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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Area Auditor General, Africa  
Nairobi, Kenya

December 11, 1979

MEMORANDUM FOR: Mr. William E. Landfair  
Charge d'Affaires, Embassy  
Botswana

FROM : Ray D. Cramer *Ray D. Cramer*  
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SUBJECT : Memorandum Report on Examination of AID Special  
Self-Help Development Activities In Botswana.  
Audit Report No. 3-633-80-4

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 goodwill and demonstrate the benefits which can accrue from a community helping itself.

During FY 1978, \$74,000 in Self-Help funds were obligated in Botswana, in FY 1979 \$105,000 was allotted. We examined the Botswana 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/Botswana, 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 Botswana.

The audit findings in this report were discussed with Embassy/Botswana 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 in November 1979. The Embassy chose not to comment.

### CONCLUSIONS

The projects selected by the Embassy's Self-Help Committee in Botswana met the criteria to (a) improve basic economic and social conditions at the local community level, (b) stimulate local community action, and (c) generate goodwill 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 basic project information, such as a description of the activity, the amount of financing needed in United States dollars, the date project implementation was to begin, or the the final date for issuing implementing documents.

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

Our last audit report on Botswana 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 Botswana 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.

Although the Embassy stated in response that they would "do their best to visit all project sites and document these visits", 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 (IACN) 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/Botswana, 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 Botswana 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:

- A description of the activity.
- Financing expressed in U.S. dollars.
- The date implementation was to begin.
- The terminal date for issuing implementing documents.

Much of this information is contained in the Self-Help application forms attached to IAAs. Embassy Self-Help personnel felt this was sufficient coverage of the information. Due to potential changes from the time the application is made and the time the Agreement is signed, the basic information should be placed in the Agreement itself. In particular, the IAAs should contain a description of the activity financed to clarify and separate the agreed upon kinds and amount of assistance from that which may have originally been requested. Without this information, it becomes difficult to measure the success of a completed project.

#### Recommendation No. 2

Embassy/Botswana 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

The lack of reconciliation feedback between EAAC and Embassy/Botswana, 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 1978, the Botswana Self-Help program was allotted \$105,000 compared to \$120,000 in FY 1978 and \$60,000 in FY 1974.

During FY 1979 (through July 31, 1979), the Embassy obligated \$95,168 for 19 projects from the \$105,000 allotment. Eight of the projects were over six months old, but only one was financially complete with a zero balance. Disbursements should normally be completed 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.

In two FY 1979 projects, obligations recorded by the East African Accounting Center (EAAC) differed from obligations shown on Embassy records. EAAC did not receive or record obligation amendments issued by the Embassy. The Embassy was unaware of obligation differences because it received no "feedback" from EAAC of official obligation balances. This resulted in an overexpended balance on one project. Following our field review, the Embassy sent additional copies of obligation amendments, and EAAC properly adjusted project balances.

To properly utilize its allotments, the Embassy should have available financial reports from EAAC for comparison and reconciliation purposes. This would preclude occurrence of over obligating or over expending funds.

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-IOI reports and quarterly Project Financial Activity reports. These reports are pouched directly to the client AID post. Botswana reports are sent directly to the USAID Controller. 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-IOI's and PFAR's applicable to Self Help activities will be pouched directly to the American Embassy."

We have therefore deleted the recommendation which appeared in our draft report on this subject.

Sixteen projects were being carried forward from FY 1978 with unliquidated balances totaling \$8,274. 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 these adjustments to be shown on the Memorandum Obligation Record (MOR). The Embassy took no action to clear residual balances because of lack of information on their existence. This resulted in completed projects being carried forward with funds listed as available for expenditure, which allowed opportunities for risk of overexpenditure.

Since all FY 1978 projects are more than six months old, they should be reviewed and closed out unless there is a clear justification for holding 1978 project funds open.

Recommendation No. 3

Embassy/Botswana, in conjunction with EAAC, review all FY 1978 projects and all 1979 projects that are more than six months old for the purpose of taking deobligation action where appropriate. The Embassy should justify any projects not deobligated.

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