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AUDIT OF USAID/SWAZILAND'S  
PROJECT MONITORING SYSTEM

AUDIT REPORT NO. 3-645-88-06  
MARCH 15, 1988

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

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NAIROBI, KENYA

March 15, 1988

MEMORANDUM FOR DIRECTOR, USAID/Swaziland, Roger D. Carlson  
FROM: RIG/A/Nairobi, Richard C. Thabet *Richard C. Thabet*  
SUBJECT: Audit of USAID/Swaziland's Project Monitoring System

This report presents the results of audit of USAID/Swaziland's project monitoring System. Five copies of the audit report are enclosed for your action.

The draft report was submitted for your comments and your comments are attached to the report. The report contains one recommendation. The recommendation is considered closed and requires no further action.

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

Background

While auditing the Swaziland Cropping Systems Research and Extension Training project, the auditors noted problems with certain aspects of the Mission's project monitoring system. The Mission Director encouraged the auditors to assess the system and make appropriate recommendations.

At September 30, 1987, USAID/Swaziland monitored a portfolio of \$51.7 million in authorizations. During the previous five years, the Mission's portfolio grew in size and complexity, and the Mission assumed direct first line accounting and executive responsibilities for A.I.D. missions in Southern Africa and Mozambique and accounting, legal, contracting and economic responsibilities for other missions in the region. These changes created a difficult environment for developing and implementing management procedures. The Mission recognized that events had deterred installing needed procedures, and various corrective actions were underway.

## Audit Objective and Scope

The Office of the Regional Inspector General for Audit, Nairobi (RIG/A/N) made a program results audit of USAID/Swaziland's project monitoring system for Swaziland projects. The audit objective was to determine if the system provided the information needed to monitor project progress and act on problems.

To accomplish this objective, RIG/A/N staff examined pertinent documentation and interviewed responsible officials of the Mission in Mbabane, Swaziland. The audit focussed on the effectiveness of the Mission's semiannual portfolio reviews, project evaluation summaries, and decision memorandums related to project extensions. The audit involved selected aspects of 7 projects authorized to spend \$48.2 million. The authorizations were 93 percent of the Mission's total authorizations at September 30, 1987.

The review of internal control and compliance was limited to the findings reported. Host government contributions were not covered. The audit was made in November and December 1987 in accordance with generally accepted government auditing standards.

## Results of Audit

USAID/Swaziland's Project monitoring system was not fully providing the information needed to monitor project progress and act on problems. Improvements were needed in using comparative financial data to monitor projects, following-up on project evaluations, and analyzing the need for project extensions.

USAID/Swaziland had recently acted to improve its management system. A formal project team system was implemented to improve continuity and accountability in project management. Creation of detailed annual project workplans was being stressed to improve project oversight. The uses of financial reports, action memorandums, trip reports and other management tools also were being reviewed and improved. Some of the Mission's actions were related to topics discussed in this report. Overall, Mission officials showed a constructive attitude about improving Mission management.

Notwithstanding the Mission's actions, the semiannual project review reports did not contain certain comparative financial data needed for project status analysis. Further, the Mission prepared some evaluation summaries late and needed to better control the summaries to ensure action on evaluation recommendations. Also, the decision memorandums related to project extensions were not providing fully adequate information for decision making.

To correct these problems, the report recommends that USAID/Swaziland establish through its Mission orders: (i) Portfolio review criteria that include using key comparative financial data, (ii) formal procedures to follow-up on project evaluations, and (iii) specific criteria for analyzing the merit of project extensions.

### USAID/Swaziland's Project Monitoring System Should Be Strengthened

AID handbooks and Africa Bureau guidance required missions to conduct semiannual portfolio reviews, prepare timely project evaluation summaries, and prepare action memorandums justifying project extensions. These procedures should have enabled the Mission to gauge project progress, identify and act on project implementation problems, and decide whether projects should be extended or discontinued. However, USAID/Swaziland's semiannual project reviews did not contain certain comparative financial data needed for project status analysis. Further, the Mission prepared some evaluation summaries late and needed to better control the summaries to ensure action on evaluation recommendations. Also, the decision memorandums related to project extensions were not providing fully adequate information for decision making. These problems occurred because, in the past, the Mission did not implement adequate Mission procedures. Developing formal procedures would be an important step in improving management of the Mission's portfolio of \$51.7 million in authorizations.

Discussion - A.I.D. handbooks and Africa Bureau guidance required missions to use semiannual portfolio reviews, project evaluation summaries, and action memorandums justifying extensions. The use of these tools should have involved rigorous analysis and relied on meaningful financial data. Overall, the tools enabled missions to effectively gauge project progress, identify and act on significant implementation problems, and decide whether projects should be extended or discontinued.

