

PD AAP 319

IAN = 34967

3361202

MEMORANDUM AUDIT REPORT ON  
PREAWARD SURVEY OF PROPOSED PL 480 TITLE II  
COMMODITY ASSISTANCE FOR DROUGHT RELIEF  
THROUGH CHURCH WORLD SERVICE

AUDIT REPORT NO. 5-386-83-9

AUGUST 18, 1983

UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. Owen P. Cylke, Director  
USAID/India

FROM : William L. Stanford *William L. Stanford*  
Regional Inspector General for Audit - Karachi

SUBJECT: Memorandum Audit Report No. 5-386-83-9 On Preaward  
Survey of Proposed PL 480 Title II Commodity Assistance  
For Drought Relief Through Church World Service

DATE: August 18, 1983

## INTRODUCTION

On May 24, 1983, Church World Service (CWS) requested USAID/India to provide 8,000 metric tons of PL 480 Title II wheat for its proposed drought relief Food For Work (FFW) program to be implemented in 10 Indian states. The proposed commodity assistance program, costing about \$1.7 million, was to be conducted through Churches Auxiliary for Social Action (CASA), the CWS local counterpart agency in India. In addition to the commodity request, CWS was to provide \$243,000 from its own resources for CASA administrative expenses.

According to a June 29, 1983, USAID cable, most of the Title II wheat resources required for the proposed CWS program are available in India from CARE and CRS, the two other U.S. voluntary agencies operating Title II feeding programs in the country. However, the USAID did not want to commit any resources for the program until a preaward survey could be made to determine if CASA's systems and procedures were adequate to provide the surveillance and compliance required by the PL 480, Title II regulations. The previous CWS Title II program in India was terminated by CWS because of its inability to correct numerous administrative control problems identified by audit.

In response to the USAID's request, we performed this survey in July 1983. Since CASA does not have a Title II program in India, we surveyed the systems and procedures used by CASA in its Mennonite Central Committee supported FFW program. Our review was performed at one of the CASA's four zonal offices, Bombay. We also visited a consignee located at Sholapur and some of its projects in the field.

We were accompanied by the CWS representative in India, a USAID official and a CASA zonal office staff member during our review. The survey findings were discussed with these officials during the review, and they indicated their agreement with them.

## SURVEY FINDINGS AND CONCLUSIONS

Our audits of the previous CASA-operated CWS Title II program disclosed serious problems in planning, implementation, commodity utilization and monitoring. In the case of the FFW program, we found major deficiencies



5010-106

Cont'd. .... P-2

*Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan*

-1-

caused by indiscriminate project approvals, the absence of or failure to follow established procedures, inadequate control over project implementation, and a lack of both monitoring and evaluation of ongoing programs. Consequently, we could not determine that Title II commodities were efficiently used for authorized purposes.

Our current survey of CASA's systems and procedures, including visits to the consignee and selected field locations, disclosed that the same problems still existed. There was hardly any noticeable improvement in the CASA program. Therefore, we are of the opinion that USAID should not approve the drought assistance program unless CASA develops and implements acceptable programming, monitoring and evaluation procedures and controls.

Both CASA and CWS officials told us that additional controls and procedures are being developed and staff recruited for the Title II program to avoid the past problems. However, since these actions have not been completed and the new procedures have not been implemented, we are in no position to comment on them at this time.

The details of our observations are furnished below:

#### Documents and Procedures at CASA

1. Project Selection/Approval: Under the current system, CASA notifies the consignees of the availability of food and asks them to submit FFW project proposals. CASA field reviewers visit the project sites and recommend their approval/disapproval of the projects. Our review of the files indicated that the consignees did not answer all the questions of the application and their proposals were sketchy and incomplete. The CASA field reviewers' recommendations were not available for many projects, and where available, they were inadequate for various reasons, such as the absence of rationale in support of their recommendations. Accordingly, no evidence was available that the FFW project proposals were properly reviewed and approved only after establishing the need for the project.

