMMARY

The Swaziland Cropping Systems Research and Extension Training project's ultimate aim was to help small scale subsistence farmers increase production and thereby generate cash sales to improve their standard of living. This was to be accomplished by improving and expanding the research and extension capacity of the Ministry of Agriculture and Cooperatives. As of September 1987, A.I.D. had expended \$6.6 million of \$11.4 million obligated since the project's start in October 1982 under Pennsylvania State University guidance. The project completion date had been extended one year to September 1988.

The staff of the Regional Inspector General for Audit, Nairobi conducted a program results and economy and efficiency audit. The audit's objectives were to determine if: (i) the project established within the Ministry of Agriculture and Cooperatives an agriculture information and publication capability, (ii) the project improved the Ministry's research capability, (iii) the project benefited small scale farmers by providing them research recommendations through the extension system, (iv) project participant training targets were achieved, (v) funds obligated for the life of the project corresponded to the amount actually required, and (vi) Pennsylvania State University implemented an adequate property management system.

The project had a number of accomplishments. The project successfully built within the Ministry of Agriculture and Cooperatives an agriculture information and publication section, which successfully aired a daily radio program covering agricultural topics, and published numerous booklets potentially helpful to farmers. Also, the project institutionalized a Ministry research capability in the areas of maize, fruits and vegetables, and others. Also, more participants were trained than planned and became productively employed in the Ministry.

However, the audit showed the project's benefit to small scale farmers was significantly limited by extension problems, and the Mission did not identify or act on excess project funding. Further, Pennsylvania State University did not implement an adequate system to account for project property.

An important project aim was to help small scale farmers increase production by providing them research recommendations through the extension system. Although the project improved the Ministry of Agriculture and Cooperatives' capacity to generate research recommendations, only a few farmers received the research information through the extension system. This was due in part to the project's design, which failed to focus

adequately on weaknesses in the organizational linkages between the researchers and the farmers, and to provide a feedback mechanism on project impact on the farmers. Unless linkages are created to better convey research information to the target group through the extension system, the impact of the project's eventual \$8.6 million investment will be significantly limited. The report recommends that the Mission restructure extension aspects of the project and develop effective measures of the project's impact on the target group, or discontinue the project. Mission management agreed with the recommendation and took corrective action.

A.I.D. Handbook 3 states that when funds obligated for the life of a project exceed the amount needed, the excess should be deobligated. Nevertheless, the Mission did not identify or act on about \$2.8 million of excess funds that would remain at project end. This occurred because (i) the Mission did not assess the project to determine the amount of excess funds, and (ii) the project's financial reports could not be effectively used to monitor project expenditures, since the reports included inaccurate accrual estimates. The result was that about \$2.8 million remained idle more than two years instead of being programmed for development or deobligated. The report recommends that the Mission determine the project's excess funds and deobligate or program as appropriate, and develop a system to identify and act on excess funds in any of its other projects. Mission management agreed with the recommendation and took corrective action.

Pennsylvania State University's contract required it to establish and maintain a property management system and to annually submit a certified inventory report to USAID/Swaziland. However, the University did not establish an adequate system or submit the required report. This occurred because USAID/Swaziland and University staff turnover disrupted earlier efforts to enforce the relevant contract provisions. The potential for loss existed because the University could not adequately account for the individual items on its \$235,000 inventory list, and at least 3 additional items valued at \$15,000 which had not been included on the list. The report recommends that the Mission require the University to implement a good property management system and provide a valid inventory report. Mission management agreed with the recommendation and took corrective action.

*Office of the Inspector General*

AUDIT OF  
SWAZILAND CROPPING SYSTEMS RESEARCH  
AND EXTENSION TRAINING PROJECT

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AUDIT OF  
SWAZILAND CROPPING SYSTEMS RESEARCH  
AND EXTENSION TRAINING PROJECT

PART I - INTRODUCTION

A. Background

One of the Government of Swaziland's highest priorities was achieving the transition of Swazi Nation Land<sup>1/</sup> farming from a subsistence to a commercial basis. This was important because agriculture accounted for 75 percent of the work force. A goal of the cropping systems project was to facilitate the transition by providing improved research and information to small scale farmers through the extension system. The farmers would be encouraged to increase crop production beyond subsistence needs and thereby generate cash needed for an improved standard of living.

The project was designed under the Title XII collaborative assistance mode. In this mode an educational institution works collaboratively with A.I.D. and the cooperating country beginning with project design and continuing to completion and evaluation. Project implementation started in October 1982 under Pennsylvania State University guidance.

Three major project components were to support the Ministry of Agriculture and Cooperatives: cropping systems research, agricultural information, and extension training. A.I.D. was to contribute \$12.9 million, the Government of Swaziland \$4.4 million, and the U.S. Peace Corps \$55,000. As of September 1987, A.I.D. had expended about \$6.6 million and the project had been extended one year to September 1988. For a map of Swaziland, see Exhibit I.

B. Audit Objectives and Scope

The staff of the Regional Inspector General for Audit, Nairobi (RIG/A/N) conducted a program results and economy and efficiency audit. The audit's objectives were to determine if:

- the project established within the Ministry of Agriculture and Cooperatives an agriculture information and publication capability,
- the project improved the Ministry's research capability,

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<sup>1/</sup> Swazi Nation Land is owned by the nation rather than privately.

- the project benefited the small scale farmers by providing them research recommendations through the extension system,
- project participant training targets were achieved,
- funds obligated for the life of the project corresponded to the amount actually required, and
- Pennsylvania State University implemented an adequate property management system.

To accomplish these objectives, the RIG/A/N staff conducted an audit at Mbabane, Manzini, the Malkerns Research Station, and selected extension service field offices in Swaziland. Work was also done at the Regional Economic Development Services Office in Nairobi, Kenya. The audit began in September 1987 and was completed in November 1987. The audit staff reviewed pertinent documentation and interviewed officials of USAID/Swaziland, the Ministry of Agriculture and Cooperatives, the Pennsylvania State University, and the Regional Economic Development Services Office.

