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UNITED STATES OF AMERICA

Auditor General

AUDIT REPORT

P.L. 480, TITLE II PROGRAMS

USAID/PERU

Audit Report Number 1-527-81-2

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Area Auditor General Latin America
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TABLE OF CONTENTS

	Page No.
EXECUTIVE SUMMARY	i
Introduction	i
Audit Purpose	i
Audit Conclusions	i
Voluntary Agencies - General	i
CRS/CARITAS Program	i
CWS/SEPAS Program	ii
SAWS/OFASA Program	iii
Government to Government Program	iii
Overall Problem Areas	iii
Recommendations	iv
BACKGROUND	1
CRS/CARITAS Program	1
CWS/SEPAS Program	1
SAWS/OFASA Program	2
Government to Government Program	2
Prior Audit Reports	3
Scope of Audit	3
AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	4
Catholic Relief Services (CRS) and CARITAS Programs	4
Program Changes	4
Delays in Delivery of Food from Ports to Warehouses	5
Food Losses are not Reported to USAID/P	6
Commodity Losses through Robbery	7

	Page No.
Inventory Shortages at Trujillo Warehouse	7
Storage Procedures at Warehouses Need Improvement	8
Accounting for Commodities Needs Strengthening	9
Program Inspections and Supervision by CRS Personnel Need Strengthening	10
Reporting - Food for Work Projects	11
Prior CRS Internal Audit Report Recommendations	12
Church World Services (CWS) and SEPAS Programs Reforestation Food for Work Program	13
Project Implementation	13
Inspection and Supervision of Project Sites	13
Improvement Needed in Progress and Accomplishments Reports	14
Accurate Inventory Reports Needed	15
Improvement is Needed in Reimbursement Procedures	16
Coordination Between SEPAS, ONAA and DGFF	16
Claims were not Filed for Food Losses at Port	17
Seventh Day Adventist Welfare Services (SAWS) and OFASA Programs	19
Expanded Urban Food for Work Program	19
Food for Work Projects	20
Disposal of Infested Food	20
Commodity Status Reports	20
Sale of Commodities	21
Government to Government Program	22
School Feeding Program Needs to be Reorganized	22
Divided Responsibilities	22
Delayed Deliveries of Commodities	23
Limited Budgets	23

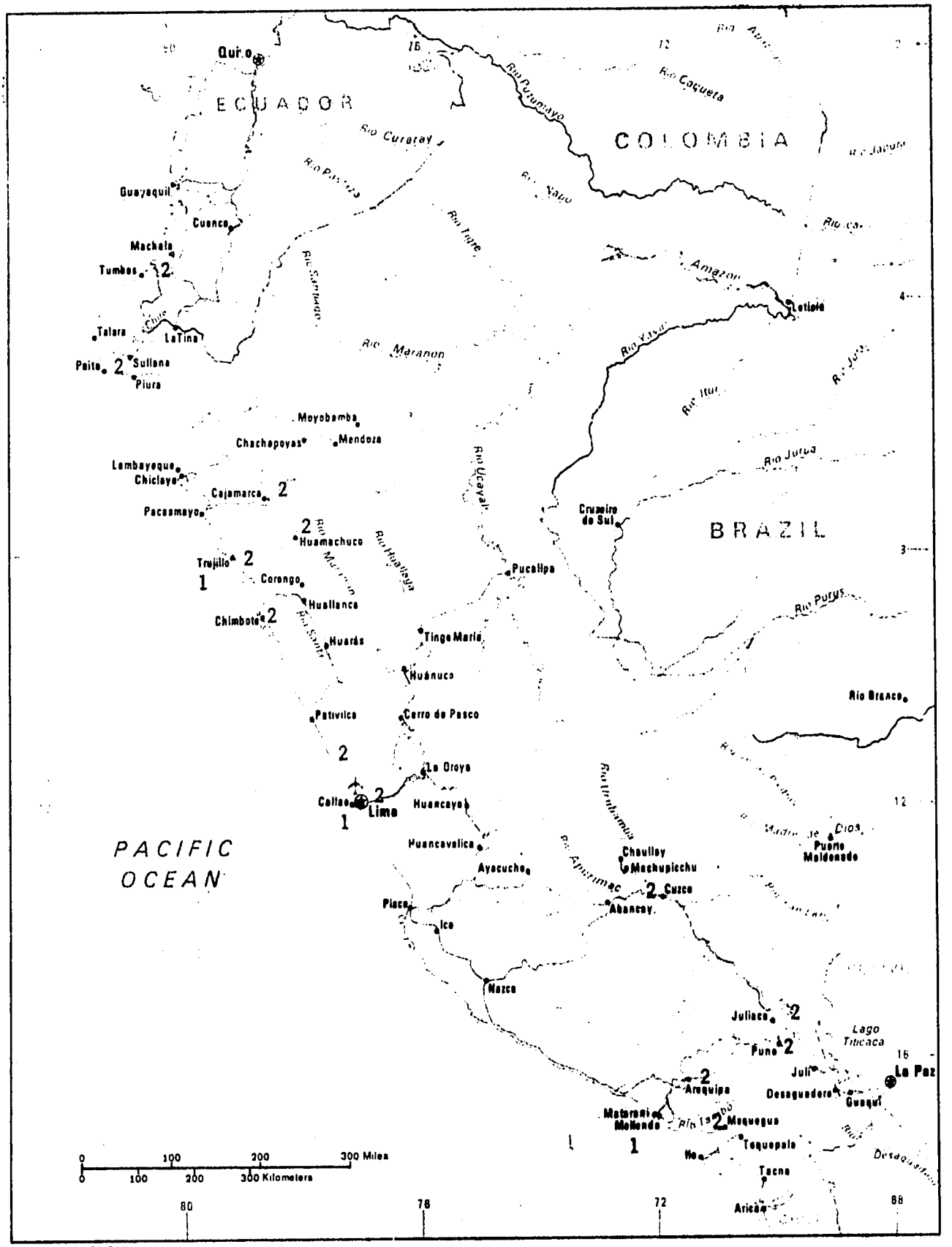
	Page No.
Improvement Needed in Commodity Reports	26
Evaluations of P.L. 480, Title II Programs Should be Made	28
Government to Government Program	28
Voluntary Agencies Program	29
Program Publicity Should Be Strengthened	30
Internal Reviews Should Be Utilized	31
ONAA Warehouses	32
Port Clearance Procedures Should Be Simplified	33
USAID/P Monitoring	34
APPENDIX A - LISTING OF RECOMMENDATIONS	36
APPENDIX B - LISTING OF REPORT RECIPIENTS	41

LIST OF ACRONYMS USED IN REPORT

CRS	-	Catholic Relief Services
SAWS	-	Seventh Day Adventist Welfare Services
CWS	-	Church World Service
MCH	-	Maternal Child Health
FFW	-	Food for Work
MOH	-	Ministry of Health
MOE	-	Ministry of Education
ONAA	-	National Office of Food Support
OFASA	-	Obra Filantropica y Social Adventista
SEPAS	-	Servicio Evangelico Peruano de Accion Social
GOP	-	Government of Peru
PAE	-	National School Lunch Program
NEC	-	Community Educational Nuclei

BEST AVAILABLE DOCUMENT

Peru



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1 Ports Inspected
2 Offices and Warehouses Visited

Railroad
Road
Airport

P. L. 480, TITLE II PROGRAMS
USAID/PERU

EXECUTIVE SUMMARY

Introduction

The Agency for International Development's (AID) P.L. 480, Title II programs in Peru are implemented through a government to government program and three voluntary agencies: Catholic Relief Services (CRS), the Seventh Day Adventist Welfare Services (SAWS), and Church World Service (CWS).

Title II program objectives are "...to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States".

Title II commodities in Peru are provided through school feeding, maternal child health (MCH), food for work (FFW) and other institutional feeding programs. The school feeding program is administered by the Ministry of Health (MOH), the Ministry of Education (MOE) and the autonomous agency, National Office of Food Support (ONAA). The MCH, FFW and other institutional feeding programs are managed by CRS, SAWS and CWS and their Peruvian counterpart agencies: CARITAS del Peru (CARITAS), Obra Filantropica y Social Adventista (OFASA) and Servicio Evangelico Peruano de Accion Social (SEPAS) respectively.

Audit Purpose

The purposes of our audit were to evaluate the effectiveness of voluntary agencies and the Government of Peru's (GOP) ministries in operating their food distribution programs and to assess the effectiveness of USAID/Peru's monitoring of these programs. Our examination covered program activities from July 1, 1977 to March 31, 1980.

Audit Conclusions

Voluntary Agencies - General

-- The voluntary agencies in Peru were generally well organized and staffed to carry out the P.L. 480, Title II feeding programs, including the accounting for and distribution of supplemental food to eligible recipients. We found, however, that management improvements can be made in the feeding programs that will result in more effective and economical use of food commodities. Some of the problems noted in the individual programs were:

CRS/CARITAS Program

Management weaknesses that hinder carrying out an effective program were:

-- Because of drought conditions in Peru, CARITAS regional offices made extensive unauthorized program changes resulting in the CARITAS National Office not knowing the actual status of the CRS/CARITAS food program. Procedures should be established to provide prior approval of regional offices' program revisions (Page 4).

-- Losses of food at ports and at inland points were not being reported to USAID/P. This information was needed to determine the extent of the loss, to follow up on loss claims filed and to reduce or prevent future losses (Page 6)

-- Food losses have not been detected due to inventory control weaknesses. Warehouse inventory control and storage procedures need to be strengthened to properly account for and safeguard commodities.(Page 7).

-- CRS had not implemented nine audit recommendations that were included in a May 1978 CRS internal audit report. The recommendations should be implemented to improve the food program's administration (Page 12).

-- Food losses occurred at the port of Callao and delays in food deliveries to projects resulted because of Government of Peru (GOP) port clearance documents requirements. To expedite deliveries of food from the port to project sites, USAID/P should arrive at an understanding with GOP authorities to permit food removals from the ports upon presentation of a copy of a bill of lading (Page 5).

CWS/SEPAS Program

-- Reports indicated that SEPAS, in cooperation with the Peruvian Directorate General of Forestry and Fauna, was achieving project goals. These reports show the reforestation project reached 97 percent of the programmed goal of 11 million seedlings and exceeded the goal of planting 6,500 hectares by 39 percent.

-- Periodic visits to the reforestation project sites to inspect the growth progress of trees were not being made by forestry or SEPAS personnel because of the lack of adequate transportation. During our visits we found a large number of trees destroyed by freezing weather, lack of water, and livestock (Page 13).

-- Reports on project accomplishments were late by 4 to 6 months. The annual report for the period April 1979 through March 1980 contained incorrect accomplishment information and needed to be revised (Page 14).

-- Reported warehouse inventory balances for the reforestation project by SEPAS, Directorate General of Forestry and Fauna and the Office of Food Support were not in agreement. CWS/SEPAS inventory balances should be reconciled with the reports of these institutions (Page 15).

-- Reimbursement procedures were extremely bureaucratic requiring expense vouchers to be processed through five GOP offices before arriving at SEPAS. To simplify the reimbursement process, a petty cash fund should be established at each Peruvian department (Page 16).