However, USAID/Swaziland operated in the past with few formal procedures, since management considered the staff and program small. As a result of rapid growth in Mission size and complexity, various USAID/Swaziland management tools needed additional attention. The following sections discuss needed improvements.

Semiannual Portfolio Reviews - April 1985 Africa Bureau guidance on project implementation reports required missions to use certain criteria to determine if any of their projects was a "problem project." If a project fell into this category then the missions were to report the nature and cause of the problems, their impact on the project, and measures needed to correct them.

April 1986 Africa Bureau guidance only provided minimum format requirements for project implementation reports. Consequently, the guidance no longer specified the problem project criteria. Nevertheless, most missions continued to use the problem project criteria to enhance their project reviews.

One of the Africa Bureau's problem project criteria was to determine: "if actual and currently planned rates of obligation or disbursements differ by more than one year or more than 33 percent." However, the Mission was not in a position to apply this criterion because its project implementation reports did not compare planned to actual expenditures.

To determine the consequences of this, the auditors made comparisons for four projects reported on in the April 1 to October 30, 1986 semiannual review. The comparisons used the actual expenditure figures shown in the project implementation reports and the estimated (planned) expenditure figures prepared on a one time basis for the fiscal year 1987 Congressional Presentation. The Congressional Presentation figures were used since planned expenditures were not shown in the semiannual project implementation reports.

The auditors' comparisons showed that three of the four projects were lagging significantly behind plan, i.e., 52, 53 and 100 percent. However, the Mission's project implementation reports did not specifically disclose the extent of the projects' lagging expenditures. Without that information the Mission could not adequately assess the importance of needed actions.

The auditors' comparison for the fourth of the four projects indicated expenditures were 12 percent above plan at October 30, 1986. If this information had been displayed in the October 1986 project implementation report, management would have realized the expenditure figure was defective, because management knew the project had started late and had a generous budget. In fact, RIG/A/N's audit of the project about a year later confirmed that the expenditure figure was significantly overstated because the figure reflected a large accruals error.

Overall, the auditors' comparisons showed Mission management would have greatly benefited from comparing actual with planned expenditures as part of the portfolio review process. By not doing the comparison the Mission missed opportunities to better identify problem projects.

Project Evaluation Summaries - Project evaluation summaries provided a mechanism for the Mission to assess the value of evaluation recommendations and decide on actions to be taken. If adequately controlled, the summaries were a tool to ensure the Mission obtained real benefits from the evaluations.

USAID/Swaziland, however, did not prepare some of the summaries in a timely manner, or maintain adequate control to enable it to determine if all the evaluations' recommended actions were completed.

The auditors reviewed the handling of summaries for five evaluations. Three of the evaluations did not yet have summaries for them. One of the three was for an evaluation completed more than a year earlier, and the other two were for evaluations completed more than three months earlier.

Mission officials pointed out that some of the summaries were submitted to Washington late because the technical officers tended to wait until all recommendations were closed. They also stated that the Mission did have procedures for following-up on evaluation recommendations, such as the section on evaluations in the semiannual project implementation reports. Nevertheless, the lateness in submitting some of the summaries, and the auditors' difficulties in ascertaining their status from Mission staff, indicated the Mission needed to strengthen controls in that area.

Action Memorandums Justifying Extensions - Extensions in effect are authorizations to spend significant additional sums. To make a logical decision the decision maker, among other things, needs to know: (i) the amount of unliquidated obligations, (ii) project progress compared to objectives, (iii) the extent the proposed expenditures involve an expansion of the project, and (iv) the comparative benefits from extending the project versus investing in a new or different project.

The auditors reviewed action memorandums associated with 11 extensions. None of the memorandums clearly specified the amount of unliquidated obligations. Only one memorandum clearly compared project progress to objectives. None of the memorandums clearly established whether the investment enabled by the extension was to achieve previously established objectives, or expanded objectives necessary to achieve expenditure of the funds. None of the memorandums discussed investment alternatives to the extension. In sum, the memorandums did not fully provide the information needed to make sound decisions on extensions.

A June 30, 1986 action memorandum justified extending the Swaziland Cropping Systems Research and Extension Training Project for one year to September 30, 1988. Had the justification's analysis been more rigorous, the memorandum would have identified about \$2.8 million in unprogrammed funds that would remain at project end. However, the Mission did not quantify the unprogrammed funds until much later, and thus did not program the funds in the most timely way.

The Mission needed to strengthen the decision making process for authorizing extensions by requiring the memorandums to clearly establish the size and developmental significance of the expenditures associated with the extension, and to discuss alternatives to the extension.

The problems identified by the audit occurred because, in the past, the Mission did not implement adequate Mission procedures. Additional influencing factors were the rapid growth of the Mission's portfolio, the transfer of the accounting function from the Regional Financial Management Center in Nairobi to USAID/Swaziland, and the assumption by the Mission of accounting and execute responsibilities for South Africa and Mozambique, and accounting, legal, economic and contracting support for other missions in the region. These changes created a difficult environment for developing and installing management procedures. As a result very few Mission orders had been written. USAID/Swaziland recognized that events had deterred implementing formal procedures and various corrective actions were underway.