The audit included an assessment of the organizational coordination needed to convey information from the researchers to the farmers. The audit also independently estimated current and forecasted expenditures to test the accuracy of the Mission's financial reports. Finally, the audit assessed the Mission's actions to resolve a 1984 audit report<sup>1/</sup> issue involving implementation of the project's property management system.

This audit report covered about \$5.4 million expended from May 1984 to September 1987. The 1984 RIG/A/N audit report<sup>1/</sup> covered about \$1.2 million expended from October 1982 to April 1984. During the project's life, A.I.D. obligated \$11.4 million. Coverage of host government counterpart contributions was limited to a review for reasonableness, since some costs were borne on an in-kind basis. Review of internal controls and compliance was limited to the issues discussed in the report. The audit was made in accordance with generally accepted government auditing standards.

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<sup>1/</sup> Audit Report No. 3-645-85-2, "The Cropping Systems and Extension Training Project in Swaziland," October 12, 1984.

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PART II - RESULTS OF AUDIT

The audit showed the project's benefit to small scale farmers was significantly limited, and the Mission did not identify or act on excess project funding. Further, Pennsylvania State University did not implement an adequate system to account for project property.

Despite these shortcomings, the project had a number of accomplishments. The project successfully built within the Ministry of Agriculture and Cooperatives an agriculture information and publication section, which successfully aired a daily radio program covering agricultural topics, and published numerous booklets potentially helpful to farmers. Also, the project institutionalized a Ministry research capability in the areas of maize, fruits and vegetables, and others. Further, more participants were trained than planned and became productively employed in the Ministry.

Although the project improved the Ministry's capacity to generate research recommendations, only a few farmers received the research information through the extension system. Further, the Mission did not identify or act on about \$2.8 million of excess funds that would remain at project end. Also, Pennsylvania State University did not establish an adequate property management system or submit annual inventory reports as required by its contract.

To correct these problems, the report recommends that USAID/Swaziland restructure the project to improve achievement of the project's extension aspects, and establish a system to identify excess project funds and deobligate when appropriate. The report also recommends that USAID/Swaziland require Pennsylvania State University to implement an adequate property management system and conduct and report on annual physical inventories.

## A. Findings and Recommendations

### 1. Extension Problems Limited Benefits to the Farmers

An important project aim was to help small scale farmers increase production by providing them research recommendations through the extension system. Although the project improved the Ministry of Agriculture and Cooperatives' capacity to generate research recommendations, only a few farmers received the research information through the extension system. This was due in part to the project's design, which failed to focus adequately on weaknesses in the organizational linkages between the researchers and the farmers, and to provide a feedback mechanism on project impact on the farmers. Unless linkages are created to better convey research information to the target group through the extension system, the impact of the project's eventual \$8.6 million investment will be significantly limited.

#### Recommendation No. 1

We recommend that the Director, USAID/Swaziland:

- a. require a restructuring of the project to identify and focus on the obstacles and constraints to the effective extension of research and training, or discontinue the project, and
- b. ensure development of objective measures of progress in providing benefits to the target group, and require the periodic comparison of that progress to realistic benchmarks for achievement.

#### Discussion

The project paper identified low Swazi Nation Land agricultural productivity as a major factor contributing to poverty. Thus, the project focussed on improving the capabilities of the Ministry of Agriculture and Cooperatives to provide recommendations to increase production. Capabilities to be developed, according to the project identification document, included: (i) Generating cropping systems research recommendations, (ii) packaging the recommendations in a form useable by the extension service, (iii) extending the research packages to the farmer, and (iv) providing publications and audiovisual aids needed by the extension staff.

All these capabilities were to support the project's central aim. The aim was to provide farmers recommendations to encourage them to increase or diversify crop production beyond

subsistence needs. Commercial sales would then generate cash needed for an improved standard of living. The overall impact would be to improve the living standard for 373,000 people living on Swazi Nation Land. This group was about two-thirds of Swaziland's total population.

During the audit, Mission staff questioned the audit's emphasis on whether the project was benefiting the farmer, because the Mission saw the project as an institution-building activity. However, A.I.D. management has repeatedly stressed the need to ensure agricultural research is appropriate for and transferred to the farmer. A.I.D.'s policy paper, "Institutional Development," dated March 1983 forcefully made this point, as follows: "... national knowledge and technology producing organizations must be linked institutionally to the people who are expected to apply the knowledge and technology. Without such groups, the national institutions will remain isolated and ineffective. Where this requirement has been ignored, it has been common to hear that LDC researchers are more responsive to the research agendas of the developed world and the disciplinary interests of international associations than to the problems of their own farmers." As a result of the foregoing concerns, RIG/A/N auditors assessed the organizational coordination needed to convey information from the researchers to the farmers through the extension system.

The project achieved success in several areas. More participants were trained than planned and returned to occupy research and extension positions. A May 1987 evaluation report, for example, commended the project for training eight more degree candidates than the nine planned. The project also institutionalized a research capability for maize, fruits and vegetables, and other areas. Also, an agriculture information and publication section was established, which was airing 75 minutes per week of agricultural radio programs and publishing numerous booklets potentially helpful to farmers. These accomplishments improved the effectiveness of the Ministry of Agriculture and Cooperatives.

A major problem, however, deterred achievement of an important project aim. According to a series of interviews conducted during the audit, weaknesses in the organizational linkages between the research officers and the farmers significantly limited the research information made available to the farmers through the extension system.

This was a common theme during the auditors' interviews with individuals staffing the organizational chain from the research officers to the front line extension workers. This chain

included host government and Pennsylvania State University researchers, national subject matter specialists, senior extension officers, regional extension officers and coordinators, extension officers, and front line extension workers. Almost all the workers in the chain said that extension problems prevented most farmers from receiving the research and training information generated at the national level. A few officials were more cautious. They said the project's impact on the farmers was unknown because no systematic effort had been made to determine it.

Although the level of contact between the farmers and extension workers was critical to the success of the project, available data indicated the contact achieved was low. The following data on farmer-extension worker meetings showed the low level of contact.

