



# Auditor General

AUDIT REPORT  
P.L. 480 TITLE II  
FOOD PROGRAM  
USAID/HAITI

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# AUDIT OF P.L. 480 TITLE II - HAITI

## EXECUTIVE SUMMARY

### Introduction

The P.L. 480, Title II food program in Haiti has been in effect since 1958. Four voluntary agencies administer the supplemental feeding program that distributes food to maternal child health centers, pre-school feeding, other child feeding, school canteens, food for work and adult feeding projects. During fiscal years 1978 and 1979 the voluntary agencies received about 35,000 metric tons of P.L. 480, Title II commodities with a value of \$10.5 million, excluding transportation costs from the United States. The supplementary food was distributed to about 698,500 recipients in Haiti. The 1980 fiscal year estimates call for the delivery to Haiti of 25,17 metric tons of food commodities costing about \$8.6 million. The Assistant Administrator for Latin America and the Caribbean Area requested this audit after receiving allegations about the P.L. 480 program in Haiti, including the allegation that Title II commodities were being sold in local markets.

### Scope

Our review of the P.L. 480 Title II food program in Haiti was for the period October 1, 1977 to December 31, 1979. The audit was made to appraise USAID's monitoring of the program and to evaluate the effectiveness of voluntary agencies controls and operations, including whether commodities were being adequately controlled from the time of arrival at Haiti ports to final distribution to recipients. We reviewed USAID and voluntary agencies files and interviewed various USAID officials, voluntary agencies' personnel and recipients of food. We inspected warehouses to test operational procedures and inventory controls.

### Conclusions and Recommendations

U.S. voluntary agencies in Haiti are well organized and staffed to carry out the food commodity program. In general, we found the agencies are accounting for and distributing the supplemental food to eligible recipients. However, there are some areas where improvements can be made to more effectively and efficiently use commodities to improve the nutritional status of recipients.

We found that P.L. 480 Title II food commodities were being sold in Haitian public markets. The bulk of food on sale had been distributed by an international organization (World Food Program) to workers employed in food for work projects (page 4 ). U.S. voluntary agencies food in the public markets had been sold by workers from food for work projects and by school personnel to pay transportation costs or buy other food to feed school children. Our recommendations are designed to reduce the food sales by emphasizing to recipients that commodities are not to be sold, giving more frequent and smaller distributions of food and confiscating food found in unauthorized places.

An evaluation of the food for work program was made in 1979. To determine the impact P.L. 480 commodities are having on recipients, the USAID needs to make comprehensive evaluations of the maternal child health and school feeding programs (page 6 ). To carry out the evaluations the USAID needs to know the methodology to use. We believe USAID, with the help of AID/Washington, should take more positive action to evaluate the P.L. 480 Title II program to determine if the food is improving the nutritional status of recipients.

USAID monitoring of the voluntary agencies operations needs to be strengthened to assure that administrative reviews are made (page 9 ). Our recommendation calls for periodic visits to voluntary agencies' projects and the preparation of field trip reports that indicate the results of the inspection.

Food for Work projects being carried out by voluntary agencies may not be complementary with USAID program emphasis and strategies as described in the 1979 fiscal year Development Assistance Program (DAP) (now Country Development Strategy Statement) (page 9 ). The USAID is not apprised of proposed or completed projects by the voluntary agencies. The fiscal year 1980 food for work projects are generally not in accordance with USAID developmental priorities. We recommended that USAID require voluntary agencies to coordinate food for work projects with the USAID and submit progress and completion reports for these projects. (Page 10 ).

Voluntary agencies are not making and submitting timely internal review reports which can be used by the USAID to assess the ability of the agencies to effectively plan, manage, control and evaluate their programs. Our recommendation is that voluntary agencies prepare and submit periodic internal reviews. (Page 12 ).

Recipients of Title II commodities did not know the food was donated by the people of the United States. Although we found some posters (CARE) indicating the source of the food, the recipients were unable to inform us where the food came from. We recommended that USAID require voluntary agencies to strengthen their publicity programs which advise recipients that the commodities are from the people of the United States. (Page 13 ).

Two of the four voluntary agencies were not requesting USAID approval to dispose of food not fit for human consumption. Also, the voluntary agencies were not disposing of the food commodities in accordance with AID priorities. Our recommendations call for all voluntary agencies to comply with AID regulations which require prior authorization from USAID to dispose of food not fit for human consumption and in the order of priority established by AID. (Page 14 ).

## BACKGROUND

P.L. 480 Title II commodities are distributed in Haiti by four voluntary agencies: Cooperative for American Relief Everywhere, Inc. (CARE), Catholic Relief Services (CRS), Church World Services (CWS) and Seventh Day Adventist World Service (SAWS). The commodities are used for supplemental feeding to combat malnutrition and to encourage social and economic development. The voluntary agencies distribute P.L. 480 Title II food to various supplemental feeding programs and projects.