Overall, Mission attention to the problems noted in this report would strengthen management of its portfolio of \$51.7 million in authorizations and promote a positive implementation of its program.

In conclusion, although the Mission was acting to improve its management system, emphasis was needed on improving the use of comparative financial data, project evaluation summaries, and action memorandums justifying project extensions. Developing formal procedures would be an important step in improving these areas.

#### Recommendation No. 1

We recommend that the Mission strengthen its oversight by:

- a. issuing a Mission Order on the portfolio monitoring system that requires for each project reviewed that actual expenditures be compared to planned,
- b. establishing a formal system that ensures recommendations resulting from evaluations are identified, considered, appropriately acted upon, and eventually closed, and
- c. incorporating in Mission Orders a requirement that any action memorandum relating to a project extension clearly specify the amount of unliquidated obligations, project progress compared to objectives, the extent the proposed expenditures involve an expansion of the project, and investment alternatives to the extension.

Although the Mission disagreed with some of the report's argumentation, the Mission apparently believed the report's recommendation was sufficiently justified to warrant immediate corrective action. By the final report, the Mission had completed all recommended actions. The Office of Inspector General considers the recommendation closed. The three Mission Directives issued with respect to closing the report's recommendation are attached to the report as Exhibit 1.

RIG/A/N carefully considered the Mission's suggested changes to the draft report and made appropriate revisions. The Mission's entire comments are attached to the report as Appendix 1. The Mission generally observed that the audit team did not share the details of their findings with Mission officers prior to their departure, and this made it difficult to respond to what the Mission felt was vague language in the report.

The Mission's observation was unwarranted. The draft report's findings and support were provided to the Director, Controller and other responsible Mission officials prior to the formal exit conference in a four page single-spaced document prepared in the standard Office of Inspector General format. RIG/A/N requested a formal response to the document, but the Mission provided nothing during the eight weeks from the exit conference to draft report issuance, nor did the Mission request further information regarding the details of the findings. The Mission's comments, therefore, are without foundation.

AUDIT OF  
USAID/SWAZILAND'S PROJECT MONITORING SYSTEM

EXHIBIT AND APPENDICES

DATE: February 18, 1988

DIRECTIVE NO. 301

SUBJECT: EXTENSION OF PROJECT ASSISTANCE COMPLETION DATES (PACDs)

SIGNED: Roger D. Carlson, Director  
(original signed)

## I PURPOSE

The purpose of this Directive is to establish USAID/Swaziland policy and procedures for extending Project Assistance Completion Dates (PACDs).

## II BACKGROUND

The PACD for projects is the date by which the GOS and USAID estimate that all AID-financed goods will have been delivered and services will have been provided. The PACD is specified in the Grant Agreement. Handbook 3, Chapter 13, D6C provides general guidance on PACD extensions.

Delegation of Authority 551 delegates to the Director of USAID/Swaziland the authority to approve PACD extensions up to a total life of project length of ten years. PACD extensions which would extend the cumulative life of project beyond ten years can only be authorized by the Administrator.

This Directive outlines the steps required to extend PACDs for no more than the period delegated under DOA 551.

## III USAID POLICY AND PROCEDURES

While Handbook 3 describes circumstances allowing for informal PACD extensions of limited duration, it is USAID/Swaziland policy that all PACD extensions will be handled by the procedures outlined in this Directive. Any extension of the PACD should be requested in writing by the GOS (Department of Economic Planning and Statistics). All requests for PACD extensions will be discussed by the Project Team prior to initiating formal action. If it is decided that the request for a PACD extension will not be approved, the GOS will be informed of the decision in writing. If the Project Manager wishes to proceed with the request for the PACD extension, the Program and Project Development Office will prepare an Action Memorandum for the Director for his approval of the PACD extension.

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The Action Memorandum will describe, among other things, the circumstances requiring the extension, project progress compared to objectives, the number of times (if any) the PACD has previously been extended, the length of the project if the extension is approved, the amount of the undisbursed balance, how the funds will be expended during the extension, the extent to which the proposed expenditures involve an expansion of the project scope, investment alternatives to the extension, and proposed future actions that will be taken to assure that the project can be completed within the extended period.

The Action Memorandum should make a recommendation regarding the proposed course of action. It will be cleared by the Project Manager, Regional Legal Advisor, Controller, and Deputy Director. The Action Memorandum will include a space for the Director to sign indicating his approval or disapproval of the PACD extension request, and will be accompanied by a PIL to the GOS advising of the PACD extension and any conditions to the extension. These actions, including the issuance of the PIL, must occur prior to the expiration date of the current PACD.