	<u>PERCENTAGE OF FARMERS IN THE GEOGRAPHIC AREAS ATTENDING MEETINGS</u>	<u>NUMBER OF THE 15 GEOGRAPHIC AREAS THAT REPORTED ATTENDANCE</u>
<u>1986</u>		
NOVEMBER	1.05	4
DECEMBER	1.78	5
<u>1987</u>		
JANUARY	1.45	7
FEBRUARY	3.17	7
MARCH	2.27	7
APRIL	<u>2.05</u>	<u>9</u>
MONTHLY AVERAGE	<u>1.96</u> <sup>1/</sup>	<u>6.5</u>

The foregoing attendance information may not be precisely representative of the entire experience in Swaziland. However, the 1.96 percent monthly average attendance was disappointingly low, according to the front line extension workers.

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<sup>1/</sup> The attendance percentage figures were developed by the auditors using actual reported attendance figures and geographic area census figures provided by the Ministry of Agriculture and Cooperatives.

A January 1985 mid-term project evaluation pointed out that serious weaknesses existed in the organizational linkages between the research officers and the farmers. A May 1987 mid-term evaluation also identified this problem as a major obstacle to promoting agricultural development.

According to the 1987 evaluation, the problem had three aspects. First, extension workers lacked adequate transportation. Discussions with extension workers disclosed that extension workers often had to walk several miles a day to relay an extension message to farmers.

Second, the extension workers were not adequately trained. The workers stated they lacked the skills required to operate as extension generalists as required by a recent extension service reorganization. Farmers lost confidence in them since they could not adequately address issues related to some crops.

Third, the introduction of the "training and visits" extension approach caused resentment among some extension staff. This occurred because the approach's implementation did not take into account the above mentioned transportation and staff skills realities.

The "training and visits" approach called for national specialists to define messages and communicate them to extension officers at monthly training sessions. The extension officers, in turn, would conduct bi-weekly training sessions for the extension workers. The extension workers would then meet with a predetermined number of farmers daily to relay the research messages. In reality, the new approach proved ineffective because of the unavailability of transportation, a shortage of adequately trained staff, and difficulties in communication and coordination.

The project's limited ability to provide the farmers information was due in part to the project's inattention to the major problems in extension. The original project design did propose strengthening extension training and agriculture information and publication, and some efforts were made in those areas. The audit showed, however, that the efforts were not sufficient to overcome the weaknesses in the linkages between the researchers and the farmers. At the time of the audit the weak organizational linkages were the major deterrent to project progress and the project's original design needed to be rethought to better address the problem.

A related factor caused the problem to linger without sufficient attention. The project's logframe did not require objectively measuring the project's impact on farmers or comparing the impact to realistic targets. Without such project indicators, the Mission was not in a position to identify or take action on the project's limited impact on farmers through the extension system.

The project's extension aspects needed to be rethought and restructured if the project was to impact its ultimate beneficiary, the farmer. Options that might be studied included: (i) Reducing the target group size, (ii) reducing the number of crop types supported by extension, (iii) restructuring the "training and visit" extension approach, and (iv) providing a reduced number of extension workers with better transportation services. Rethinking the project would draw on five years of operating experience, and provide even more options than outlined above. Minor adjustments to the project, however, will not be sufficient to overcome the lack of project impact noted during the audit.

The effect of the problems identified by the audit was to severely limit the impact on the beneficiary group of the project's investment through September 1987 of \$6.6 million. An additional \$2 million will have been spent by the project's September 1988 extended completion date. Unless the problems are overcome, the impact of A.I.D.'s eventual investment of \$8.6 million will be significantly limited, and the project not be extended.

In conclusion, the Mission should rethink the project to identify and focus on the obstacles and constraints to effective extension of research and training. Further, the Mission should require objective measures of progress in providing benefits to the farmer, and compare that progress with realistic targets for achievement.

#### Management Comments

The Mission agreed with the report's recommendation. The Mission stated, however, that the draft report misstated the project's purpose. The project's purpose, according to the Mission, was to improve and expand the Ministry of Agriculture and Cooperatives research and extension capacity, and not, as stated by FIG/A/N in the draft report, to help small scale farmers increase production by providing them research recommendations through the extension system. The Mission also pointed out that the project's logframe did not specify an activity with respect to extending the research packages to the farmer.

Although the Mission conceded that achievements in the extension of research information lagged behind other program elements, it said, just the same, farmers were receiving agricultural extension information. The Ministry of Agriculture and Cooperatives' statistics, according to the Mission, estimated extension workers contacted 8,500 farmers per month. Further, the Ministry's information was airing 1 1/4 hours per week of agricultural radio programs based on extension materials prepared by project trained personnel. A listenership survey showed 60 percent of the total population had been reached. In addition, newspapers regularly reprinted project extension publications.

The Mission stated that the table representing average monthly contact between extension workers and farmers did not show a low level of contact, even by U.S. standards.

#### Office of Inspector General Comments

The Mission's comments were carefully considered and certain changes suggested by the Mission's comments were made to the draft report. The Mission's comments with respect to the purpose of the project highlighted a central concern of the auditors, i.e., whether the project was benefiting the farmers, and prompted clarification of certain points in the draft report. KIG/A/N maintains that, even though the project is an institution building project, the project must keep sight of the farmer as the project's ultimate beneficiary.

The report, in our opinion, fairly depicted the problems limiting extension of research information to the farmers. The statistics provided in the table on extension worker contact with the farmer were the best available, and were corroborated as low by the auditor's discussions with the front line extension workers. Experts we consulted also characterized the percentages of contact in the table as low.

The Office of Inspector General considers Recommendation No. 1 resolved. It will be closed upon the Mission providing evidence that corrective action has been fully implemented.