-- Food losses incurred at the ports were not being reported nor were claims filed as required by AID regulations (Page 17).

SAWS/OFASA Program

-- Project goals to feed about 100,000 persons in the Lima metropolitan pueblos jovenes (areas not fully developed) were being achieved. It is doubtful, however, whether the objective of improving the nutritional status of these persons could be reached as most of the FFW projects were of short duration (Page 19).

-- Small quantities of infested food had been distributed to beneficiaries at FFW projects. Project officials should be instructed to dispose of infested food in accordance with AID regulations (Page 20).

-- Commodity Status Reports show quantities of food rounded off to thousands of kilos which results in inaccurate reports. Actual quantities should be shown on the Commodity Status Reports (Page 20).

-- A bill for collection should be issued to SAWS for a food loss that occurred in 1977. A SAWS counterpart employee sold P.L. 480, Title II commodities (dried peas) costing $6,064 to an intermediary. SAWS had not made payment to USAID/P to settle the food loss because of lack of follow-up on the part of USAID/P (Page 21).

Government to Government Program

-- The National Primary School Feeding Program with P.L. 480, Title II food assistance was not being carried out effectively and economically. We found that the commodities provided to school children were not having a nutritional impact because of the non-availability or dilution of the food rations. The school lunch program was burdened with bureaucratic ministries and operating procedures that have resulted in inadequate program funding, inefficient storage and lack of continuity in the distribution of commodities. Reporting on program progress and accounting for commodities was questionable. In short, there was little or no effective supervision of food activities.

To improve the primary school feeding program and to make more effective use of the P.L. 480, Title II commodities for 500,000 children, USAID/P should focus the food resources in specific areas of Peru instead of attempting to implement a country-wide program. This procedure would assure school children daily rations and would result in measurable nutritional impact. As we point out in this report, the school lunch program has never been evaluated to determine if the P.L. 480, Title II food has had a nutritional impact on school children. Also, USAID/P should arrange with the GOP to designate the National Office of Food Support to be responsible for receiving, storing and distributing P.L. 480, Title II commodities. Considerable savings in time and costs would result because food would not be transported and stored at hospital areas and school districts, but would go directly from ONAA regional warehouses to the schools (Page 22).

Overall Problem Areas

-- An overall evaluation of the government to government program should be made to determine what nutritional impact the program has had (Page 28).

-- Voluntary agencies programs were evaluated and evaluation reports prepared, but the reports' recommendations to improve project administration have not been implemented (Page 29).

-- Recipients receiving P.L. 480, Title II commodities were not aware that the food was donated by the people of the United States because the voluntary agencies did not have adequate publicity programs (Page 30).

-- Delays in preparing and submitting internal reviews by the voluntary agencies result in the U.S. Agency for International Development to Peru (USAID/P) not being able to fully assess program implementation (Page 31).

-- To improve monitoring and evaluation of voluntary agencies FFW Projects, USAID/P needs to receive progress and/or completion reports (Page 34).

Recommendations

As a result of our audit, we made 30 recommendations for improvements in P.L. 480, Title II programs in Peru. These recommendations are included in the text of the report and listed in Appendix A.

BACKGROUND

P.L. 480, Title II commodities are distributed in Peru through a government to government program and by three voluntary agencies: Catholic Relief Services (CRS), Seventh Day Adventist Welfare Services (SAWS), and Church World Service (CWS). P.L. 480 assistance helps to meet Peru's nutritional gap through the provision of food to the needy and by supporting programs to create the institutional mechanism by which Peru can eventually overcome its malnutrition problem.

CRS/CARITAS Program

CRS is authorized to operate in Peru by the October 25, 1954 bilateral agreement between the Governments of the United States and Peru. CARITAS del Peru (CARITAS) through which CRS operates its P.L. 480, Title II program in Peru, has 45 diocesan directors responsible for implementing and supervising the food program.

In fiscal year 1977 CARITAS feeding activities were programmed to reach 240,000 recipients in programs for MCH, day care centers, other child feeding and FFW. For fiscal year 1980 the CARITAS program has increased to 473,000 persons receiving food assistance. The 1981 fiscal year budget submission envisions the CARITAS program feeding nearly 500,000 persons.

To assist CARITAS in implementing the increased food program, an AID Operational Program Grant (OPG) was signed March 30, 1978 providing $160,000. The money was used to pay local costs related to transportation, storage and handling of P.L. 480, Title II commodities, as well as costs concerning supervision, inspection and evaluation of the food program. At the close of our review USAID/P was considering another OPG to assist CARITAS in maintaining its increased nationwide Title II feeding programs for the poor.

CWS/SEPAS Program

CWS operates in Peru under the bilateral agreement of October 25, 1954, between the U.S. Government and the Government of Peru. The CWS counterpart in Peru is Servicio Evangelico Peruano de Acción Social (SEPAS). The agreement permits CWS to inspect and supervise all aspects of its P.L. 480 Title II food program. The voluntary agency and its counterpart are providing food for MCH, child feeding and FFW programs.

The CWS/SEPAS food for work program was primarily directed to a 3-year reforestation project in 8 Peruvian departments that will plant 46 million trees on 31,000 hectares of land, provide temporary employment to about 20,000 workers and food support to an additional 80,000 beneficiaries.

To help carry out the reforestation project USAID/Peru and SEPAS signed an Operational Program Grant (OPG) that provides up to $243,000 for paying SEPAS employees' salaries, and other operating costs including the purchase of tools and equipment, seeds, fuel, lubricants and parts for vehicles. The OPG funds cover the project's operating costs through December 31, 1980.

SAWS/OFASA Program

SAWS operates in Peru under the October 25, 1954 bilateral agreement between the Government of the United States and the Government of Peru. The feeding program is implemented by SAWS' counterpart, Obra Filantropica y Asistencia Social Adventista (OFASA).

The voluntary agency and its counterpart carry out two basic programs, FFW and MCH. In 1977 about 33,000 persons participated in the feeding programs. In 1980 the estimated recipient levels had increased to 120,000. The increase in recipients was due to an Operational Program Grant (OPG) for an expanded urban FFW program project, which was signed on September 7, 1978 with OFASA. The agreement and amendments provided $388,000 dollars to permit OFASA to expand its feeding program activities to the urban inhabitants of the Lima metropolitan and other pueblos jóvenes.

Government to Government Program

USAID/Peru and the Government of Peru have been cooperating since 1961 in carrying out a National School Lunch Program (PAE). The PAE is composed of country-wide programs of promotion, nutritional education and food assistance activities carried out through schools. The coordinated action of the Ministries of Health and Social Welfare and Education, and the autonomous agency, National Office of Food Support (ONAA), using budget resources and community participation implement the PAE. P.L. 480, Title II foods donated by the people of the United States are used to complement the foods provided by the GOP and the local communities.

The PAE receives commodities delivered from ONAA's regional warehouses and distributes the food to community educational nuclei (NEC) and schools. Other responsibilities include promoting production of food commodities in school gardens and preparing necessary activity reports.

NEC's are responsible for receiving commodities from the PAE regional offices, storing and distributing the food commodities. NEC's assist in promoting local production of foods and the participation of local communities in school activities.

ONAA receives donated foods at the ports, provides food storage and transports the commodities from ONAA warehouses to PAE regional storage areas. At the present time ONAA has seven regional warehouses with a capacity of 24,000 metric tons.

During the audit period two Transfer Authorization Agreements were signed with the GOP:

Date Signed	T.A. No.	Amount Metric Tons	Value
7/9/79	9654	8,598	$ 3,943,000
7/19/78	3653	6,002	2,840,000

Also, during the audit period food commodities were received from Transfer Authorization No. 6652 signed on July 21, 1976. This authorization provided for the shipment of 6,820 metric tons of food valued at $2,668,000.

The P.L. 480, Title II food program called for providing a breakfast or lunch to 500,000 of 2,770,000 (1979 matriculation) primary school students during the school year. In the transfer authorizations, the GOP agreed to provide an adequate budget for administration and supervision of the program, including inland freight, end-use inspections, guidance and training of teachers, food supervisors, cooks and volunteer workers. The GOP also agreed to assure availability of transportation for inspectors/supervisors and carryout an effective reporting system.

Prior Audit Reports

The P.L. 480, Title II programs in Peru were last reviewed by the Area Auditor General for Latin America in 1976 as part of an overall survey of the AID program in that country (Survey Report No. 1-527-77-8, dated November 8, 1976). There was only a brief discussion in that report of the voluntary agencies involved in the program and the amounts of food being distributed. The report contained no findings or recommendations pertaining to Title II.

Scope of Audit

This audit covered P.L. 480, Title II operations from July 1, 1977 to March 31, 1980. The purposes of the audit were to evaluate the performance of voluntary agencies and the involved GOP ministries in operating their programs and to assess USAID/P monitoring of these programs.

From May through July 1980, we visited the voluntary agencies and their counterpart's national and regional offices, distribution centers and food for work projects to observe operations. In the government to government school lunch program, we visited the GOP national offices and a selective number of regional offices, school district offices and elementary schools.

At the warehouses we observed the adequacy of storage facilities and made selective tests of inventory controls. We visited a selected number of public markets to determine whether P.L. 480, Title II commodities were being sold.

The ports of Callao, Salavarry and Matarani were inspected to determine their adequacy in receiving and storing P.L. 480, Title II commodities.

Our examination included a review of USAID/P files and discussion with USAID/P officials. We examined voluntary agencies' records and interviewed voluntary agencies' and counterpart officials. In the field we interviewed project officials and recipients of P.L. 480, Title II commodities.

Our review was made between May and July 1980. Our draft audit findings were provided to USAID/P for review and comment. Their comments were considered and incorporated in the final report, as appropriate.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The voluntary agencies in Peru were generally well organized and staffed to carry out the P.L. 480, Title II programs, including the accounting for and distribution of supplemental food to eligible recipients. We found, however, that management improvements were needed which should result in more effective and economical use of commodities.

The Peruvian National Primary School Feeding Program operating under a government to government program with P.L. 480, Title II commodities was not being carried out effectively and economically. We found that there were many improvements and changes needed in the program.

The findings which relate to a specific P.L. 480, Title II program will be discussed first and then overall findings will follow.

Catholic Relief Services (CRS) and CARITAS Programs

Program Changes

CARITAS regional offices made extensive changes in approved programs without requesting and obtaining approval. In our visits to the diocese offices of Trujillo, Cajamarca, Huamachucho, Huacho, Piura, Tumbes and Chimbote, we found that none of these offices were following their authorized programs. The authorized programs were changed because of conditions caused by a drought. As a result the number of recipients was much greater than indicated in the Annual Estimate of Requirements (AER) and food was not being distributed in accordance with AID nutritional and developmental policies.

Programs for fiscal years 1979-80 were established based on normal field conditions. However, a drought in the northern coastal region caused a disruption in plans according to CARITAS officials. Each of the dioceses made extensive program changes to meet emergency drought conditions.