### The CARE Program

CARE operates in Haiti under a Basic Country Agreement signed with the Government of Haiti on February 14, 1959 and renegotiated on July 9, 1971. Annual Letters of Agreement are signed between the Government of Haiti and CARE for the continuance of the food program. The Annual Letter of Agreement sets forth the conditions for continuing the food distribution and includes information on the type and quantity of commodities that are planned to be distributed, categories and corresponding number of beneficiaries, and the Government of Haiti's contribution to the program. In fiscal year 1979, the Government of Haiti agreed to contribute \$80,000 to pay program costs.

CARE is directing special efforts toward increasing the effectiveness of the maternal child health, pre-school feeding, other child feeding, school feeding, adult feeding, and food for work programs it administers. The long-term objectives call for the programs to be institutionalized on a national level. CARE reported some progress in that direction by the creation of the Bureau of School Meals within the Ministry of Education. Also, the Government of Haiti's Bureau of Nutrition expanded its activities by opening more facilities in the depressed areas of the North and Northwest, the areas services by CARE. CARE reported that during fiscal year 1979 the agency distributed food to 200,600 persons and planned in fiscal year 1980 to provide supplementary food to 257,000 beneficiaries.

### The CRS Program

CRS has been distributing P.L. 480 Title II commodities in Haiti since 1958. The agency operates under a blanket agreement signed on September 8, 1958 between the United States and the Haitian Government. CRS is also included as one of the sponsor agencies in an agreement signed by CRS' counterpart, Secours Catholique, and the Government of Haiti. The agreements provide for duty-free entry of commodities, payment of \$12,000 a year for inland transportation costs by the Government of Haiti, and outline the responsibilities and obligations of Secours Catholique, including transporting and warehousing of commodities.

CRS serves the capital city, large areas of the Southwest and the South peninsula. The CRS feeding program distributes food to pre-school children, school children, food for work workers and dependents and adult indigents.

CRS reported feeding about 75,000 recipients during fiscal year 1979 and estimated that about 88,000 persons will receive food during the 1980 fiscal year. The 1980 estimated commodity requirements included a 25 percent increase in commodities to establish a disaster preparedness program.

### The CWS Program

An agreement signed in June 1972 between the Government of Haiti, CWS and the Service Christian D'Haiti authorized CWS to operate in Haiti. The agreement provides for exemption from all taxes and duties on the commodities, security of commodities, office space and warehousing, and a monthly payment of \$1,000 to pay inland transportation by the Government of Haiti. CWS is primarily responsible for the overall planning and execution of the food program while Service Christian D'Haiti is responsible for warehousing and distributing food to beneficiaries.

The CWS program is concentrated in the Central and Southwest part of the country and the Island of La Gonave. CWS's food distribution efforts are directed to maternal child health centers, school feeding, and food for work projects. In fiscal year 1979, CWS reported distributing food to 76,500 recipients and planned to distribute commodities to 72,000 persons in fiscal year 1980.

### The SAWS Program

On October 14, 1978 SAWS signed an agreement with the Government of Haiti to carry out a P.L. 480 Title II program. The 5-year agreement permits SAWS to distribute food, medicines and other articles of basic necessity to deprived people. The food and other items are exempt from duties and taxes. The agreement indicates that expenses for maintenance, storage, and transportation of commodities are the exclusive responsibility of SAWS.

During fiscal year 1979, SAWS distributed P.L. 480 Title II commodities to about 27,700 beneficiaries throughout Haiti. For fiscal year 1980 SAWS plans to increase to 50,000 the number of recipients. SAWS long term goals are to work with the Ministry of Health to carry out an effective program to reach a greater number of needy people and emphasize nutritional education to recipients.

### USAID Support

USAID personnel regard the infrastructure of the voluntary agencies in Haiti as a valuable program resource to meet short-term crisis situations and a mechanism to directly reach the AID mandated target populations. USAID recognizes that food is not an easy resource to manage or program and has moved to provide some support and guidance to develop an efficient food assistance program. In fiscal year 1979, the four voluntary agencies and AID signed Outreach Support Grant Agreements for \$690,000. The Outreach Grants are intended for countries that have the greatest logistical constraints due to scarcity of resources and who lack other funding sources

which can be used for Title II program support. The grants will enable the voluntary agencies to construct warehouses that will meet both emergency food and regular programming needs. The grants also provide funds for training of personnel, transportation equipment, and other supplies.

### Prior AG Audit

Our previous audit of the P.L. 480 Title II programs was made in 1977 and a report was issued on December 20, 1977 (Audit Report No. 1-521-78-5). The report contained two recommendations which were closed after corrective action was reportedly taken. One of the recommendations concerning program publicity is repeated in this report. Although the voluntary agencies had taken steps to inform recipients about the source of the food, we found recipients were not aware the commodities were donated by the people of the United States.