## 2. Excess Project Funds Should Be Programmed Or Deobligated

A.I.D. Handbook 3 states that when funds obligated for the life of a project exceed the amount needed, the excess should be deobligated. Nevertheless, the Mission did not identify or act on about \$2.8 million of excess funds that would remain at project end. This occurred because (i) the Mission did not assess the project to determine the amount of excess funds, and (ii) the project's financial reports could not be effectively used to monitor project expenditures, since the reports included inaccurate accrual estimates. The result was that about \$2.8 million remained idle more than two years instead of being programmed for development or deobligated.

### Recommendation No. 2

We recommend that the Director, USAID/Swaziland:

- a. assess the project to determine excess funds, and deobligate or program the funds as appropriate, and
- b. when a project implementation status report is made, and when a project is considered for extension, require the use of a system that includes the use of accurate accrual estimates, to compare actual to planned expenditures, and to consider the disposition of any excess funds identified.

### Discussion

The U.S. Congress gave A.I.D. authority to deobligate and reobligate funds when projects have excess funds. Congress intended, according to the hearings record, to promote efficient use of foreign assistance by encouraging close monitoring and good management of mission project portfolios. A.I.D. Handbook 3, Chapter 13 stated that when "funds authorized and obligated for the life of a project exceed the amount actually required, steps should be taken to deobligate the excess amount." Thus, the Handbook incorporated the Congressional intention for A.I.D. to use deobligation authority to efficiently manage resources.

Although A.I.D. had this authority, the audit showed that the Mission had not identified or taken steps to deobligate or program about \$2.8 million in excess funds that would remain at the September 1988 project assistance completion date.

The excess funds occurred because the project had been overbudgeted at the time of the project design. An analysis of the project paper's budget showed that the inflation rates anticipated did not materialize, training costs per participant were overestimated, and contingency estimates were not needed.

In addition, currency fluctuations caused local currency expenditures to be less than originally estimated.

A June 1986 action memorandum requesting a one year project extension should have disclosed the presence of the excess funds. However, the memorandum did not include the information. At the start of the audit, 17 months after the extension decision had been made, the Mission still had not identified the presence of the project's excess funds or considered plans for their disposition. The Mission staff mistakenly believed all project funds would be expended by the extended project completion date of September 1988. However, the auditors demonstrated the presence of the excess funds, and shortly thereafter, the Mission revised its estimate of funds that would remain to \$2.8 million.

The excess funds were not identified because the Mission did not compare planned to actual expenditures. Such assessments were not made when reporting the project's implementation status or during the decision process for extending the project. Without comparing actual to planned expenditures, the mission was not in a position to quantify any excess funds.

Another factor contributing to the problem was that the project's financial reports could not be effectively used to monitor expenditures, since the reports included inaccurate accrual estimates. The accruals were difficult to estimate because the Mission did not receive the Pennsylvania State University contract charges until six to eight months after they were processed in A.I.D./Washington under a Federal Reserve Letter of Credit arrangement. Further, the charges were for expenses incurred many months prior to the time the charges were processed. Mission staff should overcome the accruals estimating problem by obtaining tentative charges from the contractor prior to their official receipt many months later.

The effect of the situation was that about \$2.8 million in excess funds remained idle more than two years instead of being programmed for development or deobligated. Programming for development or deobligation would have promoted the most efficient utilization of the funds.

In conclusion, USAID/Swaziland should assess the project to determine the amount of excess funds and deobligate or program the funds as appropriate. The Mission should also implement a system for all its projects to identify excess project funds on a timely basis.

### Management Comments

The Mission agreed with the report's recommendation. The Mission stated, however, it was aware of the excess funds in the project, but did not deobligate because it intended, for valid program reasons, to extend the project beyond its September 1988 project assistance completion date.

### Office of Inspector General Comments

The Mission's response to the draft report incorrectly established the audit survey as separate from the audit, and suggested word changes to that effect. However, the audit survey was an integral part of the audit. Accordingly, the Mission's assertion that it was aware of the excess funds prior to the audit was not supported by the facts, which were as follows. (i) At the start of the audit survey, the project manager told the auditors all the project's obligated funds would be used by the September 1988 project assistance completion date, and provided the auditors a worksheet to that effect. (ii) The auditors independently calculated the accrued expenditures and projected the expenditures through to the project's completion date, and this revealed the presence of the excess funds.

The auditors shared their detailed worksheets with the project manager, and at the audit survey exit conference shared their estimate of the amount of excess funds with the Mission Director, Program Development Officer, Program Officer, General Development Officer, Budget and Accounting Officer, and Project Manager. These officials were generally sceptical of the existence of the excess funds, but said they would investigate. In sum, until the auditors demonstrated the presence of the excess funds, the Mission had not taken steps to identify them. Since the Mission had not identified the excess funds, clearly the Mission had not programmed them.

The Office of Inspector General considers Recommendation No. 2b to be closed, as a result of the Mission's issuance of Mission Directive No. 301, "Extension of Project Assistance Completion Dates," and Directive No. 302, "Project Implementation Reports." Recommendation No. 2a is considered resolved and will be closed upon the Mission providing evidence that corrective action has been fully implemented.

### 3. Pennsylvania State University Did Not Implement the Required Property Management System

Pennsylvania State University's contract required it to establish and maintain a property management system and to annually submit a certified inventory report to USAID/Swaziland. However, the University did not establish an adequate system or submit the required reports. This occurred because USAID/Swaziland and University staff turnover disrupted earlier efforts to enforce the relevant contract provisions. The potential for loss existed because the University could not adequately account for the individual items on its \$235,000 inventory list, and at least 3 additional items valued at \$15,000 which had not been included on the list.

#### Recommendation No. 3

We recommend that the Director, USAID/Swaziland require Pennsylvania State University to:

- a. submit to the Contracting Officer for review and formal approval, a description of the property management system it intends to install, and the date by which installation will be achieved, and
- b. submit to USAID/Swaziland a certified inventory report based upon an inventory list reconciled with original receipt documents and a physical inventory verification.

#### Discussion

Clause 17 of the general provisions of the contract between Pennsylvania State University and A.I.D. required the contractor to "establish and maintain a system to control, protect, preserve, and maintain all Government property." Further, the contractor was required to submit an annual report on the non-expendable property it held, in a format outlined in the contract.