We also noted that projects were not assigned identification numbers and no records were kept to prevent the duplication of projects and beneficiaries. In fact, our selective review disclosed instances where the same projects had been approved repeatedly over several years. In the case of old projects where additional work was proposed and approved in a subsequent period, CASA did not compare the new proposals with the accomplishments reported earlier. Consequently, CASA approved the same work which was supposed to have already been done under earlier projects. For example, in 1983 CASA approved work on three wells on privately-owned lands. Our review of CASA files disclosed that:

- CASA had also provided assistance for these wells during 1975, 1978-79 and 1982.
- One beneficiary, instead of deepening the old well as approved by CASA, dug a new well. No information was available on the status of the old well.

- The 1983 applications for each well were basically carbon copies of each other (excepting the dimensions), and one application did not show the extent of work to be done. Similarly, the engineers's estimates did not show the amount of work involved.
- CASA approved a well project for an individual even though the land did not belong to him.
- The dimensions shown in the 1983 project proposals were different or less than those shown in the 1982 report of accomplishment. This indicated the likelihood that either no work was done in the past, a new application was again submitted for the same work in 1983, or the previously reported dimensions and accomplishments were inaccurate.

The details are as follows:

Well Owner's Name	Dimensions Per 1982 Accomplishment Report		Dimensions Per 1983 Application
	Before Additional Work	After Additional Work	Before Additional Work Requested
P.S. Bhandare	32'x16'x42'	42'x12'x22'	38'x26'x40'
P.D. Bhandare	30'x26'x26'	26'x13'	26'x26'x42'
T.S. Kambla	30'x29'x42'	26'x10'	30'x29'x42'

Thus, the established procedures were not being followed, project proposals were vague or contradictory, and projects were being approved indiscriminately without establishing a need for them or evaluating the results of those approved earlier.

2. Estimation of Mandays: The engineers' estimates furnished by the consignees in support of the project proposals were in rupees. They did not show the mandays required for completing the work. In such cases, CASA computed the mandays by dividing the engineers' estimated cost by the daily wage rate prevailing in the project area. The computed mandays were much less than the mandays required based on CASA's work standards, and the differences were large. For example, manday standards for two wells were 11,319 and 11,018 but were computed by CASA as 3,003 and 3,091, respectively, by this method. We also noted instances where CASA approved mandays in excess of those requested by the consignees. CASA could not explain such differences since the responsible person had left its employ. Thus, it was apparent that mandays were being approved arbitrarily. It would be useful if the engineers' estimates showed the mandays required to complete the work based on manday output for comparison with CASA's work standards and not on the basis of the daily wage rate. Any large differences should be investigated.

3. Consignee Cards: These cards are used for recording commodity accountability and project progress. We found that the cards were incomplete and there were differences between the information recorded therein and that reported by the consignees.

4. Reporting: Our review of monthly commodity utilization reports and accomplishment reports revealed that they were inaccurate and incomplete. We noted that reported commodity utilization differed on the two reports although it should have been the same, unauthorized uses of commodities and mandays was reported, and reporting was not timely. The accomplishment reports were not prepared on a cumulative basis; therefore, unauthorized uses of commodities and mandays would not be known to CASA unless all the reports were totaled. In addition, the reported accomplishments were incomplete or appeared to be not factual. For instance, the work accomplished to date in the March 1983 report was more than that shown in the April 1983 report. Finally, we noted a project where the actual work done was much less than that approved, but the total approved food was reported as utilized.

It was evident that CASA was not reviewing or analyzing the reports. Consequently, the inaccuracies and contradictions were not being identified and the necessary explanations or corrections were not being obtained. In addition, accomplishment reports did not provide for reporting whether or not the expected benefits were realized or who would maintain the completed projects. This information was not being required by CASA or reported by the consignees. Thus, the reporting mechanism was not serving its intended purpose.