DATE: February 19, 1988DIRECTIVE NO. 302

SUBJECT: PROJECT IMPLEMENTATION REPORTS

SIGNED: Roger D. Carlson, Director  
(original signed)

### I PURPOSE

The purpose of this Directive is to establish the format for the semi-annual project implementation reports.

### II BACKGROUND

The semi-annual project implementation reports are an integral part of the Mission portfolio monitoring system and are also of value to AID/Washington in keeping informed of implementation progress and problems. The reports cover implementation periods from 1 April - 30 September and from 1 October - 31 March. They are prepared by the Project Manager at the end of the reporting period and are reviewed by the Project Team which may request appropriate revisions to be made. The PIRs are sent to AID/W within approximately six weeks from the end of the reporting period. They are transmitted under cover of a 2-3 page summary statement from the Mission Director which assesses the overall state of the portfolio, identifies major accomplishments in meeting strategic objectives, and identifies systematic implementation problems.

### III FORMAT

The Program and Project Development Office coordinates the preparation, review and submission of semi-annual project implementation reports through the issuance of memoranda scheduling the PIR reviews and by assembling the completed PIRs for transmission.

The format for the PIRs is consistent with Africa Bureau guidance (86 STATE 130380) but also includes additional elements to assure adequate monitoring of project implementation. The format is outlined below:

- I Administrative Information
  - A: Project Title and Number
  - B. Agreement Signed Date
  - C. PACD (original/current)
  - D. Date of Report

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- E. Field Backstop Officer
- F. AID/W Backstop Officer
- G. Host Country Implementing Agency
- H. Contractors/contract amounts
- I. Last/Next Evaluation

II Financial Data

- A. Authorized LOP
- B. Cumulative Obligation
- C. Cumulative Earmarks
- D. Cumulative Commitments
- E. Planned Expenditures
- F. Accrued Expenditures

III Summary of Project Progress

IV Performance on Key Progress Indicators

- A. Project Purpose
- B. EOPS Indicators
- C. Project Officer Comments on Continued appropriateness of Purpose/EOPS Indicators
- D. Progress Toward Achieving Project Outputs

V Major Accomplishments During Past Six Months

VI Major Problems/Delays, Implementation Issues

VII Principal Activities Expected Next Six Months

VIII Status of Outstanding Evaluation/Audit Recommendations

The above format is nearly identical to the format that has been used until the issuance of this Directive. The element of change is the addition of item II.E, "Planned Expenditure". This category has been added to allow comparison of actual to planned expenditures. The planned expenditure level should be derived from the project workplans as developed by the Project Manager and the Contractors.

The format outlined in this Directive will be maintained for all PIRs, subject to revision by future AID/W changes in the PIR system which will be conveyed by amendments to this Directive.

DATE: ~~February 19, 1988~~DIRECTIVE NO. ~~303~~

SUBJECT: EVALUATION POLICY AND STANDARD PROCEDURES

SIGNED: Roger D. Carlson, Director  
(original signed)I PURPOSE:

The purpose of this directive is to provide background information on A.I.D.'s Monitoring and Evaluation System and the guidelines/procedures to be followed for Mission Evaluations.

II BACKGROUND ON THE A.I.D EVALUATION SYSTEM:

General policy and guidance on A.I.D.'s monitoring and evaluation of Development Assistance can be found in Handbook 3, Chapter 12. The A.I.D. monitoring and evaluation system is in compliance with the Foreign Assistance Act (FAA) Section 621A(b) which requires that A.I.D. establish a management system that includes definition of objectives for U.S. foreign assistance, development of quantitative indicators toward (achievement of) these objectives, and development of other alternative means of attaining these objectives. The A.I.D. monitoring and evaluation system is not limited to bilateral projects, but covers all U.S. Development Assistance including central, regional and bilateral projects, Economic Support Fund programs (ESF), P.L. 480 (food-aid) programs, and U.S. generated local currency proceeds.

The purpose of the monitoring and evaluation system is to provide objective and rational bases for making decisions about current and future projects, programs, policies and procedures. Basically evaluations assess whether planned results (stated objectives/end of project status) are being achieved and what impact, intended or otherwise, a project, policy or procedure is having with respect to its environment. It compares stated goals, purpose and objectives in the project paper to actual progress during implementation. It is an important management and planning tool for program and project implementation. Findings and recommendations become the basis for identifying problems and corrective actions as well as the justification for changes in the original PP and project/program direction.

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TYPES OF EVALUATIONS:

Depending on the circumstances, evaluations can be in-house (USAID and REDSO), external (only outside consultants) or a combination of both (USAID, REDSO, AID/W and external consultants). Project evaluations in USAID/Swaziland are usually joint undertakings involving the Government of Swaziland (GOS), USAID/Swaziland and the recipient organization involved in the evaluated project.