To accomplish this, Pennsylvania State University should have established a property record upon receipt of each item of property, assigned property control numbers, and recorded the items' dates of receipt and values. When an item was issued to the user, the specific location should have been recorded on the property record to facilitate future physical inventory.

The absence of a good system was highlighted in an October 12, 1984 RIG/A/Nairobi audit report. The report did not include a recommendation on the problem because the Mission gave a plan for correcting the problem in the response to the draft

report. However, the Mission did not follow through on the plan, and at the time of this audit the University still had not established adequate property records or conducted an annual physical inventory verification. The required annual inventory report had not been submitted to USAID/Swaziland since the inception of the contract in March 1982.

No system had been implemented to establish a property record based on a signed receipt document. This deficiency impaired the University's ability to generate a comprehensive inventory list to use for physical inventory verification. Three high value items were received but not included on the inventory list maintained by the University. Specifically, vehicles No. SG. 16159 and No. SG. 14569 and an IBM XT computer were not included on the University's inventory list.

An additional problem was the absence on the inventory list of specific locations for the items. Only general locations were shown, such as Ministry of Agriculture and Cooperatives. This precluded a physical inventory verification by the auditors. This deficiency also prevented the contractor from conducting a proper inventory.

A good property management system had not been established because Mission and University staff turnover caused the plans for implementing the system to be lost. The result was the Mission had not enforced the contract provisions requiring the contractor to establish a system. The Mission also had not required the University to submit the certified annual inventory report.

As a result of these deficiencies the potential for losses was evident. Three items valued at \$15,000 were not included on the contractor's inventory list and consequently were vulnerable to loss. This represented 15 percent of the items in the inventory valued at \$4,000 or more. The University also could not physically verify and thus adequately account for the individual items already on its \$235,000 inventory list.

In conclusion, the Mission's nonenforcement of the contract's property management provisions resulted in the contractor not establishing an adequate property management system. To correct this situation, the contractor should be required to establish a proper system and to submit the required certified annual inventory report.

#### Management Comments

The Mission agreed with the report's finding and recommendation.

### Office of Inspector General Comments

Recommendation No. 3 is considered resolved. The recommendation will be closed upon the Mission providing evidence that the corrective action has been fully implemented.

### Management Comments

The Mission made three overall observations about the draft report. First, the preparation of the response to the draft report required substantial Mission staff time. Second, the formulation of the response was difficult because the auditors did not share the details of their findings with the Mission prior to departure. Third, the report recommendations were useful and helped the Mission make changes.

### Office of Inspector General Comments

The Mission's staff time required to respond to the draft report, in our opinion, was due more to the significance of the findings than anything else. The report highlighted three problems: the target farmers were receiving significantly limited research information through the extension system, \$2.8 million in obligations had not been programmed and had been idle for over two years, and, the contractor had never implemented a property management system, despite the project being over five years old. These problems were significant and deserving of substantial Mission time.

The Mission's statement that the auditors did not share the details of their findings misrepresented the facts. All the draft report's findings and support were provided to Mission management prior to the exit conference in a 13 page single spaced document prepared in the standard Office of Inspector General format. At that time the Mission informally provided wording suggestions.

Although RIG/A/N requested a formal response to the document, the Mission provided nothing during the seven weeks from the exit conference to draft report issuance. Further, the Mission requested no further information regarding the details of the findings.

RIG/A/N sent the draft report to the Mission on January 8, and requested formal comments by January 25. The Mission asked for and was granted an extension of time until February 19.

Mission comments were finally received on February 26. At no time during the 13 weeks from the exit conference to receipt by RIG/A/N of the Missions comments did the Mission ask for more information on our findings. The Mission Director's comments were, therefore, without foundation.

The Mission was, however, responsive to the report's recommendations. Between the time the draft report was provided and the final report was issued, the Mission closed or resolved all the report's recommendations.

## B. Compliance and Internal Control

### Compliance

As discussed in finding no. 3 of this report, Pennsylvania State University did not comply with the provisions of its contract requiring implementation of an adequate property management system and submission to USAID/Swaziland of a certified annual inventory report. Nothing else came to the auditors' attention that would indicate untested items were not in compliance with applicable laws and regulations.

### Internal Control

The review of internal controls was limited to the reported findings. During this audit the staff of RIG/A/N was conducting another audit covering USAID/Swaziland's management system. A separate report will be issued covering the improvements needed.

