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Area Auditor General/West Africa  
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DOCRD

REPORT OF AUDIT  
OF THE  
PL 480 TITLE II FOOD FOR PEACE PROGRAM  
UPPER VOLTA

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REPORT OF AUDIT OF THE PL 480 FOOD FOR PEACE PROGRAM UPPER VOLTA

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# REPORT OF AUDIT OF THE PL 480 FOOD FOR PEACE PROGRAM UPPER VOLTA

## I. INTRODUCTION

The Office of the Area Auditor General, West Africa has performed an examination of the U.S. Public Law 480, Title II Food for Peace Program (hereinafter referred to as the Program) in Upper Volta. The Catholic Relief Services (CRS), a U.S. non-profit voluntary agency, is the cooperating sponsor responsible for development and implementation of the Program. The Program in Upper Volta began in 1960 when an agreement was signed between the Catholic Relief Services and the Government of Upper Volta (GOUV). The program for fiscal year (FY) 1978 was approved for about 8,000 metric tons of commodities. Because of a severe drought that year, an emergency request was made for an additional 18,000 metric tons. As a result, over 26,000 metric tons were received in FY 1978 in Upper Volta with a value at about \$12 million.

Our examination was made to ascertain the economy and efficiency of resource use, the effectiveness of program implementation and the achievement of goals and objectives. We also reviewed the PL 480 Title II CRS accounting records and reports, and the adequacy of compliance with agreements, laws and regulations.

## II. SUMMARY

The PL 480 Title II Food Program in Upper Volta was operating in a satisfactory manner. We visited various sites to observe the program operations accompanied by the USAID/Upper Volta Food for Peace monitor and the CRS assistant director. The sites visited included Maternal Child Health Centers, schools and Food for Work Projects. In addition, we toured storage facilities in both Ouagadougou and Bobo Dioulasso.

From our observations and analyses, we concluded that the program was being well run and the recipients were supportive of the program. Further, the commodities were properly stored in the warehouses as well as at the program sites. In summary, we felt that resource use was good, and the program was achieving its stated goals and objectives. We did find areas of the program where we believe controls need to be strengthened to improve program effectiveness, namely, the USAID/Upper Volta should participate more actively in the PL 480 Title II Program monitoring and also assure that CRS does the following:

- a. Establish procedures to standardize and use reconciliation worksheets, then schedule inventories and adjust the records to reflect the physical quantities on hand.
- b. Make reconciliations of commodities that have not already been done, to facilitate preparation of claims where appropriate and

deposit more timely the proceeds from claims with the U.S. Embassy.

- c. Review those claims processed in FY 1979 to assure that they are accurate.
- d. Increase CRS monitoring efforts to assure that the PL 480 Title II Program is effectively reaching all the target areas.

### III. STATEMENT OF FINDINGS AND RECOMMENDATIONS

#### A. Accountability for Commodities

The CRS reconciliations of PL 480 Title II commodity receipts against shipments either were not prepared, or when prepared were not always accurate. Additionally, the inventory records were not current, and two different status reports prepared were not reconciled to each other.

##### 1. Reconciliations and Claim for Inland Shipments

Upper Volta is a landlocked country, and all commodities have to be reloaded several times before they reach their final destination in the CRS warehouses. CRS issues a call forward order for commodities on a quarterly basis. The commodities are then shipped to the port of Abidjan on the Ivory Coast. Once the commodities arrive they are offloaded and put in the transporter's warehouse where they are stored pending inland transportation either by rail or by truck. Official survey reports are prepared by an independent firm, showing the condition and quantity of the commodities at offloading and showing the loss resulting from ocean transportation. These claims are processed through CRS headquarters in New York.

When commodities are shipped a packing list is sent to CRS Upper Volta showing the actual number of units involved. After receipt of the commodities and applicable paperwork, CRS personnel prepare a recapitulation worksheet which are reconciliations of the quantities shipped to the quantities received and the condition in which received. These reconciliations also aid in determining the commodity losses for processing claims to overland carriers.

Our review of five CRS reconciliations applicable to different packing lists showed that errors were being made by CRS. Our analysis also disclosed that all commodity damages and losses were not on the claims that were made by CRS against the inland carrier. Examples of the errors in claims follow:

COMPUTATIONS AND ACTIONS BY CRS

(FOR PERIOD NOV. 1977 to FEB. 1978)

Packing List #	Commodity	No. of Bags Lost or Damaged Per Bills of Lading	No. of Bags Claimed as Loss by CRS	Amt. of Claim in U.S. \$ @212 CFA	Amt. that should be Cln @212 CFA
286	SF Sorghum Grits	354	50	\$ 313	\$ 2216
289	SF Cornmeal	888	760	7691	8987
289	NFD Milk	258	84	3406	10462
290	NFD Milk	740	1199	60585	37392
291	NFD Milk	77	0	0	3891
	<u>TOTAL</u>			<u>\$71,995</u>	<u>\$62,948</u>

The CRS is required to file loss claims against the inland transporter for commodities that are either damaged or lost in shipment from the port to the CRS warehouses located in Ouagadougou or Bobo Dioulasso. Appendix C, Section 211.9 (e) of AID Handbook 9 requires that the cooperating sponsor file claims against the carrier if the loss exceeds \$300.00. We noted that prior to FY 78 no claim had been filed against the carrier since August 1976. In July 1976, one claim for \$30,411.00 was processed against the inland transporter and subsequently paid to CRS in 1978. CRS had not remitted this \$30,411.00 to the U.S. Embassy at the date of our exit conference. Appendix C, paragraph 211.9 (g) of AID Handbook 9 has therefore not been followed.