### Scope of Current AG Audit

This audit covered P.L. 480 Title II operations from October 1, 1977 to December 31, 1979. Our comprehensive examination included a review of USAID files and discussions with Food for Peace office personnel. At the voluntary agencies we examined files and interviewed local and U.S. personnel. To observe food program operations, we visited 10 warehouses, 42 schools, 16 food for work projects, 23 public markets and 13 other institutions.

At the warehouses we observed operational procedures on receiving, storage and issuance of commodities. We selectively tested the inventory controls of commodities at each warehouse. At the schools we talked to directors/principals, teachers, and students concerning the storage and quantity of food being received and its consumption. At the food for work projects we met with community development leaders and workers to discuss work progress and use of food as wages. We inspected public markets to determine if P.L. 480 Title II food was being sold and interviewed public market vendors concerning the buying and selling of P.L. 480 food commodities. At other institutions we observed the storage and distribution of food and talked to persons distributing and receiving food.

Our review was made between November 1979 and February 1980. The comments of USAID and voluntary agencies officials were considered and included in the report as appropriate.

## STATEMENT OF FINDINGS AND RECOMMENDATIONS

### Sale of P.L. 480 Title II Food

In our field visits to 23 public markets, we found that P.L. 480 Title II food was being sold in the open market. We identified the bulk of the commodities on sale to be food that had been distributed by the World Food Program in Haiti. We reported the quantity of World Food Program commodities found on sale to AID/Washington by separate correspondence. Following are the U.S. voluntary agencies' commodities identified in public markets:

<u>Agency</u>	<u>Bags of Food</u>	<u>Cases of Oil</u>
CARE	176	2.2
CWS	6	-
SAMS	44	-
CRS	<u>152</u>	<u>-</u>
Total	<u>378</u>	<u>2.2</u>

In addition to the above sealed bags of food, we saw large quantities of P.L. 480 Title II food being sold from open bags. This food was being sold to buyers in small measured quantities. We could not readily trace the P.L. 480 Title II commodities in the open bags to a specific voluntary agency because of unmarked and reused bags as well as resistance by vendors to our questions.

We queried several vendors at the market places about the price and source of the sealed bags of food. The vendors generally refused to furnish any information other than that the food had been purchased from unknown persons. In two instances, we were told the food was not for sale although it was stacked at the market place. Some vendors quoted a sales price for the sealed bags of food.

We determined that some of the commodities found in the public markets had been sold by workers on food for work projects. Usually workers are paid with bags of food when the work is completed. For example, at Jean-Rabel, workers contracted by CARE had received bags of bulgur wheat and gallons of oil in payment for working on a potable water project. Workers informed us they worked as a team and the food received was for the team members. The team members had decided to sell the food and divide the proceeds among themselves instead of distributing it for home consumption.

At other projects, workers receiving two or three bags of food said they occasionally sold one or two bags. We were told that sometimes several members of a household work on a project. The total quantity of food received by these individuals from the same project results in more food than can be readily consumed by the household. The excess portion is usually sold. The workers said no one had instructed them not to sell the food or that the food was to be only for consumption by the family.

We believe some of the food for sale came from institutions that paid truck drivers, other than voluntary agencies' drivers, for transporting the commodities from warehouses to the institutions. For instance, in southern Haiti, serviced by CRS and SAWS, we were told that truck drivers were paid with the proceeds from food that was sold because neither the school nor the health center had money to pay for transporting the commodities.

In the area serviced by CRS and SAWS, we were told by school personnel that some bags of food were sold to acquire money to buy other food for the children. In one instance, we found that a school director had sold a large quantity of food. He had received food from CRS's counterpart, Secours Catholique, under the school feeding program and also for a food for work project to be initiated. For unknown reasons, the food for work project was not started, thus, the food was not distributed to recipients. The director decided to sell the extra food to purchase other food and school materials.

Voluntary agencies' personnel differ on their philosophy towards commodities distributed on food for work projects that are later sold by the workers. The CARE Director said there is nothing wrong with a worker selling the food as the worker regards the commodities as wages. The CARE Director feels that AID Regulations should be changed to recognize the actual and realistic conditions that exist in Haiti. Other voluntary agencies' officials, however, are adamant that food should not be sold. These officials feel that allowing sales of food tends to stimulate corruption and diversion of commodities at all levels.

To help reduce the sale of P.L. 480 Title II food, we believe the voluntary agencies should place more emphasis on instructing beneficiaries that the food is to improve their nutritional status and is not to be sold. It should also be emphasized that if the workers continue to sell the food it could result in the beneficiaries no longer being eligible to receive commodities.

The present method of giving large quantities of food to workers at a single distribution results in the person having food in excess of immediate needs. AID Guidelines provide that to reduce the likelihood of workers selling or exchanging commodities received as compensation for work performed, the quantity of food issued to each worker at any one time should not exceed the amount the worker and his family will consume during a 2-week period. We believe AID guidelines should be followed in distributing commodities to food for work projects to minimize sales of food.