For example, at Trujillo there were 31 FFW projects with about 3,300 recipients that were not shown on the CARITAS Central Office list of projects. At Chimbote the CARITAS personnel claimed there were 201 FFW active projects as compared to 50 projects listed by the CARITAS Central Office. For the diocese of Huacho the CARITAS Central Office FFW list shows 20,010 persons were receiving food. Huacho personnel said that in excess of 40,000 persons were receiving food assistance. The increase in FFW projects was attributed to the climatic conditions in Peru that have resulted in greater number of people seeking food assistance. CARITAS officials said food rations to beneficiaries were reduced to half of the recommended amount. This enabled CARITAS dioceses to feed a larger number of people.

Project lists that were submitted by the CARITAS Central Office to us were not accurate and needed to be updated. Neither the projects nor the number of beneficiaries agreed with Diocesan project lists. The Central Office project lists were not current because the field offices did not officially inform the Central Office of the local diocese's programs. The CARITAS Central Office did not instruct field offices to request approval for revisions in food programs. This

has resulted in the CARITAS Central Office not knowing the actual status of the food programs being implemented.

Recommendation No. 1

USAID/P should request CRS/CARITAS to establish procedures that provide for dioceses to submit food program revisions for approval to the CARITAS Central Office.

Recommendation No. 2

USAID/P should request CRS/CARITAS to update and maintain Central Office project lists that reflect the projects actually being implemented.

Delays in Delivery of Food from Ports to Warehouses

Diocese warehouses were found to be out of certain categories of food and, as a result, recipients were not receiving their programmed rations of food. For example, at the time of our field visits, the Trujillo and Cajamarca warehouses were out of wheat, corn flour and oats. Delays in deliveries of commodities to CARITAS warehouses were caused by port authorities insisting on CRS/CARITAS submitting all shipping documents for exemption of port fees.

In order to get a shipment of food out of port, several documents are required by the Port Authorities. These include copies of the bill of lading, a commercial invoice, a phitosanitary certificate from the United States Department of Agriculture, a phitosanitary import permit from Peru signed by the Ministry of Agriculture, a deed of donation signed by CRS/Peru and a duty-free liberation certificate. CARITAS obtains the liberation certificate from the Ministry of Health after all the preceding documents have been presented and approved.

Shipments were held-up because the phitosanitary permits from Peru were not being signed and returned to CRS by the Ministry of Agriculture-a process which should normally take 5 or 6 days according to CRS office personnel. For example, shipment No. 1695-C for 18,000 bags of wheat flour was due to arrive in Callao on April 9, 1980. Although the phitosanitary was sent for signature on April 5, 1980, it had not been returned at the time of our review on May 9, 1980. Correspondence from CARITAS/Peru to CRS/Peru dated May 7, 1980 advises that five shipments that arrived in April and four shipments that arrived in March 1980, had not been processed because the local phitosanitaries permits had not been signed.

The cause of the delays was apparently bureaucratic but there had been inadequate follow-up by CRS and CARITAS prior to May 7, 1980 to see that documents were signed.

In another section of the report discussing ports, we have made a recommendation which we feel will improve the deliveries of commodities to recipients.

Food Losses are not Reported to USAID/P

Food losses occurring at the ports and at inland points were not being properly reported to the USAID/P as required by AID Regulation 11. Section 211.9(f), page C-13 as amended requires any loss, damage or misuse be reported promptly in writing and "shall include information as to name of the responsible party; kind and quantities of commodities; size, and type of containers; and time and place of misuse, loss or damage;... the action taken with respect to recovery or disposal; and the estimated value of the commodity..."

The USAID/P Food for Peace Officer believes that losses were not being reported because none exceeded $300.00. (Cooperating sponsors may elect not to file a claim if the loss on commodities is less than $300). However, unless losses are reported, USAID/P is not aware when the value of such losses exceeds $300. USAID/P needs information on food losses to determine the extent of loss or damage and to follow up to ensure that corrective action is being taken to reduce or prevent other losses and to ascertain that applicable claims are being filed.

Recommendation No. 3

USAID/P should request CRS to report all food losses as required by Section 211.9(f) of Regulation 11, AID Handbook No. 9.

CARITAS was not reporting port losses because CRS was not furnishing CARITAS with copies of independent surveyors' reports. Although CARITAS records show several port losses during a three year period, no loss reports have been filed. Such losses should be included in quarterly statistics submitted to USAID/P. Examples of such losses are:

Shipment No.	Arrival Date	Kilos Shipped	Port Loss	US$ Value
Wheat Flour				
1956 C1	3/10/79	476,280	5,380	2,346
1640 B2	12/15/78	68,947	1,773	773
Bulgur				
1684 D2	11/25/79	293,026	10,445	2,820
1684 B	11/29/79	298,469	1,775	479
1624 B	8/24/78	234,965	1,291	349

Only two claims have been filed against port authorities. Both claims were for Bulgur losses of 40 bags each - one loss occurred during 1978 and the other during 1979.

CARITAS does not receive copies of independent surveyors' reports from CRS because of a lack of communication between the two organizations. The reports of ship discharge are necessary to accurately determine the portion of total losses at port discharge which are attributable to the ship and which are attributable to the port. CRS receives CARITAS outturn reports, but does not segregate losses between the ship and the port before forwarding all documents to CRS/New York. CRS officials state that CARITAS should indicate on the outturn reports whether a claim should be filed.

The deficiency in analyzing the documents to determine port losses was identified in a CRS internal audit report dated May 1978. The recommendation that outturn and inspection survey reports be compared so that inland losses can be accurately apportioned had not been adopted.

Recommendation No. 4

USAID/P should request CRS to furnish CARITAS copies of inspection survey reports so claims can be filed for port losses.

Commodity Losses through Robbery

Four losses of oil through robbery were noted in our review - two at Trujillo and two at Cajamarca. None of the losses was reported to USAID/P. USAID/P learned of one loss from an article in the newspaper and the others during inspection visits to diocese warehouses. Three of the losses had not been reported by the diocese to the CARITAS National Office although CARITAS guidelines so required. CARITAS carries insurance against robberies, however, claims had not been filed with insurance companies. Two of the robberies were not promptly reported to the police by the diocese. We estimate the amount of losses, based on current invoice values, including freight, to be:

	Date	Oil	Value	
Cajamarca	June 1979	12 cases	$ 259	1/
Cajamarca	Sept. 1979	58 cases	1,252	1/
Trujillo	Feb. 1980	76 cases	1,640	1/
Trujillo	May 1980	10 cases	216	2/

1/ Reported to police.
2/ Not reported to police at time of our review.

Recommendation No. 5

USAID/P should request CRS to follow up with CARITAS to assure that insurance claims are filed for food losses and that insurance proceeds are distributed in accordance with Regulation 11.

Inventory Shortages at Trujillo Warehouse

We reviewed the reported inventory shortages, robberies and alleged cover up of losses by diocese officials at Trujillo. We reviewed accounting entries made in the Trujillo control and physical inventory records for the period

December 21, 1978, through May 26, 1980, and held discussions with personnel. We noted that:

1. Employees responsible for maintaining control records, warehouse inventory records and approving issues of commodites to projects were instructed by CARITAS officials to falsify records to cover up inventory losses.

2. To cover up inventory shortages, persons responsible for signing as having received food acknowledged signing for food which was never distributed to them.

3. Culpability for mismanagement was placed upon a local employee causing the CARITAS National Office to request that the person be relieved of his duties for incompetence. The person was relieved of his duties and transferred to another position within the same diocese office.

4. The quantity on an inventory issue slip was increased to prevent the detection of an inventory shortage.

5. The extent of the food losses covered up by subterfuge was in excess of $21,000.00. USAID/P officers said that no claims for the losses would be made because CARITAS' financial condition precludes it from paying the amount. Also losses would be minimized or eliminated once USAID/P recommendations to improve warehousing and accounting controls were implemented.

6. A person involved indicated that CARITAS personnel felt that if the extent of losses were fully known the program might be terminated and it was impossible to prevent robbery and other losses from occuring due to the diocese's limited budget.

On June 10, 1980, the CARITAS National Office temporarily suspended the program and informed USAID/P that administrative improvements would be made at the Trujillo diocese, including changes in personnel, establishing inventory controls, constructing guard facilities, installing a communication system and training new personnel. USAID/P plans to approve the CARITAS/Trujillo food program only if effective controls are established for accounting and safeguarding the P.L. 480, Title II commodities.

Recommendation No. 6

USAID/P should request CRS/CARITAS to assure that commodities at the Trujillo warehouse are properly accounted for and distributed to eligible recipients.

Storage Procedures at Warehouses Need Improvement

Storage procedures included in the Food for Peace Handbook were generally not being adhered to at warehouse locations visited:

1. Stacking of commodities was higher than recommended for some commodities. Fiberboard cases of oil were stacked higher than eight layers in almost every warehouse.

2. Stacks of bags were placed flush against the walls of the warehouses and other stacks instead of being stacked one meter away.

3. Openings were not screened with wire netting at Trujillo and Huacho warehouses. Bags of commodities were stored outside in the courtyard at Huacho.

4. Sides of stacks were not flush at Cajamarca, making it impossible to take an accurate physical inventory. Bulgur bags, for example, were layered in varying quantities of 30 to 37 within the same stack.

5. The warehouse at Trujillo was well constructed but the roof was made of an asbestos type material, adequate for the climate, but not strong enough to prevent breaking and entering.

6. Some commodities were not stacked on wood pallets at Cajamarca and Huacho.

Although specifications were not complied with in all cases, we found minimal food losses due to spoilage in warehouses. Robberies of oil appears to have been a greater problem at Trujillo and Cajamarca warehouses. These problems were being resolved at Trujillo by improvement of facilities and at Cajamarca by placing oil in a more secure location.

No recommendations are considered necessary.

Accounting for Commodities Needs Strengthening

Standard forms and documents were used by CARITAS to help control the movement and storage of food, but inventory and warehousing procedures were not standardized. Standardized procedures need to be established to improve controls. Weaknesses in inventory and warehousing procedures noted were:

1. Responsibilities for control of accounting and warehouse functions were not segregated at Cajamarca and Huamachuco.

2. Periodic inventories were not taken at Trujillo (until May 5, 1980) and Huamachuco. Large differences between record quantities and physical stocks went undetected for long periods of time at Huamachuco.

3. Transfer of commodities between diocesses was not effectively controlled by the CARITAS National Office. For example, the CARITAS National Office was not aware that large transfers of food from Trujillo to Huamachuco were not recorded in the Huamachuco accounting control. The unrecorded transfers made during September 1979 through January 1980 were not detected until our audit in May 1980. The National Office was verifying transfers from port to diocese but not between dioceses.

4. Differences between physical inventory and accounting controls were not bein g adjusted at Trujillo, Cajamarca and Huamachuco.

5. Authority to approve commodity issues was vested in the same individual who maintains the accounting control at Trujillo and a rubber stamp, used for approvals at Cajamarca, was entrusted to the accountant/warehouseman.

6. Issue forms were being presigned as received prior to the actual delivery of food at Trujillo.

7. Presigned issue forms were being entered in the accounting control prior to the food actually leaving the warehouse at Trujillo.