There are basically four categories of evaluations, one informal and three formal as follows:

- a) On-going evaluations (informal):  
Based on direct monitoring by the Project Manager and Contractor, monthly and quarterly project reports, Project Implementation Reports, field visits, feedback information gathered, and specific discussions/meetings with the GOS for purposes of assessing implementation progress.

Formal (Evaluations identified and planned in the Project Paper):

- b) Mid-project/program evaluations:  
These are usually conducted well after the beginning of project implementation, or mid-way through the life of the project. Mid-project evaluations are critical in identifying problems which could hinder achieving stated EOPS and objectives. They are also a vehicle for initiating major corrections in implementation and project direction.
- c) Final Evaluations: These evaluations are conducted near the end of project implementation, prior to the PACD. Such evaluations can replace the Project Assistance Completion Report (PACR) which is required for each terminated project. At times final evaluations result in decisions to undertake a major project extension and PP amendment. They also serve as a basis for the development of future activities and new follow-on projects.
- d) Ex-Post Evaluations:  
These are conducted after the PACD and are usually identified as impact evaluations. The primary purpose of these evaluations is to assess the effect of the particular activity.

FUNDING:

- a) Mid and Final Project Evaluations: The Project budget usually includes funding for mid and final evaluations. However this funding may be augmented by Project Development and Support (PD&S) funds.

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- b) Ex-Post/Impact Evaluations: Impact evaluations are usually funded from external sources and PD&S funds.

### III EVALUATION PROCEDURES:

The following is a summary of actions for organizing and conducting an evaluation:

(a) Scheduling:

The scheduling of project evaluations is initially reflected in the Project Paper and later refined in the evaluation schedule contained in the Annual Budget Submission.

(b) Planning:

The Mission will decide on the composition of the Evaluation Team (in-house, AID/W, REDSO/ESA, external consultants, etc). The Evaluation Team will usually consist of USAID personnel, GOS officials, an organization involved in the project, e.g. PVO, and external consultants to help in the evaluation of the project

A Scope of Work (SOW), prepared by the Project Manager with the assistance of the Mission Evaluation Officer, should include the following information:

- dates (time frame and length of evaluation)
- defining the reason(s) for the evaluation and its objective
- contacts within the country (GOS, etc);
- clarifying project paper goals, purpose and objectives;
- assessing changes in the project setting;
- defining progress to date (i.e. financial, participation, benefit incidence); and
- determining causes of progress or lack thereof.

(c) Evaluation Implementation Steps:

-The Mission Evaluation Officer and Project Manager will brief the Evaluation Team upon arrival on the SOW and will oversee the evaluation.

-If the evaluation is an external one, the Evaluation Team will submit a draft report and brief the Mission prior to its departure.

-The Mission will distribute the draft report to the respective GOS Ministries/Agencies and coordinate in-house and GOS responses. All comments and suggested changes will be forwarded by the Project Manager and Mission Evaluation Officer to the Team Leader (if external) for incorporation into the final report.

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-At least 8 copies of the final evaluation report should be provided to the Mission within a reasonable time period (no later than sixty days after the Mission and GOS comments and suggested changes have been submitted to the Team Leader).

-Mission will distribute copies of the final report in-house and to the GOS.

(d) Preparation of Project Evaluation Summary(PES)/A.I.D. Evaluation Summary:

The Project Manager and Mission Evaluation Officer have joint responsibility for preparing a PES on the evaluation findings and recommendations. The PES summarizes the major evaluation recommendations requiring follow-up actions, identifies who has responsibility for the actions (USAID, GOS, Ministry, others), and the estimated time-frame for completion of actions. If the recommendation is on-going or requires continuous action (over a period of six months), it should be stated.

The PES should be completed and sent to AID/AFR/DP within 30 days after receipt of the final evaluation report. The fact that discussions with the GOS are continuing and recommendations remain open should not preclude meeting this thirty (30) day schedule.

AID/W has instituted a new form for the PES effective 6/87. The form, entitled "A.I.D. Evaluation Summary", is available in PPD.

IV RESPONSIBILITIES:

Mission Evaluation Officer:

This Officer is responsible for the management of the Mission's evaluation system. The functions of the Mission Evaluation Officer include providing timely direction to the Project Managers on planning and preparation for upcoming evaluations and providing direction on A.I.D. guidelines and procedures to the Evaluation Team.

Specific responsibilities are as follows:

- (a) Preparation of the Annual Evaluation Plan initially drafted for the ABS;
- (b) Maintenance of a central file and follow up system for completed evaluations;
- (c) Assist the Project Manager in preparation of the scope of work for the evaluation;
- (d) Brief the evaluation team on USAID guidance for evaluations;
- (e) If it is an external evaluation, follow up on submittal of USAID comments on draft report and receipt of final report.