### C. Other Pertinent Matters

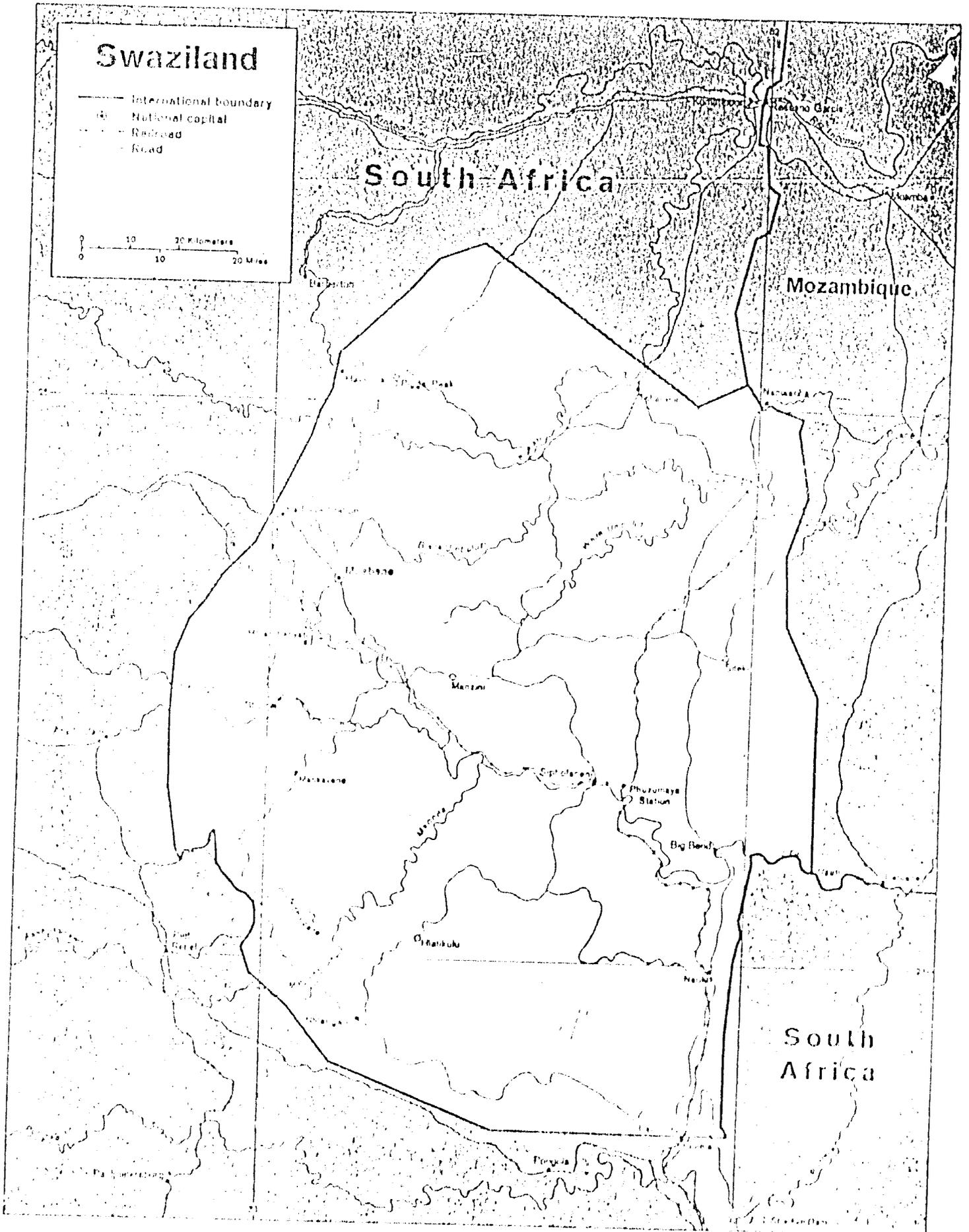
The first recommendation of this report requires the Director, USAID/Swaziland to restructure the project. Two additional issues should be included in the related review: (i) the institutionalization of the project's extension training component, and (ii) the need for research support for cotton and tobacco cultivation.

The purpose of one of the project's components was to strengthen extension training. The University had assigned a person to work in the area. The audit disclosed, however, that no host government counterpart was interacting with the University's person, and that extension training activity could end when the University's involvement ended. Thus, the component's continued impact was uncertain. Any review of the project should consider ways to ensure the component's activities are institutionalized.

The project's original design identified cotton and tobacco as major Swaziland cash crops to be supported by research. However, the national specialists for these crops reported they received no direct project research support. Neither the Mission nor the University could explain why this had occurred. Any review of the project should include an assessment of the need to support research for these crops.

AUDIT OF  
SWAZILAND CROPPING SYSTEMS RESEARCH  
AND EXTENSION TRAINING PROJECT

PART III - EXHIBIT AND APPENDICES



UNITED STATES GOVERNMENT

# memorandum

DATE: February 22, 1988

REPLY TO  
ATTN OF: USAID/Swaziland, Director, Roger D. Carlson *Roger D. Carlson*

SUBJECT: Draft Report on Audit of Swaziland Cropping Systems Research  
and Extension Training Project No. 645-0212

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

I am pleased to comment on the "Audit of Swaziland Cropping Systems Research and Extension Training Project No. 645-0212"

Our comments on this draft report are extensive and required many hours of staff time to prepare. The auditors did not share the details of their findings and work papers with the Mission prior to departure. This omission made it very difficult for us to respond to vague and broad-sweeping statements found in the draft report.

The central flaw in this draft report is that the auditors mis-stated the project's purpose. The project is an institution-building activity to strengthen the capacity of the Ministry of Agriculture to conduct research and extension programs. The primary purpose is not as stated in this draft. Consequently, we were required to go through the paper and correct basic mis-statements of fact.

The Mission was aware of the excess funds in the project, but did not de-obligate because we intended, for valid program reasons, to extend the project beyond its current 9/88 PACD.

Finally, I believe that the conclusions are greatly exaggerated, and the statement that "The project's \$8.6 million investment will be largely wasted" a gross overstatement and totally out of proportion to the recommendations.

On the other hand, the recommendations were useful and have helped the Mission institute some administrative changes.

Please let me know if our comments require further clarification.

Begin Formal Response:

Page (i)

Line 3: Per the Project Paper Logical Framework the purpose of the project is: "To improve and expand the capacity of the Ministry of Agriculture and Cooperatives research and extension program to develop and effectively extend cropping systems recommendations relevant to the economic needs of the SNL farmer." As pointed out in the Action Memo for the AA/AFR Re: Project Authorization this is essentially an institution-building project, and it was estimated that it would require a long-term commitment to establish viable and effective agricultural research, extension training and agricultural information services. Consequently, in line 2, please delete "help small ... through the extension system." and insert "improve and expand the MOAC's research and extension capacity."

Lines 12-18: The stated audit objectives which are listed identify only those areas which had problems. We believe that ~~is~~ because they are the problem areas identified after the auditors completed their initial survey in September. They were not the only objectives going into the report at the time of the survey. For example, the auditors identify in the report a number of accomplishments directly related to the project purpose. In performing the audit, a review of these areas must have been audit objectives at one time, too. Consequently, delete "The audit's objectives were ... property management system." and insert the following language, which represents a much more comprehensive approach to an audit of a complex technical assistance project.