Recommendation No. 7

USAID/P should request CRS/CARITAS to establish standardized procedures for inventory and warehousing for dioceses.

Program Inspections and Supervision by CRS Personnel Need Strengthening

Although CARITAS and USAID/P personnel are making periodic field inspections of diocese offices and projects, we believe that the expanded food program requires continuous supervision to check on program activities, including the receiving, storing and distributing of food. CRS personnel need to make periodic visits to field offices to assure that CARITAS complies with AID regulations concerning P.L. 480, Title II commodities.

At our request, CRS/Peru prepared a listing of CRS field visits during calendar years 1978, 1979 and 1980 (to May 4, 1980). The listing showed that 8 field visits to 11 centers were made during the period:

Calendar Year	Field Trips Made	Locations Visited
1980	2	Huari, Huamachuco, Cajamarca
1979	1	Chimbote
1978	5	Cañete, Huacho, Huancayo, Huari, Huacho, Chimbote, Trujillo

CARITAS prepares a quarterly statistical report of visits made to field offices and projects. The report for the quarter ended December 31, 1979, showed that National Office personnel visited 17 of the 33 dioceses and 24 of the 2,672 centers. In addition, diocesan personnel made 1,374 visits to recipient centers. CARITAS reports clearly show that the volume of visits to projects has increased. The CARITAS inspection program is relied upon by both USAID/P and CRS to ensure that commodities are accounted for and distributed to eligible beneficiaries. CARITAS supervision in the past has been considered less than adequate by USAID/P and CRS, prompting USAID/P to enter into an operational program grant with CARITAS to improve program administration. The grant provided funds to contract for full time supervisory services. Another operational program grant with CARITAS was being considered at the time of our review which would include funds for continuing the supervisory services. Inspection reports will be submitted to USAID/P and CARITAS.

The following examples indicate the continuous need for inspections:

1. The CARITAS National Office indicated to USAID in April 1980 that corrective action had been taken at Trujillo to replace an incompetent office manager. In June 1980, we found that the same individual was working in the same food program in another responsible position. CARITAS National Office personnel claimed they were not aware that the indidivual was still employed.

2. An inspection visit to Cajamarca by a CARITAS employee in May 1980, disclosed a robbery loss of 70 cases of oil. The CARITAS inspector advised the diocese to report the loss to the National Office. Our visit on June 18, 1980, disclosed the same shortages were still carried in the accounting control as inventory. The National Office had not been informed of the shortages so that an insurance claim could be filed.

3. At Piura, CARITAS personnel said that in November 1979 an inspector from Lima visited the diocese office and several FFW projects. However, the inspector never informed them of the results of the inspection nor had he submitted a field trip report.

4. At Tumbes, the priest indicated that a CARITAS inspector had visited the diocese office some months prior. The inspection was limited to reviewing inventory controls. No CRS or USAID/P personnel had made inspections of the Tumbes operations. The priest said that he visited a few projects, but could not recall the results of his inspection. No inspection reports were prepared.

Neither CRS nor USAID/P receives copies of CARITAS field inspection reports. We believe these reports should be regularly circulated to USAID/P and CRS so that they will be aware of project progress and problems. These reports should help both USAID/P and CRS in planning and scheduling their respective field inspections.

Recommendation No. 8

USAID/P should request CRS to make periodic field visits to CARITAS field offices and projects and to report the results of the visits to USAID/P.

Recommendation No. 9

USAID/P should request CRS/CARITAS to submit copies of field inspection reports to USAID/P.

Reporting - Food for Work Projects

Progress reports are not always prepared and submitted by communities to the diocese offices.

Reports on accomplishments were submitted at irregular intervals and on many projects no reports were available to determine what had been performed. Because of a lack of personnel the diocese offices did not follow up to assure progress reports were submitted by communities as required. Progress reports were in a narrative form and contain irrelevant material that has nothing to do with project accomplishments.

We believe that progress reporting should be systematic and on a standard form. Diocese office procedures should assure that communities prepare and submit required work progress reports.

Recommendation No. 10

USAID/P should request CRS/CARITAS to design a standard work progress report form and ensure that required work progress reports are submitted.

Prior CRS Internal Audit Report Recommendations

A management weakness was noted in CRS' failure to effectively respond to an internal audit report. The CRS/New York Internal Audit Report, dated May 1978, contains 9 audit recommendations which, after 2 years, had not been fully implemented or answered. Deficiencies included in the CRS internal audit report were noted during our current audit and included in this report.

Three of the important findings and recommendations that were included in the CRS audit report but had not been implemented were: (1) the proper investigation, reporting and filing claims for port losses, (2) finding ways to eliminate delays of food in port, and (3) starting a publicity program to inform the public and the recipients that the commodities come from the people of the United States.

Correspondence from CRS/New York indicated that corrective action was delayed due to changes of CRS American personnel in Peru but follow up was still taking place.

Recommenation No. 11

USAID/P should ensure that CRS implements the nine recommendations contained in the CRS/New York Internal Audit Report of May 1978.

Church World Services (CWS) and SEPAS Programs

Reforestation Food for Work Program

Project Implementation

The project called for an increase in the number of Food for Work (FFW) beneficiaries by over 100,000 during a 2 year period beginning in March 1979. Also, more than 41 million seedlings were to be planted over 31,000 hectares of land in 8 departments of the Peruvian sierra (Cajamarca, Ancash, Junin, Huancavelica, Ayacucho, Apurimac, Cuzco and Puno).

Conflicting recipient status reports indicate that the project has reached different numbers of beneficiaries. The CWS quarterly Recipient Status Reports indicated that the following number of recipients received P.L. 480, Title II commodities:

April - June 1979	3,087
July - September 1979	5,780
October - December 1979	8,240
January - March 1980	17,705

For the same period, April 1979 through March 1980, the Directorate General of Forestry and Fauna (DGFF) reported that a total of 19,077 workers had received P.L. 480 Title II food.

DGFF records showed that the seedling production and reforestation goals for the first year, April 1979 through March 1980, were reached or exceeded. Reports showed that DGFF produced 97 percent of the programmed goal of 11 million seedlings and exceeded its goal of planting 6,500 hectares by 39 percent. However, these results were suspect and we have questioned the accuracy of the reported accomplishments in another section of the report.

In March 1980, a USAID/P officer commenting on the project's first year activities stated that food was distributed to 10,000 plus beneficiaries. The officer also indicated that as a result of well planned coordination and high degree of interest among the implementation entities (SEPAS, ONAA, DGFF), the project was on schedule and in some departments ahead of the programmed level.

Inspection and Supervision of Project Sites

In our visits to the departments of Puno and Cuzco, we observed that a large number of trees planted under the reforestation program had been destroyed by freezing weather, lack of water, livestock and people who did not want trees planted. In Puno the freezing weather had caused destruction of 30 to 90 percent of the trees at certain projects. At one location, it was estimated that 9,000 of the 10,000 plantings had died because of a lack of rain. At other sites, we were told that the plants died because they were not mature enough to withstand the local environment. We were later told by DGFF officers that this was probably correct. Immature plants could have been planted just to meet the planting goals.

DGFF personnel did not make periodic visits to the project sites to inspect the progress of the plants and to detect problems hindering implementation. We found that many projects had not been visited and, as a result, DGFF personnel did not know if the trees had survived. DGFF officials agree that project inspection and supervision was inadequate but claimed that their mobility was affected by the lack of transportation. DGFF vehicles were old and in constant need of repairs and fuel. DGFF had been trying to improve vehicle availability and had initiated procurement of a pick-up for each of the departments and two 5-ton capacity trucks. Mobility for project inspection and supervision was also hindered because assigned vehicles were sometimes used for other DGFF projects.

Community people participating in the reforestation program said they had received no technical guidance or training on maintaining the trees. For example, at sites where trees had been destroyed for lack of water, people said DGFF personnel had never instructed them the trees should be watered after planting. They assumed that the rainfall would provide sufficient moisture. Unfortunately, rainfall had been considerably below normal in areas where trees were planted. For example, in the Department of Puno we were shown a project that had been visited by DGFF technicians in February 1980. At that date the project's plants were reported in good condition with projected losses of 10 percent. In our visit in July 1980, we found tree destruction to be 60 to 70 percent due to the lack of water. Community leaders said DGFF personnel had not instructed them to water the plants. We noted that water was flowing in a creek about 100 meters from the planting site.

Other implementation problems referred to in the Project Evaluation Summary as needing corrective action were still unresolved at the time of our field inspection. These unresolved implementation problems included increasing supervision of SEPAS' accounting procedures and project implementation data collection, providing additional information to AID on trees destroyed, assuring vehicles for project use, increasing technical training to community participants and providing visual and printed materials on nutrition.

Recommendation No. 12

USAID/P should request the DGFF to assign sufficient vehicles to the reforestation project for adequate inspection and supervision.

Recommendation No. 13

USAID/P should request CWS/SEPAS, in conjunction with the DGFF, to make scheduled visits to reforestation projects to determine progress and to provide nutritional, educational and technical guidance to reforestation participants.

Improvement Needed in Progress and Accomplishments Reports

Reporting on progress and accomplishments by the DGFF was a continuing problem.

The SEPAS Director said that some DGFF reports were 4 to 6 months late. For example, in July 1980 reports through the month of January 1980 had been received from the Department of Cajamarca. The reports are needed to know the official status of commodities, the production of plants, the number of trees that were planted and the number of workers.

DGFF reporting needs to be improved to show correct accomplishment quantities. For instance, for the period April 1979 through March 1980 DGFF reported planting 4,360 hectares of trees at Cuzco, 290 percent over the goal of 1,500 hectares. According to DGFF technicians, about 1,100 trees can be planted on one hectare or 4,796,000 trees should have been planted on 4,360 hectares. DGFF reported planting 2,597,000 during the period at Cuzco, a difference of 2,199,000 trees. We were shown internal reports that indicated 2,212 hectares with 2,340,000 trees had been planted during the one-year period. Because of an employees' strike at the close of this audit, we were unable to determine the correct number of trees that were planted.

Recommendation No. 14

USAID/P should request CWS/SEPAS, in conjunction with the DGFF, to revise and submit an accurate accomplishment report for the period April 1979 through March 1980.

Accurate Inventory Reports Needed

SEPAS inventory reports did not account for all commodities stored at regional warehouses. Procedures need to be developed so that accurate inventory reports are prepared.

The CWS/SEPAS Commodity Status Report for the quarter ending March 1980 showed a food balance of 1,909,826 kilos, including 436,748 kilos stored for the reforestation program at regional warehouses. The DGFF, however, reported at the close of March 1980 there were 257,834 kilos of food stored at the eight regional warehouses, a difference of 178,914 kilos. On the other hand, the National Office of Food Support (ONAA), responsible for the regional storage of SEPAS commodities, informed us that at the end of March 1980 there were 475,450 kilos of P.L. 480, Title II commodities in storage for the reforestation program.

SEPAS officers explained the difference in inventory quantities among the three reports was due to different reporting dates. We agreed that this could be part of the problem because we had noted at Cuzco that the cut-off date for monthly reports was about 10 days before the close of the month. Other quantity differences may be due to commodity status data not being included in summary reports because the regional reports were not available at the time the summary was prepared.