5. Field Surveillance: The CASA field visit reports reviewed by us disclosed deficiencies in coverage and content and apparent contradictions. For instance, according to one report of a field reviewer, the well constructed under FFW was square as against the round one approved by CASA, and the reported accomplishments in feet were 40 x 40 x 9. However, in a subsequent report of May 1983, the same well was shown as round with accomplished dimensions of 40 feet in diameter and 19 feet in depth. We further noted that the reviewers' reports were not being analyzed by CASA and that CASA did not have follow-up control records on the reported discrepancies. Consequently, the discrepancies may not be corrected, the reviewers will remain unaware of the weaknesses in their reports, and the same deficiencies in reporting will likely continue to be repeated in subsequent field visit reports.

We were told that the consignees and their staff also visit the project sites. The only consignee visited by us had not prepared reports of any such visits to the project sites. Consequently, the effectiveness of its field monitoring could not be determined. However, the discrepancies observed in its program during our field visit would indicate that the consignee's monitoring, if any, was ineffective.

In summary, the present surveillance efforts would need to be upgraded to achieve a satisfactory level of field review.

## Field Visits

We visited one consignee located at Sholapur and four of his well projects, two each at Mulegoan and Jamgoan. We found that no evidence was available to indicate the bases used to approve the projects. We were told that all projects were approved on the basis of the consignee's personal knowledge, and that no controls were kept to avoid project or beneficiary duplication. In addition we noted that:

- (1) Storage practices were very poor. We saw three dead rats mingled with spilled wheat, and bags were stacked improperly and without dunnage. During the physical count we noted an inventory shortage of about 8 metric tons. We were told that the shortage was due to an unrecorded issue of stock. However, the consignee's explanation was not supported by any documentation, such as a signed acknowledgement, issue document or memorandum record.
- (2) An unauthorized project was implemented. CASA approved the construction of a new well at Mulegoan, but the total approved quantity of food was used to deepen an old well, which was initially assisted by CASA in 1976. However, in the accomplishment report furnished to CASA, the consignee reported the construction of a new well.
- (3) There was no adequate procedure to report consignee accomplishments. We were told that the accomplishments reported to CASA were obtained by the consignee's staff during their visits to the projects, but no record of these visits was kept. Thus, the accuracy of the reported accomplishments was unverified.
- (4) The accomplishment report for May 1983 furnished to CASA showed the use of 540 mandays each for the two Mulegoan wells. The May 1983 muster rolls showed the use of 900 and 720 mandays on these wells. Also, we noted that the names of the workers were the same but their thumb impressions on the muster rolls differed.
- (5) The dimensions of one well each at Mulegoan and Jamgoan were less than the dimensions approved by CASA, but all the approved food was reportedly used. Also, it appeared that the consignee had not correctly reported the existing depths of the wells to CASA.

## Audit Conclusions

The problems identified during our audits of the previous CWS/CASA Title II program still exist. In view of this, we believe the USAID should not approve the proposed CWS/CASA sponsored drought relief program unless CWS/CASA can demonstrate to the USAID's satisfaction that the needed improvements in all aspects of programming, review and evaluation have been made. In addition, we are doubtful that the need for emergency drought assistance still exists as there was no governmental request for assistance or observed evidence of drought in the areas we visited. Therefore, the USAID should satisfy itself that the following conditions exist prior to approving a drought relief FFW program through CWS/CASA:

- (1) The need for emergency drought assistance still exists and is supported by documentary evidence, such as a request from the government.
- (2) Acceptable program planning, review, approval, implementation, and reporting and monitoring procedures have been developed by CWS/CASA for the proposed Title II program.
- (3) The need for projects should be reviewed and adequately established, and only new projects in the drought areas should be approved. Ongoing or other questionable projects, like deepening of wells, land leveling or clearance, planting of trees, etc., should not be considered under the proposed Title II program. Instead of a large number of small projects scattered over a large area, we believe a smaller number of large projects - like irrigation canals, tanks, and lakes - should be considered for assistance in conjunction with local community and/or governmental support. Besides being more manageable, such projects have a better chance of success because of their high visibility and public interest.
- (4) An acceptable evaluation program has been developed to ensure that the projects will be completed as planned to achieve the desired benefits.
- (5) A sufficient number of adequately trained field staff has been employed to monitor and evaluate the proposed Title II program.
- (6) Adequate procedures have been developed to review, analyze and correlate the various records and reports to ensure correctness of the information and adequacy of actions on known problems.