At the present time there is no agreement between the Government of Haiti and U.S. voluntary agencies that include arrangements for confiscating commodities appearing in unauthorized locations and returning the commodities to the voluntary agency. We believe that U.S. voluntary agencies should include a confiscation of food arrangement in their agreements with the Government of Haiti.

### Recommendation No. 1

USAID should work with the U.S. voluntary agencies to assure beneficiaries are made aware that P.L. 480 Title II commodities should not be sold or exchanged.

### Recommendation No. 2

USAID should instruct the voluntary agencies that commodities issued by them at any one time should not exceed the amount each worker alone, or the worker plus dependents, will consume during a 2-week period.

### Recommendation No. 3

USAID should request U.S. voluntary agencies to include in their agreements with the Government of Haiti procedures for confiscating P.L. 480 Title II food found in unauthorized locations.

## Program Evaluation

USAID has never made a comprehensive evaluation of its P.L. 480 Title II food programs, which date back to 1958, to determine what impact these programs have had on the target groups that received supplemental feeding. USAID did not have the methodology needed to perform such an evaluation. Thus, it is not known what impact the supplemental feeding programs have had on the target groups in Haiti.

As discussed in the background section of this report, the P.L. 480 Title II program in Haiti encompasses a number of different types of activities. The primary areas of emphasis in all voluntary agencies' programs are maternal child health, school feeding, and food for work. Various evaluations and studies of these activities and programs have been done either by or for the USAID. For example, during calendar year 1979 a consultant made a preliminary evaluation of the maternal child health activity and food for work activities were reviewed by a team of three researchers. A brief discussion of these reviews follows.

### Maternal Child Health Evaluation

USAID employed a consultant to make a study of the maternal child health programs being implemented by the four U.S. voluntary agencies in Haiti. The major purposes of the study were a) to present a synthesis of the nutrition objectives and the constraints to their attainment; b) to launch an interim strategy for attacking the problem of malnutrition among the vulnerable populations; and c) to suggest realistic evaluation procedures for the future.

In February 1979, the consultant issued a report on the study. The consultant recommended that USAID clarify its policy regarding the extent voluntary agencies were expected to participate in assisting large numbers of the vulnerable population, express the amount of support the voluntary agencies might expect to receive, and proceed with the establishment of a coordinating, problem-solving, technical committee.

In March 1979, officials from the voluntary agencies and USAID met to discuss the evaluation report. It was reported that two of the voluntary agencies had taken action to implement some of the suggestions and that the response to establishing a technical committee was favorable. However, at the conclusion of our audit the USAID had taken no further action on the consultant's recommendations. The technical committee had not been formed because the Bureau of Nutrition and the Division of Family Hygiene within the Government of Haiti had not responded to the evaluation report.

### Food for Work Evaluation

In mid-1979, the USAID contracted with a team of three researchers (an anthropologist, an engineer and an economist) to make an in-depth evaluation of the Title II food for work program. The team was to identify problems and clarify issues commonly raised in the use of food aid, labor intensive approaches to public works and community development.

On October 21, 1979, the researchers submitted a report which included the team's conclusions and recommendations. The researchers, after visiting four food for work projects, indicated 13 guidelines they felt would improve the food for work program in Haiti. The guidelines included limiting the time of the project, using small work teams, paying workers on a regular basis, cooking food at the site, combining food with other resources, making studies of the market effects due to the commodities, and making other studies and inquiries concerning the community councils and recipients.

USAID officials said no action had been taken on implementing the guidelines because of other USAID priorities. At the time of our review, USAID's Evaluation Officer was preparing a Project Evaluation Summary that was addressing itself to the recommendations made in the consultant/researchers' report.

While various evaluations have been made of P.L. 480 Title II activities, the USAID has never made a comprehensive evaluation of the program. AID/Washington employed a contractor in 1978 who developed a scope of work that could be used to evaluate P.L. 480 Title II programs on a worldwide basis. Using the scope of work developed, a variety of applications and approaches could be used. The evaluation scope of work was reportedly tested in Bolivia and Sri Lanka. The USAID obtained information on the utility of the evaluation approach used in Bolivia and found that the developed scope of work did not adequately address the needs in Haiti.

The USAID advised AID/Washington in April 1979 that it was interested in determining the impact of its P.L. 480 Title II programs. The USAID requested AID/Washington to furnish copies of research or evaluation material bearing on school lunch/dropout rates and wage/food combination projects. USAID was interested in obtaining any methodological or country studies that can be used to show a direct nutritional impact on school feeding as well as material on evaluation of food for work projects.

The U.S. voluntary agencies were also interested in knowing the nutritional impact commodities have on recipients. For example, CARE nutrition education centers compile height/weight/age data which can be used to measure the children's nutritional progress. The other agencies were also moving to maintain records at maternal child health centers that may help to evaluate the impact supplementary food has had in combating malnutrition.