SEPAS officers said their inventory balances were not reconciled with the reported ONAA or DGFF commodity balances. SEPAS personnel were concerned about the inventory differences and plan to work with ONAA and DGFF officials to work out procedures for reporting and reconciling inventory differences.

Recommendation No. 15

USAID/P should request that CWS/SEPAS develop procedures that provide for accurate reporting of regional warehouse inventories and reconciling of inventory differences with Peruvian implementing agencies.

Improvement is Needed in Reimbursement Procedures

DGFF personnel complained that cumbersome reimbursement procedures resulted in funds not always being available for operational expenses in a timely manner. At the three field offices we visited, funds were not available to pay for vehicle fuel and maintenance. Vehicles were inoperative because repair shops lacked funds to procure spare parts.

Reimbursement procedures called for an initial advance and subsequent reimbursements. The advance was to cover anticipated expenditures for 90 days and could be increased or decreased based on estimates of the project's needs. The AID advance was made to SEPAS, which then provided funds to the DGFF to pay for fuel and vehicle maintenance costs. The reimbursement procedures were extremely bureaucratic, requiring the processing of expense vouchers through six offices before reaching USAID/P.

We believe the reimbursement procedures could be improved by making SEPAS responsible for paying the fuel and maintenance costs of vehicles assigned to the project. A petty cash fund could be established with the SEPAS representative in each of the eight departments. The SEPAS representative would remit office expense vouchers directly to SEPAS/Lima, by-passing five GOP offices. The SEPAS Director felt this procedure would result in eliminating 20 to 30 days in processing reimbursement requests and provide better assurance that funds would be available to pay fuel and maintenance costs.

Recommendation No. 16

USAID/P should request SEPAS to establish a petty cash fund at each department to pay vehicle fuel and maintenance costs, and establish procedures that will assure funds are reported and accounted for.

Coordination Between SEPAS, ONAA and DGFF

In general we found there was communication, coordination and cooperation among the three implementing entities, SEPAS, ONAA and the DGFF in carrying out the food program. However, at the Department of Cuzco we found there was little or no communication between the SEPAS representative and the DGFF sub-director due to personality clashes as a result of differences in viewpoint and philosophy concerning community development activities. The SEPAS representative has not been able to carry out his administrative duties and responsibilities under the reforestation project, especially the supervision and monitoring of commodities received in the Cuzco area.

The SEPAS representative said that since the beginning of the project in 1979, it had been difficult to coordinate project activities with the DGFF. At the time of our visit in July 1980, the SEPAS representative had no office space and was working out of his home. The DGFF provided little or no logistical support. The SEPAS representative told us that he had occasionally travelled with DGFF personnel to review a reforestation project. Although he requested DGFF transportation, it was usually not available for his monitoring and supervising the projects. The SEPAS representative said that in May 1980 he prepared and submitted to the Cuzco DGFF a work plan for implementing the 1980-81 reforestation campaign. The DGFF had not acknowledged receiving the work plan.

The DGFF sub-director informed us that he regarded the SEPAS representative as incompetent, a malcontent and under no circumstance would he accept working with him. The DGFF sub-director pointed out that the success of the reforestation program in Cuzco was due to his efforts alone.

Both USAID/P and SEPAS/Lima officials were aware of the lack of coordination between the project offices at Cuzco. USAID/P officers met with SEPAS and DGFF officials to resolve the impass at Cuzco. In July 1980, after our visit to Cuzco, USAID/P officers met again with SEPAS and DGFF officials to discuss the coordination problem at Cuzco.

The SEPAS Director explained the fundamental reason for the lack of coordination and communication was in project philosophy. SEPAS believes that participating communities should be motivated to accept the planting of trees and organized to carry out other community projects. The Cuzco DGFF sub-director does not share these feelings and only follows and complies with the legal decree governing the planting of trees in Peru. Sometimes this results in having to use forceful means to plant the trees. However, this forceful method may have negative results because community members may not want to take care of the plants. The SEPAS Director stated that a visit was planned for early August at which time a decision would be made to improve the situation.

We were later advised by USAID/P officers that the August 1980 visit had resulted in the DGFF agreeing to provide SEPAS representatives logistical support, including office space. Both organizations agreed to work together to successfully carry out the reforestation program.

Although we are not making a recommendation, USAID/P should closely monitor the Cuzco/SEPAS reforestation program to assure itself that effective communication and cooperation is used in carrying out project activities.

Claims were not Filed for Food Losses at Port

CWS/SEPAS personnel were not filing claims against Port Authorities for food losses that were incurred at the ports.

CWS was not complying with AID Regulation II, Section 211.9(e), p.13, as amended, that requires cooperating sponsors to make every reasonable effort to pursue collection of claims. USAID/P officials have not asked CWS/SEPAS to comply with the regulation. During the period July 1, 1977 to March 31, 1980, we noted that CWS/SEPAS reported 14 instances of food losses valued at $22,700 that were attributed to Port Authorities. Each of the 14 instances involved food losses in excess of $300.

In 1978 and 1979 CWS personnel unofficially attempted to file a claim with Port Authorities for food losses. CWS reported that the Peru Port Authorities would not accept claims for losses occurring within their jurisdiction.

Recommendation No. 17

USAID/P should request CWS/SEPAS to file claims for food losses incurred within the jurisdiction of Port Authorities as required by AID Regulation II, Section 211.9(e), as amended.

Seventh Day Adventist Welfare Services (SAWS) and OFASA Programs

Expanded Urban Food for Work Program

The SAWS/OFASA Expanded Urban Food for Work Program had generally reached its goal of expanding the feeding program to urban inhabitants of the Lima metropolitan pueblos jovenes. However, we question whether the project's objectives were fully met.

The project, which was initiated in September 1978, called for increasing the number of beneficiaries under Food for Work activities in the Lima pueblos jovenes to a total of 120,000. At the close of June 1979, SAWS/OFASA reported in its Recipient Status Report (RSR) that this objective had been reached when 33,340 beneficiaries received P.L. 480, Title II commodities. However, after that date SAWS/OFASA's feeding program for the Food for Work activities had varied from 40,755 beneficiaries, for the quarter ending December 1979, to 110,460 beneficiaries, at the close of March 1980.

SAWS/OFASA personnel said they had not been able to maintain the feeding objective of 120,000 recipients for several reasons. The geographic area being serviced by the program is small which limits the number of work projects. Also, SAWS/OFASA encourages work programs that will give a lasting benefit to the communities. SAWS, with USAID approval, expanded its project food activities to other areas. For example, at Arequipa we visited 4 of 16 new projects that were initiated in calendar year 1980. The expansion of project activities to other areas should help in reaching the goal of 120,000 recipients.

The project was to improve the living standards and nutritional status of the pueblos jovenes poor by providing P.L. 480, Title II commodities. We agree that over a short-term the poor have been helped by the supplemental food as many unemployed, especially women, were employed and provided food in the community projects. However, it is doubtful whether the nutritional status of the recipients has been appreciably increased as most of the projects were of short duration, usually about 3 months. SAWS' Operational Plan stated that the Food for Work program helped to provide sufficient food for the unemployed and underemployed. At the same time the program contributes something to improve the standard of living of the less-favored communities in Peru. The evaluators of the program stated in their December 1979 evaluation report that the nutritional benefit of the food distributed was difficult to evaluate because of the short time span of the individual projects.

SAWS/OFASA provided basic information on health and nutrition practices and the use of P.L. 480, Title II foods to some project participants. However, in our visits to projects we found that some groups had received little or no orientation on health and nutrition nor had they been instructed on how to prepare the food or utilize the food as a supplement to local foods. The evaluators of the Food for Work program stated in the December 1979 report that 83 percent of the persons queried indicated that no orientation on preparing food had been received.

SAWS/OFASA officials were making efforts to assure that nutrition education is given to participating communities. In January 1980 a pilot test program in nutrition education was started with communities participating in the Food for Work program. SAWS/OFASA required at least two community participants

to attend a nutrition course. The course was designed to instruct the attendees in the value, preparation and use of P.L. 480, Title II food. Communities receive the first month's food allotment after one to three persons successfully complete the nutrition training.

Food for Work Projects

We visited some Food for Work community development projects. Construction primarily because of a lack of materials was at different levels of completion. For example, we observed that school classrooms were half completed because roofing, doors, windows and other materials needed to complete the projects were not available. Community leaders informed us that the classrooms would be completed once money was obtained from either the people in the community or from government sources. At a project involving the construction of a water reservoir by 100 workers, work had stopped because the community needed money to buy cement and steel. No one knew when or from where the money would be obtained to buy the needed materials.

The lack of materials has been addressed in the Operational Program Grant which has provided funds for the purchase of materials to be used in special community development. The grant also requires SAWS/OFASA, in selecting projects, to obtain from communities a 50 percent contribution toward the cost of materials where possible.

Disposal of Infested Food

Community leaders were distributing food to project beneficiaries that may be unfit for human consumption. Project personnel did not know that contaminated commodities should be inspected by a public health official to determine whether the food was unfit for human consumption. For instance, at one project with about 170 participants we were told that three bags of cornmeal were infested with weevils. The food was distributed to the workers without determining whether the food was fit for human consumption. At another project having an undetermined quantity of infested food, beneficiaries were told to either consume the food or give it to their animals.

Although there were no reports of large quantities of infested food, we believe that community project leaders should be instructed not to distribute infested food until it has been determined that the food is fit for human consumption.

Recommendation No. 18

USAID/P should request SAWS/OFASA to instruct project community leaders on inspection and disposal procedures to follow on infested food.

Commodity Status Reports

SAWS Commodity Status Reports did not show exact quantities of commodities, but were rounded to thousands of kilos. SAWS personnel said that as its Annual Estimate of Requirements was calculated in thousands of kilos, they reported the same way. The result of rounding to thousands of kilos made it difficult to reconcile reported quantities with commodities actually received,

issued and on hand. For example, in 1979, SAWS reported receiving 258,000 kilos of oil. The actual quantity received was 257,636 kilos, a difference of 364 kilos. To illustrate further, for the period July 1, 1977 through March 31, 1980, SAWS reported receiving 1,845,000 kilos of oats. The bills of lading showed that 1,843,713 kilos arrived at Peruvian ports, a difference of 1,287 kilos. USAID personnel had not called SAWS's attention to reporting actual commodity quantities.

We discussed the need to report actual quantities with the SAWS Director who agreed to record actual amounts in future reports.

Recommendation No. 19

USAID/P should request SAWS to include in its future Commodity Status Reports the actual amounts received, distributed and on hand.

Sale of Commodities

In September 1977 the SAWS Director officially reported to USAID/P that in April 1977 the Director of OFASA had sold 435 bags of dry peas valued at $6,063.90. Transportation costs for the bags was $1,998.10 increasing the total value of the dry peas to $8,062.00. SAWS had not notified USAID/P of the claim made against the OFASA Director, who had been suspended. USAID/P had not filed a claim against the voluntary agency for SAWS's failure to initiate claim proceedings as required by AID regulations.