Even if CWS/CASA develops acceptable procedures, we believe the proposed Title II program, if approved, would need close monitoring by the JSAID to determine how effectively the procedures are being implemented.

#### CWS/CASA Comments

CWS/CASA officials acknowledged the deficiencies in the existing systems and procedures, but contended that the ongoing Mennonite Central Committee program is not subject to the rigid controls that apply to a Title II program. They told us that they are in the process of developing new guidelines to strengthen the administration, monitoring and evaluation of the proposed Title II program. Subsequent to the completion of our survey, the CWS Representative provided us with an outline of the new guidelines. It identifies the administrative structure of the proposed program; the responsibilities of the staff at various levels; and the procedures relative to project selection, implementation, monitoring, and evaluation.

The new guidelines generally provide the necessary procedures required for compliance with Title II regulations. However, the extent that these guidelines would be properly implemented cannot be determined. Based on past experience with CWS/CASA, we urged the USAID to proceed with caution in considering the CWS proposal. Regarding the draft of the new guidelines, we have the following comments:

- (1) It is stated that supervisors will be assigned to project areas in instances deemed necessary by the zonal offices. This is contrary to what we were told during the survey, that one supervisor will be stationed at each consignee's location to provide day to day supervision over program implementation.
- (2) The guidelines do not state what controls will be established to ensure staff compliance with the stated procedures. Also, no procedure exists to preclude duplicate approval of projects or beneficiaries. For instance, the guidelines could require information on previously completed projects to avoid re-approval of the same project.
- (3) The guidelines state that projects that develop or expand water resources should be given priority. In our opinion, only such projects should be approved under the proposed drought relief assistance.
- (4) The guidelines do not specify the format to be used by the reviewers in endorsing project proposals. For uniformity sake, we believe a standard format should be used. Similarly, formats for periodic and final reports should be developed so that they provide comprehensive and meaningful information on each project.

#### USAID Action

Commenting on our draft report, USAID/India stated that the CWS response to overcome the deficiencies identified in the report basically provided assurances to the USAID and could have been more convincing. However, in view of the severity of drought conditions reported in some parts of India, the USAID will request AID/Washington to authorize commodity assistance to CWS under the following conditions:

- CASA is to identify a zone or zones where drought conditions now exist.
- USAID Food For Development (FFD) personnel will visit these areas and ascertain the needs in coordination with CASA officials and, as appropriate, host government counterpart officials.
- FFD personnel will review project requests as well as the CASA approvals to ensure that all systems are working correctly.

- FFD personnel will then closely monitor the approved projects during the implementation stage.
- Once the drought relief assistance program is over, the USAID will request the Regional Inspector General to perform an audit.

By imposing these conditions on CWS/CASA, the USAID has essentially made itself an integral part of the management of the proposed program. As a result, the USAID will be placing much less reliance on CASA's systems and procedures for surveillance and compliance with PL 480 Title II regulations. Since the proposed conditions under which this program was being considered for approval have changed, we are making no recommendation.

LIST OF REPORT RECIPIENTS

<u>USAID/India</u>	
Director	5
<u>AID/W</u>	
Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	1
Bureau For Food For Peace and Voluntary Assistance	
Office of Food For Peace (FVA/FFP)	1
Bureau For Science and Technology	
Office of Development Information and Utilization (S&T/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Bureau For Management	
Assistant to the Administrator For Management (AA/M)	1
Office of Financial Management (M/FM/ASD)	2
Directorate For Program and Management Services	
Office of Management Operations (M/SER/MO)	1
Office of Contract Management (M/SER/CM)	1
Bureau For External Relations	
Office of Legislative Affairs (EXRL/LEG)	1
Office of General Counsel (GC)	1
Office of Public Affairs	2
Office of Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General For Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Latin America	1
RIG/A/Dakar	1
<u>Other</u>	
RIG/II/Karachi	1
New Delhi Residency, RIG/A/K (AAP)	3