It is questionable if recipients are receiving adequate rations to combat malnutrition. For example, of the 42 schools visited in Haiti we found 17 schools had more students than the number indicated on the voluntary agencies institution lists. The difference between the actual number of students attending school and those on the lists varied from less than a 100 up to a 1,000. In one instance food was received from both CARE and CRS. The rations were for 6,150 students. School officials reported they were operating a central kitchen and feeding 7,150 students, a difference of 1,000 children. The central kitchen was distributing food to 103 schools in Port-au-Prince. In distributing the food, the central kitchen employees did not consider the number of students at each school. The amount of food being given to each school was usually the same quantity, about 25 pounds, as the food containers were the same size. School officials said all the students were eligible to receive food.

We believe USAID/H should take more positive action to evaluate the P.L. 480 Title II program to determine if the supplemental feeding has had an impact on improving the nutritional status of the recipients. The recommendations made in the studies of the maternal child health and food for work should be reviewed, and if valid, carried out.

#### Recommendation No. 4

USAID should review the consultant/researchers reports and implement the recommendations, as appropriate, to improve the P.L. 480 Title II program.

#### Recommendation No. 5

The Office of Food for Peace, AID/W, should provide USAID/Haiti with evaluation guidelines to evaluate P.L. 480 Title II programs in Haiti.

## Need for More USAID Monitoring

USAID personnel have made only limited and infrequent visits to review U.S. voluntary agencies' field operations. Periodic visits need to be made to determine if the P.L. 480 Title II food is being used effectively to alleviate malnutrition and to improve economic and social development.

USAID files show that only six field trips were made from July 1978 to January 1980. Four of the field trips were made in response to allegations of sales of P.L. 480 Title II food. Another field trip was made to inspect and verify that food (CARE) not fit for human consumption had been given to a group of people who insisted that the commodities be made available to them. The food was given to the people at the request of the local police to reduce the possibility of damage to the warehouse and other commodities. The other trip was made to inspect a food for work project.

The USAID Food for Peace Officer said that several inspections were made of field operations, but most of his inspections were limited to the Port-au-Prince area. Some field trips were made outside the metropolitan area of Port-au-Prince; however, no trip reports were prepared on his inspections.

Voluntary agencies had not been submitting to the USAID Food for Peace office copies of lists showing the institutions and food for work projects where commodities are distributed. In February 1980, USAID Food for Peace officials requested the voluntary agencies to submit copies of beneficiary lists. The lists can provide USAID with information on location of projects, number of recipients, and quantity and type of commodities. The lists can be used by USAID's officers to plan periodic inspection trips of selected institutions and projects.

### Recommendation No. 6

USAID officers should establish procedures to ensure that periodic field visits to projects are made and that trip reports showing the results of the inspections are prepared.

## Food for Work Projects

The voluntary agencies do not coordinate food for work projects with the Government of Haiti's ministries or agencies, nor in conjunction with the mission activities to assure that the projects complement the USAID program.

Neither the Government of Haiti nor the USAID receives from voluntary agencies advance information about proposed food for work projects. The USAID does not advise voluntary agencies how their voluntary expertise and P.L. 480 Title II resources might be better incorporated into overall country planning. The USAID is unaware of the status of food for work projects because the voluntary agencies do not submit to the USAID

information on the type of project, physical accomplishments, work in progress, time-frame to complete the project, etc. The information is needed to permit the USAID to monitor and evaluate the food for work projects.

In the 1979 fiscal year Development Assistance Program (DAP), USAID officials stated that the focus of food for work activities should be altered to help meet both developmental and disaster-oriented objectives. They envisioned more food for work projects committed to irrigation systems and the construction of community development projects and rudimentary storage facilities. This would help build up infrastructure beneficial to Haitians in times of relative prosperity and famine.

The 1979 fiscal year DAP pointed out there was a need for readjustment in the relationship between the private voluntary agencies and the Haitian Government, including improved coordinating mechanisms. The Haitian Government has been distressed by the uncoordinated nature of the various private efforts. USAID's strategy was to help establish a coordinating council which would provide the Haitian Government the necessary assurances that the voluntary agencies efforts are integrated into the governments' overall development effort while not placing restrictions on the voluntary agencies. At the close of the audit, the coordinating council had not been established. USAID officers did not know when the council would be organized.

We noted that not all voluntary agencies are focusing on developing projects that are in accordance with USAID development priorities. For example, the 1980 Fiscal Year food for work lists show that only 2 of 63 CARE projects and 1 of 15 CRS projects are involved in irrigation. CWS officials said that in 1979 it had 2 irrigation projects on the island of La Gonave. Concerning storage facilities, neither CARE nor CRS had listed any projects; however, CWS indicated 2 projects for grain storage were under construction. SAWS food for work lists show that its projects were not in consonant with USAID's program strategies or priorities as the recipients were receiving food for doing kitchen work in school canteens.