USAID/P records indicate that during a 5 month period in 1977 the OFASA Director authorized issuances of peas to 10 non existent projects. The peas were reportedly sold to an intermediary. According to newspaper articles, the civil guard arrested the intermediary and others and confiscated 75 bags of peas and other OFASA commodities. It was also reported that at the arresting site there were over 1,000 empty bags with OFASA markings. The records do not show what the 1,000 plus empty bags contained.

In February 1978 the USAID/P Assistant Food for Peace Officer reported that the SAWS Director had not furnished USAID/P with current information on the commodity loss. He felt that USAID/P should not proceed with a claim against SAWS because he did not believe that any purpose would be served.

The current Director of SAWS was not aware that the loss was still pending. However, after discussions with his staff members he said that all the data on the loss would be gathered and that an up-dated report would be prepared and submitted to USAID/P.

Since SAWS has not made payment, we believe USAID/P should file a claim against the voluntary agency in accordance with AID regulations.

Recommendation No. 20

USAID/P should issue a bill for collection to SAWS for the amount of the food loss.

Government to Government Program

School Feeding Program Needs to be Reorganized

The National Primary School Feeding Program was not being effectively implemented and should be reorganized to better utilize the P.L. 480, Title II commodities to combat malnutrition among school children. The GOP did not provide adequate funds for transportation of supervisors and inspectors, storage facilities, office space and equipment to support the program. Consequently, the school children were not receiving the benefits planned and expected from the feeding program.

The transfer agreements between the Governments of the United States and Peru provide for the delivery of P.L. 480, Title II commodities in sufficient quantities to feed 500,000 primary school students. The 1979 school year requirements were calculated at 10,950 metric tons. These commodities were programmed for distribution throughout Peru. To implement the feeding program, the GOP was to purchase or produce sufficient food to feed the school children not receiving P.L. 480, Title II commodities. In 1979, the GOP budgeted the equivalent of $5.3 million in local currency to support the program.

The program has not been effectively implemented. For example, the quarterly report for the period ending December 31, 1979 showed that the school feeding program distributed only about 31 percent of the programmed food ration for the 1979 school year. In addition, we were unable to determine or receive from GOP officials (requested three times) the type and quantities of commodities that were purchased locally to support the feeding program. However, based on discussions with school and other GOP officials involved with implementation of the program substantially less than the needed quantities were provided.

There were several reasons for the less than planned performance of the program, such as divided responsibilities among GOP agencies, delayed deliveries of commodities and limited budgets. These items will be discussed in the following paragraphs.

Divided Responsibilities

The responsibilities for managing the school feeding program was divided among three separate GOP agencies. The National Office for Food Support (ONAA), a semi-autonomous agency, received the P.L. 480, Title II commodities at the ports, transported the food to its central warehouses, and then delivered the food to Ministry of Health and Social Welfare storage areas throughout Peru. These storage areas were responsible for allocating the commodities to designated school districts. The food items delivered to the school districts under the Ministry of Education were then distributed to individual schools for consumption by the students. This was a costly and time-consuming procedure.

We believe that having the responsibility for the receipt, storage, and distribution of commodities in three separate GOP agencies adds to the delivery time. ONAA officers advised us that they were legally authorized by decree law No. 21788 to carry out the food program. These officers also advised us that ONAA had the capability and was willing to assume the responsibility for implementing the P.L. 480, Title II program. By making ONAA responsible for delivery of the commodities to the final users, the individual schools, transfers to two storage

areas would be eliminated and the warehousing, accounting, and reporting would be in one agency.

Delayed Deliveries of Commodities

Food deliveries to the individual schools were irregular. USAID/P records showed that P.L. 480, Title II commodities arrived at Peru ports during the period June 7 to September 16, 1979. During our visits, some school directors told us that the P.L. 480, Title II commodities were received in December at the close of the school year. Other school directors advised us that the food was received during October and November 1979.

In 1980, schools opened the first week of April. We found during our visits in May and June 1980 that food deliveries started about the middle of May. At some schools, we were advised by the directors that no food had been received during 1980 and no date had been set for the first deliveries.

Officials in the school feeding program advised us that the delay in deliveries of food to the schools was due to bureaucratic procedures involving food programming and lack of transportation. Delays involving programming would relate to divided responsibilities among the three agencies involved in the program. The lack of transportation could result from limited funds.

Limited Budgets

Based on discussions with officials responsible for implementing the school feeding program, limited budgets have adversely affected implementation in several ways. Limited food supplies have been provided, adequate transportation has not been available and necessary tools and equipment were not provided. All of these factors reduce the planned benefits to the recipients, school children.

Some school directors advised us during our visits that food was received only for children in the first two grades. For example, in one district, P.L. 480, Title II commodities were distributed for May and June 1980 to 54 schools to feed only those students in the first and second grades. However, school officials advised us that all students attending the schools had been fed as long as the commodities lasted. This results in the children receiving food for a shorter period of time or in diluted rations. School officials advised us that all students should be fed because the older students are as malnourished as the younger children.

Regional directors of the feeding program have been instructed that a school receiving P.L. 480, Title II commodities is not entitled to receive locally procured food. In general, this procedure was followed. However, in Cuzco, we found that some schools were receiving both types of food. For example, one director reported that the 17 schools under his supervision were issued both types of food. He decided to mix the foods because he believed the results would be a more balanced and apetizing meal for the students.

Many rural schools were not receiving food due to insufficient food on hand or the schools were a great distance from the district office responsible for distributing the food. For example, in Tumbes the regional director indicated

that several schools had not received food because of the distances involved. The rural schools were not informed that the food was available.

School gardens were not producing the anticipated food that was to complement P.L. 480, Title II commodities. School officials advised us that due to a lack of water, seeds, tools and fertilizer they were unable to plant and grow traditional vegetables. School principals had asked for help from the Ministries of Education and Agriculture, but had received little or no assistance. In 1979, the GOP budgeted $14,300 to purchase equipment and other support items for school gardens. We were unable to determine how much was spent.

In general, schools lack adequate kitchen facilities, including pots, pans, and other cooking utensils. Some schools we visited had inoperable kerosene stoves. Usually the stove did not function because of deteriorated burners that needed to be replaced. The GOP has made some effort to furnish schools with cooking utensils. However, the quantity of pots and pans received at regional offices did not begin to meet the demand of individual schools.

School feeding program officials said the Ministry of Health did not always provide regional directors adequate budgets for effective administration and supervision of the school feeding program. Regional directors advised us that inspection/supervision of schools was not adequate because transportation was not readily available. Vehicles were usually available only for other uses. The regional directors also complained that money for per diem and other travel costs was not available or the amount was insufficient to permit visiting a representative number of schools. Funds from the sale of food containers were also used to pay per diem and travel costs of inspectors/supervisors. However, we were told the sales proceeds were insufficient to fully cover the inspection/supervision travel costs. It is important that funds be available for inspection/supervision to assure that commodities are accounted for and to promote the participation of communities in the school feeding program including the formation of parents committees.

Because of the lack of transportation and budgetary restrictions promotors and nutritionists working in the program were not providing sufficient guidance and training to teachers, food supervisors, cooks and volunteer workers. School principals advised us this assistance was especially helpful when there was available local foods to supplement the P.L. 480, Title II commodities.

Regional directors and other personnel who were assigned by the Ministry of Education to the Ministry of Health to supervise and inspect the school lunch program were required to work 40 hours or more a week. However, the personnel said they were paid only for working 25 hours. This payment procedure results in poor morale and loss of interest in work.

We found that generally the Ministry of Health's storage areas were not designed to store large quantities of commodities. The storage space was usually in a hospital room(s) or hallway. We were told in Sicuani, Department of Cuzco, that on occasions when schools are closed commodities have to be stored at health centers as there is not enough space at the hospital. Other storage sites were away from the hospital. Generally we found these storage facilities to be inadequate for storing food. For example, at Cajamarca the warehouse was in an

old building located in the center of the city. There was evidence of rat infestation. The food in storage had been received from ONAA's warehouse in Cajamarca, a new modern building. We do not understand why the food was not left in ONAA's warehouse and distributed from there to the schools.

The regional directors did not have sufficient office space and lacked office equipment and materials. We found regional personnel, 4 to 6 on the average, usually crowded into one room. Personnel said office equipment was not provided and they had to borrow whatever was needed. They requested additional space and office equipment from the Ministry of Health but had been told that due to budgetary restrictions the Ministry was not able to comply with their request.

The school lunch program lacks information that allows for the measurement of program impact. None of the schools visited had scales to weigh the children. We were informed by some school principals that children were weighed/measured at the beginning of each school year, usually by local Ministry of Health personnel. At some schools only the younger children were weighed/measured by ministry personnel. However, at many schools we learned that no weight/measures were made. School principals said they did not know what use ministry officials made of the weight/measure data. Some school principals and teachers said that in their opinion there was a nutritional improvement and strongly felt the P.L. 480, Title II food was helping the school children.

USAID/P has been aware for some time of the school feeding program's management problems and that organizational improvements were needed. On June 1, 1979 the USAID/P Food for Peace Officer informed the Ministry of Health that the school feeding program had a series of problems and deficiencies. For example, thousands of students in the Lima metropolitan area did not receive food during the months of May and June 1979 even though commodities had been available since the beginning of the school year in implementing agencies' warehouses. Also many program coordinators and promotors lacked information on the 1979 food program, including the quantity of the approved food rations. Other deficiencies included the lack of continuity in distributing the food, supervisory visits were not being made, regional offices were not functioning because personnel did not know their duties and responsibilities and regional offices had inadequate storage facilities. The Food for Peace Officer indicated that USAID/P would seriously consider ending its support in those areas where the program was not being efficiently administered.

On July 9, 1979 the Chief of ONAA advised USAID/P that his agency was concerned about the food program's management problems and indicated positive action would be taken to satisfactorily reach the programs' goals and objectives. In response to this letter, the Food for Peace Officer repeated USAID/P's concern about the food program and stated that it would be difficult to justify the continuance of the food program on a national basis and would restrict the program to those areas where it was well managed unless corrective action was taken to make improvements.

We believe the GOP needs to improve the primary school feeding program to ensure that all eligible school children receive a daily food ration that will result in combating malnourishment. The on-going food distribution

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program does not appear to have had a nutritional impact on school children because of insufficient food. We believe that USAID/P should focus the P.L. 480, Title II food resources in specific areas of Peru instead of country-wide to assure that daily rations would be available on a regular basis and thus result in measurable nutritional impact.

Recommendation No. 21

USAID/P, in conjunction with GOP authorities, should reorganize the distribution of P.L. 480, Title II commodities to improve program management, including the designating of specific areas in Peru that will receive P.L. 480, Title II food, supplying kitchen and cooking equipment to education centers, providing sufficient funds to pay the transportation costs of commodities from the ports to education centers and per diem and transportation of Inspectors/Supervisors.

Recommendation No. 22

USAID/P should request the GOP to improve the delivery of Title II food to education centers by designating ONAA responsible for signing the 1980 Transfer Authorization, and for receiving, warehousing, distributing to education centers and reporting on P.L. 480, Title II commodities.

Improvements Needed in Commodity Reports

The commodity reports between the delivering and receiving organization were not in agreement. No attempt was made to reconcile the differences in these reports.