The methods used by CRS in generating data for the inland claims resulted in the above disparities concerning the quantities of commodities and the total value of the loss and/or damage in order to make claims to the inland carrier.

The reasons for these quantity disparities, were: (1) a standard procedure for making the reconciliations did not exist within CRS, (2) the reconciliations by CRS during the year were performed by different people, each using their own methods and the results were not consistent and (3) the amounts of commodities put in the claims prepared by the CRS were based on estimates rather than the results of reconciliations previously discussed. They also felt that an accountant was needed. In our view, if the causal factors in (1), (2), and (3) above are alleviated the need for additional personnel may be obviated.

Until 1978, one claim involving only one packing list of loss and damage of commodities shipped in FY 1976 had been made by CRS to the inland carrier. CRS has since submitted 29 claims, covering the period November 1978 to January 1979. These claims have not been collected or deposited with the U.S. disbursing officer pursuant to Appendix C, paragraph 211.9 (g) of AID Handbook 9. As of the

exit conference date, CRS had not yet prepared claims for FY 1976 and FY 1977 principally because reconciliations of the quantities received to those shipped had not been made.

In summary, because the preceding schedule of unclaimed losses or damages (in a three month period) is considered representative, then significant commodity quantities were lost and damaged, and the corresponding dollar amounts would be due from the inland transporter when CRS processes the claims.

## 2. Inventories and Reports

Actual amounts of commodity stocks on hand in CRS warehouses were not in agreement with the amounts of commodities shown on perpetual inventory cards.

Although CRS personnel indicated that they had conducted physical inventories, their records did not show that they had used the results of these efforts to reconcile the book balance to the physical inventory count. Our efforts to examine the extent of the differences were hampered because CRS did not take a physical inventory while we were there. This weakness coupled with the shortcoming in reconciliations of incoming shipments (shown in 1. above) emphasizes the need for strengthened internal controls in inventory and accounting activities.

During Fiscal Year 1977 and the first quarter of FY 1978, CRS had not prepared the Commodity Loss Status Report (CLSR). These reports should be reconciled with the related Commodity Status Reports. We found no evidence that the USAID had requested CRS to provide this report. CRS started preparing the CLSR during the second quarter of FY 1978. The fact that these reports for 15 months were not missed was indicative of the laxity of the internal controls in the program.

## B. Monitoring by the USAID

Monitoring of PL 480 Title II commodities in the USAID/Upper Volta was sporadic because the monitoring was done by: (1) individuals working under personal services contracts who were replaced frequently and (2) the Regional Food for Peace Officer (RFFPO) in Abidjan, Ivory Coast whose visits were infrequent and only by USAID request.

USAID/Upper Volta gets PL 480 Title II monitoring from the RFFPO on a too infrequent basis. To compensate, the USAID has hired, under a personal services contract, a Food for Peace monitor on an annual basis. He is also responsible for other USAID projects.

The Regional Food for Peace Officer disclosed that his time is spent primarily with USAID officials going over the annual estimated requirement documents. The Food for Peace monitor at the USAID advised us that he started work in August of 1978 and was in the United States on an emergency

for three months. His only monitoring efforts involved one Maternal Child Health Center prior to January 1979.

The Food for Peace monitor indicated that he had not made enough visits to the field because of other on-going work in his office. The annual turnover of the monitors has, to a large degree, contributed to the sporadic monitoring because the learning time needed for these incumbents. The last monitor ended his employment on March 31, 1979. In summary, monitoring of the PL 480 Title II Program needs strengthening.

We feel the continual turnover of the USAID monitors, coupled with the infrequent visits of RFFPO, are the problems that need to be addressed in order that the level of monitoring will provide the USAID with more assurance than now exists, that the PL 480, Title II Program is operating effectively. Had this monitoring been available, the adverse conditions surrounding reconciliations and claims and the inventories and reports might have been identified earlier and acted upon.