#### Recommendation No. 7

USAID should require (a) voluntary agencies to coordinate food for work projects with the USAID to assure that the projects are complementary to the USAID development program and emphasis and (b) require the voluntary agencies to submit progress and completion reports on projects.

#### Internal Reviews/Surveillance

CARE, CWS and SAWS have not been making current internal reviews of their operations as required by AID Regulations. Section 211.5 of Regulation 11, Handbook No. 9, requires voluntary agencies to conduct comprehensive internal reviews or a series of examinations which, when combined, will represent a complete review of the Title II program under their jurisdiction.

Voluntary agencies' records show that the last CWS and CARE reviews covered the periods through June 30, 1977 and May 5, 1978, respectively. SAWS has never made an internal review of its operations. CRS, on the other hand, made an operational review of its activities for the period ending in February 1979.

CARE's operations were audited by a private accounting firm and a report was prepared and issued on May 25, 1978. However, the report was not submitted to USAID. In early November 1979 and again in February 1980, we requested CARE's Director to furnish us a copy of the May audit report. The CARE Director was reluctant to comply with our request because he felt it was an internal document which contained financial information to be seen only by CARE officials. However, the CARE Director agreed to furnish us pages of the report that made reference to inventories, claims and physical inventory counts. We pointed out to the Director that Section 211.10(b)(3) of Regulation 11 requires the voluntary agency to submit copies of reports made on internal reviews. The Director indicated that a copy of future audit reports would be sent to USAID.

The CRS Internal Review report prepared in early 1979 covered the period from November 30, 1977 to February 28, 1979. The report contains 11 recommendations which were designed to improve the management and operational activities of CRS and its counterpart, Secour Catholique. In February 1980 CRS reported that with the exception of 1 recommendation, the recommendations had been complied with or were being implemented.

USAID officials had not followed up on the implementation of the recommendations. For example, the outstanding recommendation provided that the CRS counterpart agreement of 1964 be up-dated to specify the responsibilities the counterpart should assume under the food program. In our prior audit, we had found that the counterpart agency was poorly managed and personnel had little understanding of the program. CRS officials said an updated agreement would be signed once a new counterpart manager is appointed. Also, CRS wants to wait for the full enactment of the Outreach Program (a program designed to assist in staffing and logistics support) and staffing of their counterpart before signing a revised agreement.

The USAID should require all the voluntary agencies to submit timely internal review reports. The internal reviews should assure a complete review of the Title II program, including food rations, end-use control and inspections, inventory and evaluation of warehousing and practices, food losses, operations of MCH and FFW programs, and impact of the food program. The reports are needed to enable the USAID to assess the ability of the voluntary agencies to effectively plan, manage, control and evaluate their programs.

## Recommendation No. 8

USAID should request voluntary agencies to prepare and submit periodic comprehensive internal reviews as required by AID Regulation No. 11. USAID should subsequently follow-up with each voluntary agency to assure that the reviews are being made and copies of reports are promptly submitted to the mission.

### Program Publicity

Generally, recipients do not know that P.L. 480 Title II commodities are donated by the people of the United States.

We found that cooperating sponsors did not always display banners, posters or other media at distribution centers to show the information that is prescribed by Section 211.5(g) of Regulation 11, i.e., the food is furnished by the people of the United States of America and is not to be sold or exchanged.

In our December 1977 audit report (No. 1-521-78-5) of the P.L. 480 Title II program, we recommended that steps be taken to assure adequate publicity for the food donation program. In response to the recommendation, CARE reproduced 1,200 large colorful posters that included USAID and CARE symbols within the painting. Also, 2,200 donor identification posters and/or plaques were printed and posted at distribution centers. CRS and CWS reportedly developed a poster which was available for use at distribution centers.

We found there were generally no posters on display at any of the CRS or SAWS sites we visited. On the other hand, we saw many CARE posters on display. However, there were a few CARE sites that did not have posters or the posters were stored where it was difficult to observe them. The SAWS Director informed us that they planned to acquire signs and display them at distribution centers. Money to pay for the signs was available from the sale of food containers.

We queried students, mothers, and food for work recipients about the source of the food. We received many different responses, but almost without exception the recipients were not aware the commodities were furnished by the people of the United States.

The voluntary agencies need to strengthen their publicity programs to make recipients aware the food received has been donated by the people of the United States of America.

## Recommendation No. 9

USAID should require the voluntary agencies to implement a publicity program that will comply with Section 211.5 (g) of AID Regulation 11 (Handbook No. 9).

### Disposition of Commodities Unfit for Human Consumption

CARE and CRS are not requesting approval to dispose of commodities determined to be unfit for human consumption. On the other hand, SAWS and CWS routinely request USAID's approval to dispose of such commodities.