We found at the close of December 1979 there were differences in the quantities of commodities reported by ONAA as delivered to Ministry of Health area warehouses and reported as received by these warehouses.

	KILOS		
	ONAA Reports Delivered	Ministry of Health Reports Received	Difference
CSM	2,960,416	2,903,448	(56,968)
Flour	2,751,328	3,280,864	529,536
Bulgur	2,578,204	2,513,352	(64,852)
Vegetable Oil	678,964	872,263	193,299
Non-fat Dry Milk	2,990,966	2,824,445	(166,521)
Rice	964,502	900,774	(63,728)
Oats	680,024	586,225	(93,799)

The above quantities represent accumulated amounts for the period July 1, 1977 to December 31, 1979 and include the reports from all hospital areas.

We discussed with Ministry of Health officials the differences in quantities reported as delivered to ONAA and received by the Ministry of Health storage areas. At first the officials thought the differences were due to non-reporting by the storage areas. It was pointed out that the Ministry of Health accountant had assure us the storage area reports were through December 31, 1979. Other differences were attributed to errors. Ministry of Health personnel did not compare or verify with ONAA the quantities reported as received by Ministry of Health storage areas. There was no communication between the two government entities concerning the shipments of food to Ministry of Health area warehouses. The Ministry of Health accountant claimed that he had visited the ONAA offices to ask for food delivery information, but was told that ONAA personnel were not available. ONAA personnel confirmed that little or no information about food deliveries was furnished to Ministry of Health personnel.

We do not believe that Ministry of Health officials were too concerned about the differences in quantities of food reported in ONAA and Ministry of Health reports. We requested on three occasions for Ministry of Health officials to update the quarterly report ending December 1979. Finally in July 1980, a draft of an updated quarterly report was submitted by the Ministry of Health accountant. However, the differences had not been reconciled.

Recommendation No. 23

USAID/P should request the Ministry of Health to review its commodity controls and procedures to account for the difference between the ONAA and Ministry of Health reports and inform USAID/P about inventory adjustments that are made, if any.

Evaluations of P.L. 480, Title II Programs Should be Made

Government to Government Program

USAID/P needs to make a comprehensive evaluation of the school feeding program to determine what nutritional impact the program has had on school children receiving P.L. 480, Title II commodities.

In November/December 1977, at USAID/P's request, a consultant from AID/Washington visited Peru to assist in determining whether to continue the school feeding program. The consultant concluded that the school feeding program should continue for 3 more years and suggested an alternative to the customary national sample anthropometric evaluation study. He suggested a pilot evaluation study in Lima and one other school feeding area (Puno). The contractor indicated that the assessment of the nutritional impact of school feeding in Peru required the development of a set of hypothesis expected to be verified through evaluation.

In March 1978 the Ministry of Health initiated an evaluation of the food programs. The evaluation design provided for studies to be made in Lima and the department of Puno and included anthropometric measurement on test participants, clinical evaluation of nutritional status and a family nutrition and economic impact study. On May 16, and July 22, 1978 USAID/P signed agreements with the Ministry of Health providing US$11,000 to pay the costs for evaluating the school feeding program in Puno and Lima.

In September and October 1978 an AID consultant visited Puno and Lima to monitor the course of the evaluation. In Puno he found that virtually no substantive work had been done in the 6 months since March 1978. Outstanding problems noted by the contractor at Puno were the lack of a solid statistical capability; the difficulty of determining the actual daily ration of food eaten in the school feeding program; the difficulty of administering the clinical study of the evaluation and a change in certain key administrative positions. However, in summary, the consultant stated that the Puno evaluation seemed to be well on course. USAID/P said it disagreed with the consultant's conclusion that no substantive work had been done by the Ministry of Health evaluators. They pointed out that school feeding program personnel had visited selected communities to meet school personnel, compiled statistical data at the schools, designed forms and proposed guidelines for making the anthropometric examinations and gathering other pertinent information.

Concerning the progress of the evaluation in Lima, the consultant reported that progress had been more rapid and was further advanced than in Puno. The consultant noted that in Lima 6 months after the evaluation started, a working relationship had not been established with the institute of Nutrition. The Institute's cooperation was needed to help prepare program survey design, questionnaires and manuals and statistical methodology. Also, there was little or no contact, liaison, or cooperation between the personnel conducting the evaluation in Lima and Puno. The consultant felt that although the two evaluations were considered separate, some degree of professional cross-fertilization would obviously help both evaluations.

In a memo dated June 21, 1979, after USAID/P officials met with Ministry of Health personnel, the USAID's Rural Development Officer said he

believed the Lima evaluation would not yield useful results because of the inexperience of ministry personnel in carrying out the evaluation. Also, the ministry's personnel considered the evaluation an exercise to develop a methodology to be used in the future. The Rural Development Officer recommended that the Mission contract an expert in nutritional evaluation to review the Lima/Puno evaluations and advise the Mission on a response to AID/Washington's request for an overall evaluation of the Title II program.

On September 25, 1979, the Ministry of Health advised USAID/P that the evaluation had been suspended due to the interruption in school attendance caused by teachers' strikes. The Ministry of Health refunded $1,800 of the funds provided by USAID/P for the performance of the evaluation. The discontinuance of the evaluation was approved by the Mission because to measure nutritional impact it was essential to have a regular school year feeding program for carrying out the evaluation.

We doubt that the P.L. 480, Title II commodities distributed under the school feeding program have had a significant nutritional impact on school children. We found that schools did not receive a sufficient quantity of food to feed each eligible child each school day. Some schools receive food for the first two grades. However, school directors fed all students which results in food not being available after a few days. Other schools receive commodities for all the students, but there is a heavy dilution of the food rations due to younger siblings or ineligible persons being given food.

USAID/P officials agreed the P.L. 480, Title II commodities that were given to school children were not having a nutritional impact because of the non-availability or dilution of the food rations. They feel that an evaluation of the school feeding program at this time would serve no worthwhile purpose. They prefer to work with GOP representatives to reorganize the school lunch program to assure that the P.L. 480, Title II commodities will measurably improve the nutrition of school children.

If the school lunch program is reorganized as we have recommended in another section of this report, USAID/P should ensure that the new organization establishes the methodology to carry out periodic evaluations to determine the nutritional impact of the P.L. 480, Title II commodities.

Voluntary Agencies Program

In December 1979 an Evaluation Committee made an evaluation of the socio-economic and nutritional aspect of the SAWS/OFASA OPG Expanded Urban Food for Work Program. The Evaluation Committee's report stated that the nutritional input of the food distributed had been difficult to evaluate on a continuing basis because of the short time span of the individual projects. The report contains 11 recommendations to improve project administration. However, a USAID/P memo forwarding a copy of the report to SAWS did not refer to the report's recommendations or request a response on the corrective action that would be taken by SAWS/OFASA. At the close of our review, there was no information whether corrective action had been taken on the report's recommendations. USAID/P officers said the recommendations would be considered for including as conditions precedent in the next operational program grant with SAWS/OFASA.

An evaluation of the CARITAS Expanded Improved Feeding Program, Operational Program Grant Agreement number 527,0180, was made by an Evaluation Committee. The members of the committee represented the National Office of Food Support, CARITAS and USAID/P. The evaluation report was completed in February 1980. The evaluation indicates that CARITAS exceeded the goal of increasing the number of beneficiaries from 275,000 to about 450,000 by the end of 1979. The report contains 12 recommendations for improving project management. At the close of our review, USAID/P had not received from CRS/CARITAS a response to the recommendations.

In June 1980 USAID/P prepared a project evaluation summary on the CWS/SEPAS Reforestation Food for Work Operational Program Grant Agreement number 527-0206. The evaluation disclosed operational problems, including initial difficulties in coordination between agencies and, delays in equipment and food deliveries. In general, USAID/P reported the project was meeting the objectives of the grant, to undertake reforestation activities and nutrition education in conjunction with P.L. 480, Title II Food for Work activities. The evaluation summary listed seven recommendations that were designed to help improve implementation. USAID/P officers said the recommendations would be incorporated into the Operational Program Grant Agreement

Recommendation No. 24

> USAID/P should request the voluntary agencies SAWS/OFASA, CRS/CARITAS and CWS/SEPAS to implement their respective evaluation report's recommendations, as appropriate, to improve project administration.

Program Publicity Should Be Strengthened

The voluntary agencies and the Government of Peru were not complying with Section 211.5(g) of Regulation II which calls for giving public recognition that the commodities have been donated by the people of the United States. At distribution centers, the voluntary agencies, the Ministry of Health and the Ministry of Education were not displaying banners, posters or other media which included information on the source of the food. This has resulted in recipients of P.L. 480, Title II commodities not knowing that the food was donated by the people of the United States.

In reviewing the voluntary agencies' Annual Program Plans, we noted that the agencies commented on their program publicity. Church World Services indicated in its 1981 Operation Plan that signs in feeding centers usually indicate the origin of the foodstuffs and that food containers, documents and pamphlets explained the source of the food. SAWS commented in its 1980 Program Plan that recipients were receiving sufficient information about the source of the P.L. 480, Title II food and that these foods had been donated by the people of the United States for the people of Peru. SAWS also stated that in previous years it had distributed throughout the country magazines, pamphlets, etc., advising the people about the program. In its 1980 Program Plan, CRS claimed that recipients received information concerning the sources of the food through pamphlets, brief courses at distribution centers, booklets and recipes distributed through the CARITAS diocesan offices. Also, CRS's warehouse dispatch order forms indicate the source of the food as being donated by the people of the United States to the people of Peru. CRS further stated in its 1980 Program Plan that it felt publicity

would become adverse if it were to over-emphasize the United States input and would prefer to continue a low-key publicity which pinpointed the value of the P.L. 480, Title II input while giving credit to the people of the United States.

In a May 1978 audit report prepared by CRS/New York, the auditors stated that CRS/CARITAS should start a publicity campaign informing the public and the recipients about the origin of the food. The auditors felt that, although the CRS food program had been functioning in Peru for 20 years and it was well known, the new publicity program was needed to apprise the new generation about the source of the commodities.

We found no posters, emblems or similar media at the sites we visited. We queried recipients of the four organizations distributing food in Peru about the source of food. In almost every instance, the recipients were unaware that the source of the food was the people of the United States.

During our review, we met with USAID/P and voluntary agencies personnel to discuss the need to strengthen the publicity programs to make recipients aware of the source of the P.L. 480, Title II commodities. Voluntary agencies officials believed that program publicity was adequate, but agreed improvements could be made. USAID/P officials agreed that the voluntary agencies needed to strengthen program publicity.

Recommendation No. 25

USAID/P should require the voluntary agencies and the GOP to implement a publicity program that complies with Section 211.5(g) of AID Regulation II (Handbook No. 9).

Internal Reviews Should Be Utilized

The Government of Peru had never made an annual comprehensive internal review, or a series of audit examinations which, when combined, would represent a complete examination of the Government to Government P.L. 480, Title II program. The 1979 Transfer Authorization for the school feeding program, signed by the Minister of Foreign Affairs, called for the GOP to conduct at least one comprehensive internal audit annually of the P.L. 480, Title II program. Copies of the internal audit reports were to be submitted to USAID/P. USAID/P officers informed us that USAID/P had not requested the GOP to comply with the Transfer Authorization audit requirement.