"The audit's objectives were to determine if (i) participants were being trained, (ii) an agricultural information capability was being established within the Ministry, (iii) the Ministry's research capability was being institutionalized, (iv) the project achieved its main purpose of improving and expanding the MOAC's research and extension capacity, (v) funds obligated for the life of the project exceeded the amount actually required, and (vi) Pennsylvania State University implemented an adequate property management system.

Page (ii)

Lines 1-3: Please delete the first sentence, "However, the audit ... project funding." and replace with the following, "However, the audit showed that the Mission did not deobligate unprogrammed project funding."

Lines 6-8: Given that the project paper's log-frame states that the project purpose was to improve and expand the MOAC's research and extension capacity, we suggest that you delete the

sentence, "The project's primary purpose ... extension system." Please replace it with the following "The project purpose was to improve and expand the MOAC's research and extension capacity."

Lines 10-11: Please delete the phrase, "only a few farmers received the research information." and insert, "achievements in the extension of this information have lagged behind other project elements."

Lines 15-16: It is suggested that the phrase, "the project's eventual \$8.6 million investment will be largely wasted" be deleted and insert, "the project's investment may not be as effective as it otherwise would be. Just the same, farmers are receiving agricultural extension information. MOAC statistics estimate extension workers contact 8,500 farmers per month. The MOAC's information section is airing 1 1/4 hours per week of agricultural radio programs based on extension materials prepared by project trained personnel. A listenership survey showed that 69 percent of the total population has been reached. In addition, newspapers regularly reprint project extension publications."

Pages (ii) and (iii)

Pages (ii) line 22 and page (iii) lines 1-2: As a consequence of a financial analysis in March 1987, the evaluation during March/April 1987, and subsequent USAID/GOS discussions; the Mission and GOS decided to extend the project PACD for valid program reasons with existing project funds. Consequently, we suggest deleting the sentence, "Nevertheless, the Mission ... would remain at project end." because the statement is incorrect.

Page (iii)

Line 2-6: Please delete the sentence "This occurred ... accrual estimates." and replace with the following, "The Mission assessed the project and decided to reprogram rather than deobligate unprogrammed funds. Project accruals were difficult to estimate since AID/Washington did not forward contract charges until six to eight months after processing them, and the charges were for expenses incurred many months prior to when the charges were processed."

Line 19: Please delete the phrase, "The potential for loss was evident because ..." and replace with the phrase, "The potential for loss existed because ..."

Lines 20-21: Please delete the following words, "individual items" and replace with the words, "location of the portable equipment."

Line 23: Please insert between the words, "list." and "The report ..." the following sentence, "However, no losses were identified."

Page 1

Line 8: Please delete the word "training," and replace with "information".

Page 2

Lines 12-18: We believe that the audit objectives were broader than the three items listed which were all identified as weaknesses. We believe that the audit had other objectives, that happened to have been satisfactory, which should be listed. Consequently, we recommend that the following language be inserted after, "The audit's objectives were to determine if:"

- "o participants were being trained
- o an agricultural information capability was being established within the Ministry
- o the Ministry's research capability was being institutionalized:"

Lines 13-14: Please delete the phrase "the project ... scale farmer." and insert, "the project achieved its main purpose of improving and expanding the MOAC's research and extension capacity;"

Page 3

Line 5: After "... Nairobi, Kenya." please insert, "An audit survey was performed in September 1987 which led to an audit being performed in November 1987." Delete the sentence "The audit began ... November 1987."

Page 5

Lines 1-3: Since the project purpose is incorrectly stated and because the Mission did act on excess project funds, it is recommended that the entire sentence, "The project ... project funding." be deleted. Please replace with the following sentence, "The Mission did not deobligate what was identified as excess project funding."

Lines 15-16: Please delete the phrase "... only a few farmers received the research information." and insert, "... it has not been as successful in improving its extension capacity."

Line 17: Please delete the words "identify or" because the statement as written is incorrect.

Page 7

Lines 3-5: Please delete the sentence, "The project's primary ... extension system." and insert "The project's purpose is to improve and expand the MOAC's research and extension capability."

Lines 7-8: Please delete the phrase, "... only a few ... research information." and insert the following, "it has not been as successful in improving its extension capacity."

Lines 12-13: Please delete the phrase, "the project's eventual ... largely wasted." and insert the following, "the project's investment may not be as effective as it otherwise would be."

Page 8

Lines 13-14: It is suggested that the following phrase be deleted, "(iii) extending the research packages to the farmer," since this activity is not a stated output in the project's logical framework. In its place, you may wish to insert logical framework output #13, " (iii) Farm demonstration and field days."

Pages 9 and 10

Page 9, line 10: Insert "there were" between "audit," and "weaknesses".

Page 9, lines 11-12: Please delete the phrase "resulted in ... information."

Page 9 Lines 8-22:

Page 10 Lines 1-3: The information contained in paragraphs two and three on page 9 are inconsistent with information and data available to the Mission. Consequently, please insert the following data after line 3 on page 10. "Just the same, farmers are receiving agricultural extension information. MOAC statistics estimate extension workers contact 8,500 farmers per month. The MOAC's information section is airing 1 1/4 hours per week of agricultural radio programs based on extension materials prepared by project trained personnel. A listenership survey showed 60 percent of the total population has been reached. In addition, newspapers regularly reprint project extension publications."

Page 10

Lines 4-25: The following comments address the table and related paragraphs.

We found the table very difficult to understand. Neither the Mission nor MOAC personnel could ascertain the data source nor what the percentages represented. However, if the percentages represented average monthly contact between extension workers

and farmers in his designated area, these percentages are high even by U.S. standards. Additionally, as stated in the audit report, "the foregoing attendance information may not be precisely representative of the entire experience in Swaziland." The audit states that it is "... the project's goal of annually providing research and training information to 75 percent of the farmers." It should be noted that this 75 percent refers to all methods of reaching farmers.

Due to our above observations, we suggest that the table and related paragraphs on page 10 be deleted in their entirety.

Page 11

Line 15: Please add the following sentence after the last word "crops." "This problem resulted from the GOS' adoption of the T&V system in August 1985 and is being addressed in the 87-88 Project Workplan."