#### Recommendations (Keyed to Findings)

We recommend that the USAID Upper Volta require CRS to:

1. Prepare and use a standard system for performing reconciliations for commodity losses and damages in transit, to assure that they are identified, and the corresponding claims are made on a timely basis. (A)
2. Using the procedures mentioned in recommendation 1 prepare reconciliations for prior years where claims can still be processed within existing statutes of limitations. (A)
3. Review and adjust the claims that have been prepared. (A)
4. Deposit with the U.S. Embassy in Ouagadougou the amounts of claims already paid and deposit future collections promptly. (A)
5. Strengthen the monitoring in the PL 480 Title II Program. (B)

We recommend that the USAID Upper Volta:

6. Strengthen its PL 480 Title II monitoring. (B)

#### IV. BACKGROUND

Upper Volta is one of the world's less developed countries which borders the harsh Sahelian desert. It has a population of about 6.5 million people of which 89 percent are illiterate. The per capita gross national product of its people is around \$110.00 per year. The Catholic Relief Services began assistance programs within GOUV in 1960 for the primary purpose of combating malnutrition and this has remained as the objective since they have been involved in distributing PL 480 Title commodities. The PL 480 Title II program commenced in 1960 and has continued since. The agreement between CRS and the GOUV stipulates that commodities, related supplies and required equipment would enter the country duty free. The agreement also states that the GOUV will absorb the cost of unloading rail cars and trucks in the cities of OUAGADOUGOU and Bobo Dioulasso and transport the commodities to the eight CRS warehouses and related office space free of charge. The transportation of commodities from the CRS warehouses to the 1500 school feeding centers is borne by the local government. Transportation of commodities for the 100 Maternal Child Health Centers is financed by the MCH Centers. The GOUV also transports the Food for Work project commodities which covers about 10,000 people. The CRS program is targeted to basically three areas. These are the Maternal Child Health program which is for a total of 80,000 child bearing age mothers and pre-school children up to the age of six. Under the school feeding program lunches are provided five days a week, for an estimated 110,000 children. Finally, Food for Work projects which use food as an encouragement for villages to perform projects utilizing those who are unemployed or underemployed is estimated to involve 10,000 people.

CRS employs a total of forty people in their two offices. One office is located in Ouagadougou and one office is located in Bobo Dioulasso which is about 200 miles from Ouagadougou. Both locations have warehouse facilities. Commodities are shipped either by rail or by truck from the port in Abidjan. CRS prefers the use of trucks because it is more timely and involves less loss and damage than rail.

#### V. SCOPE

We have examined the PL 480 Title II program in Upper Volta to (a) determine whether the cooperating sponsor, Catholic Relief Services, was properly planning and effectively managing the program, (b) ascertain if all the pertinent laws and regulations were being complied with, (c) evaluate the effectiveness of program implementation and the achievement of goals and objectives including the extent of CRS and AID monitoring of the program, and (d) identify areas where management could be improved. Our examination concentrated on the FY 1978 Program which was augmented by an emergency relief request caused by severe drought. We reviewed records at the two

CRS locations in Ouagadougou and Bobo Dioulasso, visited six CRS warehouses in both cities as well as one warehouse of the inland transporter. We also visited seven centers to observe the Maternal Child Health Program, the School Lunch Program and two Food for Work Projects. We discussed the results of our audit with appropriate CRS and USAID officials. Our audit covered the period from July 1977 the cut-off date, to September 30, 1978, and covered AID expenditures of about \$16.4 million. We did not do an evaluation of the emergency feeding program because the program was completed before the audit started.

#### VI. GENERAL COMMENTS

During fiscal year 1978, Upper Volta suffered a severe drought. To help alleviate some of the food shortages CRS requested an emergency program of PL 480 Title II Commodities. The emergency request was for 18,060 metric tons of commodities. However, because CRS did not have the distribution system to issue all the commodities, in order to expedite the distributions, about 6,000 metric tons were allocated to the Baptist Mission of Upper Volta for distribution in the drought areas. Although the Baptist organization is not a registered voluntary agency, the urgency of the situation, in the view, of CRS, warranted getting assistance from the Baptist organization. CRS personnel opined that the distribution efforts of the Baptist organization were effective.

#### VII. FOLLOW-UP ON PRIOR AUDIT REPORTS

Recommendations in Audit Report 3-686-77-24 had been corrected. We discussed the contents with AID officials. They concurred with findings and recommendations and indicated that corrective action was taken.

REPORT ON EXAMINATION OF PL 480 TITLE II IN UPPER VOLTA

List of Recommendations

(All On Page 5)

Recommendation Number 1

Prepare and use a standard system for performing reconciliations for commodity losses and damages in transit, to assure that they are identified, and the corresponding claims are made on a timely basis.

Recommendation Number 2

Using the procedures mentioned in recommendation 1 prepare reconciliations for prior years where claims can still be processed within existing statutes of limitations.

Recommendation Number 3

Review and adjust the claims that have been prepared.

Recommendation Number 4

Deposit with the U.S. Embassy in Ouagadougou the amounts of claims already paid and future collections are deposited promptly.

Recommendation Number 5

Strengthen the monitoring in the PL 480 Title II Program.

Recommendation Number 6

Strengthen its PL 480 Title II monitoring.

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