The voluntary agencies were conducting comprehensive internal reviews of their programs. However, Church World Services had not submitted to USAID/P a report for calendar year 1979. USAID/P officials said that CWS was in the process of preparing an internal report for 1979 and upon completion CWS would furnished a copy to USAID/P.

CRS's operations were audited in May 1978 by CRS/New York and a copy of the report was submitted to USAID/P. The report contains nine recommendations to improve CRS/CARITAS program administration. Some of the problems noted in the CRS/New York report had not been completely resolved. For example, the audit

report indicated program publicity should be strengthened. In our review, we found CRS/CARITAS had not carried out the recommendation. USAID/P had not followed up with CRS/CARITAS to assure the recommendations were fully implemented.

USAID/P should assure that the Government of Peru makes an annual review(s) as required by AID regulations. The internal review(s) should include the audit of food rations, end-use control and inspections, inventory and evaluation of warehousing practices, food losses, and the impact of the food program.

Voluntary agencies that were not preparing and submitting timely internal review reports should be instructed to comply with AID reporting requirements. The reports are needed for USAID/P to assess the ability of the voluntary agencies to effectively plan, manage, control and evaluate their programs.

Recommendation No. 26

USAID/P should request the Ministry of Health to prepare and submit a comprehensive internal review(s) of the Government to Government food program as required by the Transfer Authorization Agreement with AID.

Recommendation No. 27

USAID/P should follow-up with each voluntary agency to assure that reviews are completed and copies of reports are promptly submitted to the USAID.

ONAA Warehouses

ONAA maintains adequate warehouse facilities and assumes responsibility for the storage and maintenance of commodities. Warehouse officials informed us they make periodic warehouse inspections, physical counts and end-use checks. USAID/P officers also visit the ONAA warehouses and make selective checks of physical inventories and controls.

At the warehouse located in Puno we found that ONAA personnel had recently occupied new facilities. At the time of our visit in early July, we observed that no inventory records were being maintained. Personnel said they were planning to install the inventory records. There were no pallets being used and food was stacked on the cement floors. The person in charge explained that wooden pallets had been requisitioned, but had not been received. He promised to follow-up on the status of the pallet requisition.

On August 21, 1980, ONNA's Central Office advised USAID/P's Food for Peace Officer that the Puno logistical operations would be inspected and evaluated and corrective action would be taken as needed.

Recommendation No. 28

USAID/P should follow-up to assure that ONAA establishes at the Puno warehouse inventory controls, makes periodic physical inventories to verify balances and furnishes the wooden pallets that were requisitioned.

Port Clearance Procedures Should be Simplified

The delivery of commodities from the ports of Callao, Salaverry and Matarani to central warehouses had been delayed because of Peru's bureaucratic documentation requirements.

Voluntary agencies reported it requires an average of more than 30 days to remove commodities from the ports. We found that most of the delays in clearing the commodities were at the port of Callao. Port authorities at Callao insisted that port clearance documents be certified by the Ministry of Health and Ministry of Agriculture and that all shipping and other documents concerning exemption from port fees be submitted before the commodities would be released. These port documents and clearance procedures have resulted in large quantities of food being stored at the port in open areas unprotected from the sun, other natural elements and birds.

Food losses were being incurred at Callao because the sun was causing the material of the bags to lose resilency. This permitted birds to break the bags and eat the food. The bird's droppings offered the possibility of food contamination. Also due to the loss of bags' resilency, the traditional methods of handling the bags resulted in many damaged bags. For example, we observed at the port of Callao a large quantity of loose bulgar piled on the concrete floor. The voluntary agency representative said the bulgur came from bags damaged by the sun and broken when handled by workers. We discussed with Callao port authorities the need to protect the bags of food, perhaps by covering with a canvas tarp. Port officials agreed that the bags of food could be protected with a tarp. However, they said tarps, although available, were not used because they are easily stolen.

At the ports of Matarani and Salaverry, we noted that commodities for the government to government program were generally allowed to be taken out of the ports by port authorities without insisting on receiving required GOP certifications and documentation. The commodities were released from the ports with a copy of the bill of lading with the understanding that GOP certifications and documentation would be furnished afterwards.

We discussed with officers from the National Office of Food Assistance (ONAA) the port clearance documentation requirement. They generally agreed that food deliveries from the ports should be expedited and promised to review the problem to determine what corrective action should be taken.

We were later informed by USAID/P personnel that Callao port authorities had agreed to release commodities on receiving a copy of a bill of lading and that required certifications and documentation would be submitted within a specified time. It was not clear if this procedure was applicable to all the

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voluntary agencies and the government to government program nor whether it would be followed at the other two ports.

Other commodity delivery delays were caused when food destined for the port of Salaverry was off-loaded at the port of Callao. This occurs when ships were directed to off-load cargo at Callao because of sandy conditions which clog the channel at Salaverry. The food was shipped by truck overland to the port of Salaverry. These truck shipments were not expeditiously handled for various reasons and food transportation between the ports was slow and unpredictable. For instance, CRS/CARITAS officials said a shipment of bulgur (16,300 bags) originally consigned to the port of Salaverry arrived at Callao in February 1980. On May 22, 1980, we found that 14,106 bags of bulgur had been received at Salaverry. No accounting had been received for the balance of 2,194 bags. The bags of bulgur could not be delivered to CRS/CARITAS until the entire shipment had been properly accounted for.

In general, we found the three ports had adequate facilities and equipment. However, at the port of Callao some of the commodities were stored in fenced areas that lacked roofing and consequently resulted in commodity deterioration. We were unable to count the bags of food stacked in the open areas due to the irregular stacking and insufficient space between stacks. Many bags of food evidenced bird droppings. We noted many damaged bags. Port officers said many bags were intentionally damaged by port workers to obtain small quantities of the food.

Recommendation No. 29

USAID/P should request the Government of Peru to expedite the delivery of P.L. 480, Title II commodities by officially authorizing the removal of P.L. 480, Title II food from ports on presentation of copies of the shipping document and/or a copy of the bill of lading.

USAID/P Monitoring

USAID/P was generally monitoring the operational activities of the voluntary agencies and the Government to Government programs. Periodic field trips were being made to assure projects were operating satisfactorily. USAID/P records showed that the 5-man staff made 234 visits during the period July 1979 to the end of June 1980. The visits lasted from 2 to 13 days during which time many individual projects were reviewed, ports inspected, end-use checks made, and conferences and seminars attended. Field trip reports were prepared on each visit. We were told that the field trip reports were used for following up with the voluntary agencies on progress and reported problems.

Although USAID/P was making periodic inspections of the food program, we found USAID/P did not know the status of all food for work projects. The voluntary agencies did not submit to USAID/P systematic information on physical accomplishments, work in progress or the time frame to complete the project. This information was needed to help USAID/P to more effectively monitor and evaluate the food for work projects.

Recommendation No. 30

USAID/P should require voluntary agencies to furnish progress and/or completion reports on food for work projects.

BEST AVAILABLE DOCUMENT

LISTING OF RECOMMENDATIONS

Recommendation No. 1

USAID/P should request CRS/CARITAS to establish procedures that provide for dioceses to submit food program revisions for approval to the CARITAS Central Office.

Recommendation No. 2

USAID/P should request CRS/CARITAS to update and maintain Central Office project lists that reflect the projects actually being implemented.

Recommendation No. 3

USAID/P should request CRS to report all food losses as required by Section 211.9(f) of Regulation 11, AID Handbook No. 9.

Recommendation No. 4

USAID/P should request CRS to furnish CARITAS copies of inspection survey reports so claims can be filed for port losses.

Recommendation No. 5

USAID/P should request CRS to follow up with CARITAS to assure that insurance claims are filed for food losses and that insurance proceeds are distributed in accordance with Regulation 11.

Recommendation No. 6

USAID/P should request CRS/CARITAS to assure that commodities at the Trujillo warehouse are properly accounted for and distributed to eligible recipients.

Recommendation No. 7

USAID/P should request CRS/CARITAS to establish standardized procedures for inventory and warehousing for dioceses.

Recommendation No. 8

USAID/P should request CRS to make periodic field visits to CARITAS field offices and projects and to report the results of the visits to USAID/P.

Recommendation No. 9

USAID/P should request CRS/CARITAS to submit copies of field inspection reports to USAID/P.

Recommendation No. 10

USAID/P should request CRS/CARITAS to design a standard work progress report form and ensure that required work progress reports are submitted.

Recommendation No. 11

USAID/P should ensure that CRS implements the nine recommendations contained in the CRS/New York Internal Audit Report of May 1978.

Recommendation No. 12

USAID/P should request the DGFF to assign sufficient vehicles to the reforestation project for adequate inspection and supervision.

Recommendation No. 13

USAID/P should request CWS/SEPAS, in conjunction with the DGFF, to make scheduled visits to reforestation projects to determine progress and to provide nutritional, educational and technical guidance to reforestation participants.

Recommendation No. 14

USAID/P should request CWS/SEPAS, in conjunction with the DGFF, to revise and submit an accurate accomplishment report for the period April 1979 through March 1980.

Recommendation No. 15

USAID/P should request that CWS/SEPAS develop procedures that provide for accurate reporting of regional warehouse inventories and reconciling of inventory differences with Peruvian implementing agencies.

Recommendation No. 16

USAID/P should request SEPAS to establish a petty cash fund at each department to pay vehicle fuel and maintenance costs, and establish procedures that will assure funds are reported and accounted for

Recommendation No. 17

USAID/P should request CWS/SEPAS to file claims for food losses incurred within the jurisdiction of Port Authorities as required by AID Regulation II, Section 211.9(e), as amended.

Recommendation No. 18

USAID/P should request SAWS/OFASA to instruct project community leaders on inspection and disposal procedures to follow on infested food.

Recommendation No. 19

USAID/P should request SAWS to include in its future Commodity Status Reports the actual amounts received, distributed and on hand.

Recommendation No. 20

USAID/P should issue a bill for collection to SAWS for the amount of the food loss.

Recommendation No. 21

USAID/P, in conjunction with GOP authorities, should reorganize the distribution of P.L. 480, Title II commodities to improve program management, including the designating of specific areas in Peru that will receive P.L. 480, Title II food, supplying kitchen and cooking equipment to education centers, providing sufficient funds to pay the transportation costs of commodities from the ports to education centers and per diem and transportation of Inspectors/Supervisors.

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LISTING OF REPORT RECIPIENTS

	Copies
Deputy Administrator, AID/W	1
Assistant Administrator - Bureau for Latin America and the Caribbean (LAC), AID/W	5
Assistant Administrator, Office of Legislative Affairs (LEG), AID/W	1
Controller, Office of Financial Management (OFM), AID/W	1
Mission Director, USAID/Peru	5
Country Officer, ARA/AND/P	1
General Counsel, AID/W	1
Audit Liaison Officer, LAC/DP, AID/W	3
Director, OPA, AID/W	1
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