USAID personnel said they had orally requested CRS (April 1979) and CARE (June 1979) officers to obtain USAID approval prior to disposing of any food. The oral request to CARE was made after it was reported that CARE had distributed 307 bags of Bulgur Wheat that were certified by the Ministry of Public Health as unfit for human consumption. The food has been distributed because people demanded that it be given to them. Both CARE and CRS personnel indicated they would comply with USAID's request.

In our selective review of CARE project files, we found that CARE had donated food not fit for human consumption to a charitable organization after June 1979. For instance, in November 1979 CARE donated to the charitable organization, Peres Saliesiens, 75 bags of food for animal feeding without requesting USAID approval to dispose of the food. USAID officials were not aware of the transaction.

CRS officials informed us they had disposed of infested food in November 1979. The food had been inspected by the Ministry of Health and certified as unfit for human consumption. However, no request for approval to dispose of the food had been submitted to USAID officers. CRS personnel said that in the future they will request USAID approval to dispose of infested food.

Title II commodities determined to be unfit for human consumption are not being disposed of in the order of priority indicated in Section 211.8 (b) of Regulation 11. The food is presently donated by the voluntary agencies to charitable organizations for use as livestock food. Regulation 11 provides that the food be transferred to a project under current mission implementation or be disposed of by public sale at the highest obtainable price before it can be considered for donation to a governmental or charitable organization.

The voluntary agencies were aware of Regulation 11 food disposal priorities. CWS officers said they had discussed with USAID's Food for Peace Officer the selling of food not fit for human consumption. The Food for Peace Officer had agreed the food should be disposed by public sale. However, for unknown reasons it was decided by the Food for Peace Officer the food should not be sold but donated to governmental and charitable

organizations. CRS and CWS officials said they are presently donating the food for animal feeding to a Ministry of Agriculture farm and to charitable organizations. The other voluntary agencies, CARE and SAWS, are donating the food to charitable organizations.

CRS, SAWS and CWS officers are reluctant to dispose of the food by public sale because of the possibility that the food could be resold in the public market. On the other hand, they agree there are bonifide buyers who could buy the food to feed their animals.

#### Recommendation No. 10

USAID should inform the voluntary agencies in writing that they must request USAID authorization to dispose of food not fit for human consumption. Disposal of the food must not be made without USAID's approval and then only in the order of priority established by Regulation 11 of AID Handbook No. 9.

#### Limits on Distributions to Recipients

The voluntary agencies have taken precautions to assure that recipients do not receive commodities from more than one agency.

Each agency had defined areas within the country which it covers with little overlap except in the Port-au-Prince area. Generally CARE covers the north and northwest sections of Haiti; CRS covers the south and southwest; CWS covers the central area and the island of La Gonave; and SAWS distributes food throughout the country.

In our field visits during November 1979 and February 1980 to 42 school canteens, we found only 1 canteen that was receiving rations from 2 Agencies, CRS and SAWS. In November 1979 the CRS Director informed USAID that CRS had stopped distributing food to the school. Also, CRS shared with other voluntary agencies its beneficiary list to avoid future duplications. CRS officials said the other voluntary agencies, with the exception of CARE, had furnished a list of beneficiaries. The exchange of beneficiary lists will reduce the potential for duplicating rations to institutions. The CARE Director indicated to us he would furnish recipient lists to the other voluntary agencies in Haiti. In February 1980, USAID Food for Peace officials requested the voluntary agencies to submit copies of their beneficiary lists. The USAID should review these lists to ensure that duplications do not occur.

#### Warehouse Construction

CARE has completed or was in the process of completing the construction of 8 warehouses with a storage area of 72,000 square feet and capacity for 6,200 metric tons of food. The warehouses should facilitate the distribution and management of commodities.

CRS, CWS and SAWS lack warehouse space. This has hampered regular food deliveries and storing food reserves. To resolve the storage problems, Title II Outreach Grants for \$690,000 were signed in fiscal year 1979 between AID and the voluntary agencies. The grants provide support for the first year of a three-year program and include \$318,000 for the construction of warehouses to store P.L. 480, Title II commodities. The voluntary agencies warehouse space will be increased by approximately 36,000 square feet (CRS 20,000 square feet; CWS, 4,000 square feet; and SAWS 12,000 square feet).

Warehouse construction had not started in February 1980. SAWS' officers said bids had been received from construction contractors and it was anticipated that a warehouse contract would be signed shortly. CRS construction had been delayed because a clear title to land donated by the Government of Haiti had not been obtained. Several parcels of land had been offered to CRS by the Government of Haiti, but title restrictions did not permit acceptance of the land for constructing a warehouse. CRS officials expected a clear title to a site by mid-February and the preparing of plans and specifications, requests for bids and construction would follow. CWS personnel indicated they were also having difficulty acquiring a clear title to land offered by the Government of Haiti, and thus, decided to purchase land and expect to receive title to the land before the end of February. CWS plans to construct a prefabricated building on the property. Bids had previously been received for construction of the building on the land offered by the Government of Haiti. Due to the non-acceptance by CWS of the government land, it will be necessary to request new bids to construct the prefabricated building on the newly acquired CWS land. CWS's Director believes the warehouse will be ready by the end of calendar year 1980.