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- (f) Assist the Project Manager in preparing the PES and transmittal of same to AID/W. Follow-up actions on outstanding recommendations/actions will include the preparation, with the Project Manager, of a joint memorandum to the Director on the progress made during the year towards fulfilling outstanding recommendations on PESs completed during the past year.

Project Manager:

The Project Manager has responsibility for preparing the SOW as defined above, overseeing implementation of the evaluation, arranging for in-house briefings, arranging appointments with the GOS and arranging logistical support for the team (office space, etc) if required. The Project Manager or other USAID staff should accompany an external team to meetings with the GOS. Both the Mission Evaluation Officer and Project Manager are jointly responsible for obtaining Mission and GOS comments on draft evaluations and preparing of the PES upon receipt of the Final Report.

The Project Manager does not usually participate on the Evaluation Team, but serves as a key resource person to the Evaluation Team. He/She is, in addition, responsible for the following specific actions:

- (a) Ensure pertinent documentation on the project is readily available and accessible to the Evaluation Team;
- (b) Be the Mission technical resource contact for the evaluation team;
- (c) Liaise with professional AID staff, GOS officials, contractors and the Evaluation Team;
- (d) In concert with the Mission Evaluation Officer, coordinate and prepare comments on the draft evaluation report and submit any suggested changes for incorporation into the final report. Upon receipt of the final report, in concert with the Mission Evaluation Officer, will prepare PES for submittal to AID/W;
- (e) Chair the USAID Project Team meeting to discuss outstanding recommendations and have responsibility for overseeing implementation of recommendations; and
- (f) Prepare a written report to the Director to advise how and when the PES recommendations will be executed. This memo should be sent not later than 30 days after PES is signed. Will also prepare, with the Mission Evaluation Officer, a follow-up memorandum at the end of one year outlining progress towards meeting recommendations.

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Evaluation Team Leader:

The Team leader is responsible for:

- (a) Providing guidance and direction to the other team members as per the Scope of Work provided for his/her services. The Team Leader will be the focal point for Mission contact on evaluation progress, etc.;
- (b) Preparation of enhanced scopes of work for individual Team Members;
- (c) Overseeing preparation of the draft evaluation report for submission to the Project Manager and Mission;
- (d) Coordinating inputs from other team members into the draft report;
- (e) Briefing the Mission on findings and recommendations; and
- (f) Assuring the incorporation of Mission's/GOS comments/changes, where applicable, into the final Evaluation Report prior to end of services.

Required Follow-on Actions:

Monitoring of the implementation of evaluation recommendations, as well as required follow-on actions, will be the responsibility of both the Mission Evaluation Officer and the Project Manager. Outstanding recommendations and corrective actions will be reflected in PIRs sent to AID/W and in formal reports to the Director outlining progress on outstanding recommendations.

V CANCELLATION:

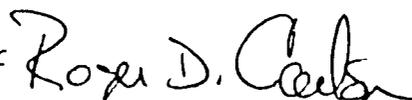
This Directive remains in effect from the date issued until cancelled or superseded in writing by the Director.

UNITED STATES GOVERNMENT

# memorandum

DATE: February 23, 1988

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



SUBJECT: Draft Report On Audit of USAID Swaziland's Management System

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

I am pleased to offer our comments on the draft audit report "Audit of USAID/Swaziland's Management System".

Our comments on this report are extensive. To be honest, I was disappointed in the report for several reasons. First, the report was not as helpful and useful to us as it might otherwise have been because of the vague nature of the language used in the findings and our inability, therefore, to verify the findings. Second, the audit team did not share specific details of their findings with Mission officers prior to their departure. Audits are an important management tool. By not having an opportunity to discuss any draft material at all, we were denied the opportunity to review both the findings and the basis for those findings. Third, and probably most critical, this report makes sweeping statements about Mission management which are unfounded and out of proportion to the recommendations. For example, the several times repeated statement (pages 5 and 13) about the Mission's portfolio being vulnerable to waste is a gross over-statement, not backed up by any facts, and out of proportion to the few administrative corrections recommended in the draft audit report.

You will note in several instances this draft audit report refers to findings in a separate draft report on the Cropping Systems Project. Since the latter report does not contain Mission comments (being submitted today) I believe it is inadmissible in this report. Mission comments will refute, I believe, many of the findings in the Cropping Systems audit, and at the least it will require an amendment.

On the positive side, the report did provide useful recommendations resulting in the issuance of three Mission directives which, we hope you will agree, form the basis for closing Audit Recommendations 1A, 1B and 1C. Copies of those directives are forwarded for your files.

Please let me know if our comments require clarification.

Begin Formal Response

Page 2

Lines 2-6. Delete the sentence, "During the previous . . . and Mozambique," and insert the following sentence, "During the previous five years, the Mission's portfolio grew in size and complexity, and the Mission assumed direct first line accounting and executive responsibilities for AID Missions in South Africa and Mozambique and accounting, legal, contracting and economic responsibilities to other Missions in the region.