Page 12

Lines 11-13: Due to the previously provided information regarding the extent of farmer contact related to project activities, please delete the sentence, "The project's ... in extension."

Lines 21-27: The Mission is unable to ascertain the basis for the comments provided in this paragraph. We do measure achievement of project purpose as evident in our comprehensive PIRs. In addition, the 1987 external evaluation suggested moving away from strictly quantitative to qualitative measures of project output achievement. Consequently, please delete lines 21-27 in their entirety.

Page 13

Line 6: Please insert after the first word "approach" the following, "(which the GOS is already considering)."

Line 17-18: Delete the word "will" on line 17 and delete line 18 in its entirety, and replace with the following, "... may not be as effective as it otherwise would be."

Lines 23-24: Since the project's purpose is to improve the Ministry's institutionalized capacity, it is suggested that the words, "of providing benefits to the farmer," be deleted.

Page 14

Lines 3-5: As a consequence of a financial analysis in March 1987, the evaluation of March/April 1987, and subsequent USAID/GOS discussions; the Mission and GOS decided to extend the project PACD for valid program reasons with existing

12

project funds. Consequently, we suggest deleting the sentence, "Nevertheless, the Mission ... project end." because the statement is incorrect.

Lines 6-10: Please delete in its entirety the following "This occurred ... accrual estimates." and replace with the following, "The Mission assessed the project and decided to reprogram rather than deobligate unprogrammed funds. Project accruals were difficult to estimate since AID/Washington did not forward contract charges until six to eight months after processing them, and the charges were for expenses incurred many months prior to when the charges were processed."

Line 21: Please insert at the end of the sentence after the last word, "identified." the following sentence, "At the time this audit report was issued, Mission Directive No. 302 (Project Implementation Reports), which closes this recommendation, had been issued."

Page 15

Line 14: Please delete the words "identified or," because the statement as written is incorrect.

Page 16

Lines 1-12: Delete the first paragraph in its entirety and substitute the following. "A June 1986 action memorandum requested a one year project extension. The memorandum did not mention the possibility of excess funds, since at that time the Mission staff believed that all project funds would be expended by the new PACD. Since 12/86, the Mission held various internal discussions regarding the existence of excess project funds. This led to weighing the alternatives of: de-ob/re-ob to a newly proposed commercial agricultural project or extension of the project to strengthen institution building and address identified weaknesses. At the time of the audit, the Mission was well aware of the approximately \$2.8 million of excess funds in the project."

Lines 13-19 (second paragraph): Please delete the first sentence; it is purely conjectural. Please delete the second and third sentences based upon the following facts: The Deputy Principal Secretary, Director of Agriculture and Under Secretary for Development asked for USAID's assistance with an in-depth management review and options for reorganization. An initial estimate of \$250,000 for an appropriate IQC firm was given. An additional \$300,000 was identified to stimulate and support greater coordination and cooperation between the national agricultural systems and the International Agricultural Research Centers. This activity was discussed with many GOS officials, contractors and SADCC officials. This activity relates to the logical framework output # 12 and is consistent with the Africa Bureau's Strategy for Strengthening National Agricultural Research Stations.

Lines 20-24: Based upon the above information, we believe that the paragraph should be deleted in its entirety.

Page 17

Lines 1-2: The Mission objects to the sentence, "The excess funds were not identified because the Mission did not require assessments of the status of the project's funds." because it is false.

Consequently, we request that it be deleted, and replaced with the following, "Though the Mission's PIRs contain summary financial data, it did not compare planned to actual expenditures." This point is the only one substantiated by the auditors related to the PIRs.

Lines 5-7: Please delete the following sentence, "Without comparing ... the excess." and replace with the following, "The auditors' review showed that Mission management would have benefitted from comparing actual with planned expenditures. This is one of many available management tools in the project review process. By not using this one tool (comparing actual to planned expenditures), the Mission missed an opportunity to be better able to identify excess funds."

Lines 8-11: Please delete the first sentence in its entirety, "Another factor ... accrual estimates." and replace with the following, "Another factor contributing to the problem was that the project's financial reports did not include accurate accrual estimates. This is a problem common to Missions around the world."

Line 17-20: Please delete the sentence "Mission staff ... months later." and insert the following, "The Mission staff partially overcame the accruals estimate problem by obtaining tentative charges from the contractor prior to their official receipt many months later. This information was first requested by letter to the Home Office Coordinator in September/October 1986."

Page 18

Lines 3-6: Delete the sentence "An assessment ... insignificant costs." and insert the following, "The Mission was aware of this problem, but at the same time a decision was made for valid program reasons to extend the project."

Line 11: After the last word "basis." please add the following sentence, "The Mission is in the process of restructuring project targets and is reprogramming funds for maximum achievement of project outputs and utilization of government funds."

Page 19

Line 9: Please delete the words, "was evident" and replace with "existed"

Line 10-11: Please delete the following words, "individual items" and replace it with the words, "location of the portable equipment."

Line 12: After the last word, "list." please add the following sentence, "However, no losses were identified."

Line 19: Please insert after the last word, "and" the following sentence, "PSU submitted to the contracting officer a description of the property management system. The Contracting Officer reviewed and approved it and PSU has already installed the system in place. Consequently, the Mission considers this recommendation closed."

Page 21

Line 16: Change "specific locations for the items." to read "specific locations for portable equipment."

Page 22

Lines 5-6: Please delete the words, "was evident." and replace with "existed."

Line 11: After the last word "list." please add this sentence, "However, no losses were identified."

Page 24

Lines 8-16: The Mission takes exception to the comments contained in this paragraph. Consequently, it is requested that after the last word "activities." on line 16, the following information be added. "The host government counterpart has received S-T training. With only two years until eligibility for retirement, USAID determined it was not justifiable to send him for degree training. There is no question that the GOS will continue extension training. It is a priority and there are qualified personnel (with degrees) who can be promoted to replace the present counterpart upon his retirement.

End Formal Response.

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