### Inventory Control

Voluntary agencies were maintaining records and supporting documents which identify arrival of commodities, quantity, date, value, losses or damage on carriers, distribution of commodities and physical balances in the warehouses.

Our selective testing of voluntary agencies physical balance records disclosed the following. Our tests of SAWS and CRS inventory records showed that the commodities on hand per our count were in agreement with the balances shown in the records. At the CRS counterpart's warehouse in Port-au-Prince, we found the records were a few days in arrears. Our tests of the inventory records showed:

<u>Commodity</u>	<u>Balance Book Record</u>	<u>Balance Physical Count</u>	<u>Difference</u>
Bulgur-bags	328	310	18
cornmeal-bags	1,685	1,516	169

Warehouse personnel were unable to explain the difference in quantities between the records and physical counts. Warehouse personnel indicated physical inventories were made monthly and the physical counts reconciled to the inventory records. CRS personnel subsequently informed us the difference in quantities was due to posting errors in the records. The postings to inventory records were now being posted daily and selective checks of physical inventories by CRS personnel indicated the controls were being maintained.

There were two warehouses being used to store food by CRS at the time of our visit. The main warehouse was free of insects and rodents, was clean and secure from unauthorized persons. The other warehouse, which had been acquired from the Ministry of Public Works, was found to be in a deplorable condition. The warehouse was swarming with rats and cockroaches. CRS personnel said they had fumigated and placed poison throughout the building. However, these precautions were to no avail because the insects and rodents were entering the warehouse through numerous holes in the concrete floor. CRS officials agreed the warehouse was inadequate for storing food. We were later informed the food in storage had been moved to the main CRS warehouse.

CRS personnel discussed with the Ministry of Public Works repairing the warehouse because of the need for immediate space. The cost for repairing the warehouse was estimated at \$1,700. However, CRS decided not to repair the building because the Ministry of Public Works indicated CRS could only use it for a short period of time. At the time of our audit CRS was in the process of temporarily leasing additional space to store 10 to 15 thousand bags of food that were in containers at the Port-au-Prince pier. Shippers had demanded the return of the containers in which the commodities were stored.

The selective testing of CARE inventory records with physical balances at the Gonaives warehouse disclosed a difference of 4 cases (24 gallons) of oil between the records and our count. The Gonaives manager subsequently informed us the difference was due to leakage of oil from cans. The quantity of oil that was lost had not been deducted from the inventory record balance.

## LIST OF REPORT RECOMMENDATIONS

### Recommendation No. 1

USAID should work with the U.S. voluntary agencies to assure beneficiaries are made aware that P.L. 480 Title II commodities should not be sold or exchanged.

### Recommendation No. 2

USAID should instruct the voluntary agencies that commodities issued by them at any one time should not exceed the amount each worker alone, or the worker plus dependents, will consume during a 2-week period.

### Recommendation No. 3

USAID should request U.S. voluntary agencies to include in their agreements with the Government of Haiti procedures for confiscating P.L. 480 Title II food found in unauthorized locations.

### Recommendation No. 4

USAID should review the consultant/researchers reports and implement the recommendations, as appropriate, to improve the P.L. 480 Title II program.

### Recommendation No. 5

The Office of Food for Peace, AID/W should provide USAID/Haiti with evaluation guidelines to evaluate P.L. 480 Title II programs in Haiti.

### Recommendation No. 6

USAID officers should establish procedures to ensure that periodic field visits to projects are made and that trip reports showing the results of the inspections are prepared.

**Recommendation No. 7**

USAID should require (a) voluntary agencies to coordinate food for work projects with the USAID to assure that the projects are complementary to the USAID development program and emphasis and (b) require the voluntary agencies to submit progress and completion reports on projects.

**Recommendation No. 8**

USAID should request voluntary agencies to prepare and submit periodic comprehensive internal reviews as required by AID Regulation No. 11. USAID should subsequently follow-up with each voluntary agency to assure that the reviews are being made and copies of reports are promptly submitted to the mission.

**Recommendation No. 9**

USAID should require the voluntary agencies to implement a publicity program that will comply with Section 211.5 (b) of AID Regulation 11 (Handbook No. 9).

**Recommendation No. 10**

USAID should inform the voluntary agencies in writing that they must request USAID authorization to dispose of food not fit for human consumption. Disposal of the food must not be made without USAID's approval and then only in the order of priority established by Regulation 11 of AID Handbook No. 9.

LIST OF REPORT RECIPIENTS

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Mission Director, USAID/Haiti	5
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