Line 14. Insert the word "Swaziland's" between "monitor" and "project".

Line 17. After "documentation" please add, "for the period \_\_\_\_\_ to \_\_\_\_\_" and add the appropriate dates when the documentation was reviewed.

Page 3

Line 11. Please change ". . . was not providing the" to read, ". . . was not providing fully adequate".

Line 17. Please change "A formal committee system . . ." to read, "A formal project team system. . ."

Page 4

Lines 5-8. Please delete the sentence "Notwithstanding the . . . project status analysis," and insert the following sentence, "Notwithstanding the Mission's actions, the semi-annual portfolio project reviews did not contain comparative financial data, which is an important tool in making a project status analysis".

Line 8. Please change, "Further, the evaluation . . ." to read, "Further, several evaluation . . ."

Line 12. Please delete the word "logical".

Page 5

Line 8. Between "discontinued", and "However," please insert the following sentence. "In April 1986, the Africa Bureau issued new guidelines regarding project implementation reports, and all reports prepared since that time were in compliance with those guidelines. Actually, the Mission went even further and included extra sections on: "Summary of Project Progress; Project Officer comments on the continued appropriateness of Purpose/EOPS indicators; status of outstanding evaluation/audit recommendations; and keying section V, 'Major accomplishments during past six months' directly with Section VII, 'Principal Activities Expected Next Period' to ensure that actual implementation performance is compared with planned performance."

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Lines 8-10. Please delete in its entirety the sentence "However, USAID/Swaziland's . . . for meaningful analysis." and replace with the sentence, "However, USAID/Swaziland's semi-annual portfolio reviews did not contain comparative financial data".

Line 14. Please delete the line in its entirety, "providing the information needed for logical decision making." and replace with, "providing fully adequate information for decision making."

Lines 16-19. The audit identified that: Mission project implementation reports could be strengthened, evaluation reports be better controlled, and identified a need for establishing better criteria for action memoranda recommending PACD extensions. The Mission feels that these items do not constitute the Mission's program being vulnerable to waste. Furthermore, the Mission recently had an independent vulnerability assessment which did not identify the Mission's program as being vulnerable. Consequently, please delete the sentence, "The result was . . . considered investments." and insert the following sentence. "Consequently, strengthening the Mission's portfolio management system will ensure a positive implementation of its \$51.7 million program portfolio."

Page 6

Lines 10-14. Please delete that paragraph in its entirety and replace with the following. "Currently, USAID/Swaziland has instituted a project team system to monitor project implementation and progress. Previously, USAID/Swaziland needed fewer formal procedures since the staff and program were so small. However, even in that environment, Mission management did not disregard Agency policies and procedures. As a result of rapid growth in mission size and complexity, various USAID/Swaziland management tools needed additional attention. These have since been instituted."

Page 7

Line 4. Please insert between ". . . 33 percent" and "However, the . . ." the following sentence, "Although the Mission would not dispute the utility of this criterion, to the Mission's knowledge this has not been a PIR requirement of the Africa Bureau, and they were unable to identify the source of the criterion."

Lines 17-22. The Mission is in agreement with the utility of comparing planned to actual expenditures as one of many tools available in project analysis. However, the Mission takes exception to the statement in Lines 19-22, since Mission PIRs did focus on the problems which caused the lagging expenditures. For example, the project

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(presumably the Primary Health Care Project 645-0220) alleged to be 100% behind schedule, had a Mission requested contractual work stop-order issued for project implementation problems (later lifted) against the prime contractor. Also, Mission PIRs did discuss specific actions to resolve problems and highlighted projects as being satisfactory or problem projects. Due to the Mission's willingness to address problem project issues in its PIRs, AID/Washington has complimented the Mission on the quality of its PIRs. Consequently, it is requested that on line 20, a period replace the comma after the word "expenditure" and the rest of lines 20-22 be deleted in their entirety.

Page 8

Lines 6-9. Please delete the sentence, "In fact . . . accruals error." and replace with the following sentence, "In fact, RIG/A/N's audit of the project confirmed the Mission's awareness that the expenditure figure was overstated because of an accrual error."

Lines 10-15. Please delete the two sentences in their entirety and replace with the following, "As one of many available management tools in the portfolio review process, the auditors' review showed that Mission management would have benefited from comparing actual with planned expenditures. By not using this one tool (comparing actual to planned expenditures), the Mission missed an opportunity to be better able to identify problem projects."

Line 18. Between the words "to" and "apply" please insert the word "fully".

Line 20. Please delete the phrase "good information on attaining objectives". and replace with "comparative financial data".

Lines 20-23. The sentence "The reports had . . . of project purpose" should be deleted entirely. Mission PIRs include both broad and specific criteria and indicators to assess project progress toward attaining objectives. These include the following sections of Mission PIRs: "III Summary of Project Progress"; "IV Performance on Key Progress Indicators: A. Project Purpose, B. EOPS Indicators, C. Project Officer Comments on Continued Appropriateness of Purpose/EOPS Indicators, D. Progress Toward Achieving Project Outputs"; "VI Major Problems/Delays, Implementation Issues"; and the keying of Section "V Major Accomplishments During Past 6 Months" directly with Section "VII Principal Activities Expected Next Period" from the previous PIR to ensure that actual implementation performance is compared with planned performance. These are not "subjective rather

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than objective" indicators as stated in line 22 of page 8 of the draft audit. The indicators for measuring project performance are specific and include indicators taken directly from the project logical framework. Therefore, the sentence should be deleted entirely since it is inaccurate and misleading.

Page 9

Lines 5-14. Please delete these lines in their entirety since this paragraph references a draft audit report which does not include Mission comments. Those comments, now being prepared, will refute the assertions in this paragraph. Any reference to that draft audit report without the benefits of those Mission comments is inappropriate.

Lines 15 through Page 10 Line 10

Delete and replace with the following:

"USAID Mission has a decentralized filing system, evaluations are kept in the respective technical divisions. However, the Evaluation Officer in PPD does keep a record of all planned and completed evaluations and the whereabouts of the reports. A copy is also kept in PPD.

Owing to the tendency of the technical officers to wait until all recommendations are closed, some of the PES reports to Washington were late in submission. USAID/S does have procedures in place for following up on evaluation recommendations. One is the USAID/S semi-annual PIRs which have a section on Evaluations. This section notes completed evaluations, recommendations and actions taken to date. Subsequent PIRs and in-house Sector Reviews include evaluation issues on the Agenda. Recommendations from two of the evaluations cited in the audit recommendation were the basis for PP amendments, PACD extensions and the adding of increased funds (Rural Water Borne Disease Control 645-0087 and Rural Reconstruction 645-0024). USAID/S included in the PIRs forwarded to Washington for the period April 1 - September 30, 1987, the Executive Summaries of the two evaluations completed during that period (Cropping Systems Research and Extension Training (645-0212) and Teacher Training (645-0214). The evaluation section of USAID/S' PIRs routinely cite completed evaluations, recommendations and actions".

Page 11

Lines 9-11. Please delete the sentence, "In sum, . . . on extensions." and replace with, "Some of the memoranda did not provide fully adequate information needed to make sound

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decisions on extensions." We have no basis for determining whether these memoranda were all inadequate for sound decision making. The audit team did not discuss their findings with Mission officers. We don't know which memoranda they are referring to, nor when they were written. Thus, it is impossible to agree to a categorical statement, or to take corrective action.

Line 17. After the sentence ending, ". . . at project end." please insert the following comments, "Mission officers claimed to have known the existence of unearmarked funds in June 1986 and documented this fact in March 1987. The intent of the October 1986 extension was to allow more time to achieve project purposes to facilitate contracting for project personnel, and to assure continuity of research and extension training efforts."

Lines 17-20

The sentence "However, the Mission . . . timely way." refers to a draft audit report which does not include mission comments. These comments, now being prepared, will refute the assertions in this sentence. Any reference to that draft audit without the benefit of those Mission comments is inappropriate. Since it was already covered so thoroughly, we strongly believe there is no point in discussing it again in a separate audit. Consequently, it is requested that the sentence be deleted in its entirety.

Page 12

Line 2. Please delete the word "clear" and replace with the words "fully adequate."

Lines 7-9. Please delete "Mission of accounting . . . Lesotho and Mozambique" and insert the following, "Mission of accounting and executive responsibilities for South Africa and Mozambique; and accounting, legal, economic and contracting support for other missions in the region."

Lines 14-21. This paragraph refers to a draft audit report which does not include mission comments. Those comments, now being prepared, will refute the assertions in this paragraph. Any reference to that draft audit without the benefit of those Mission comments is inappropriate. Consequently, it is requested that the paragraph be deleted in its entirety.

Page 13

Lines 1-4. Please delete in its entirety and insert the following sentence in lieu thereof: "Consequently,

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strengthening the Mission's portfolio management system will assure a positive implementation of its \$51.7 million program portfolio."

Line 17 at the end of paragraph A, after the word "benchmark", please add 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 14

Line 3 at the end of paragraph B after the words "closed and", please add the following sentence: "At the time this audit report was issued, Mission Directive number 303 (Monitoring and Evaluation Systems), which closes this recommendation, had been issued."

Line 9, at the end of paragraph C, please add the following sentence, "At the time this audit report was issued, Mission Order number 301, which closes this recommendation, had been issued."

ENDS FORMAL RESPONSE

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