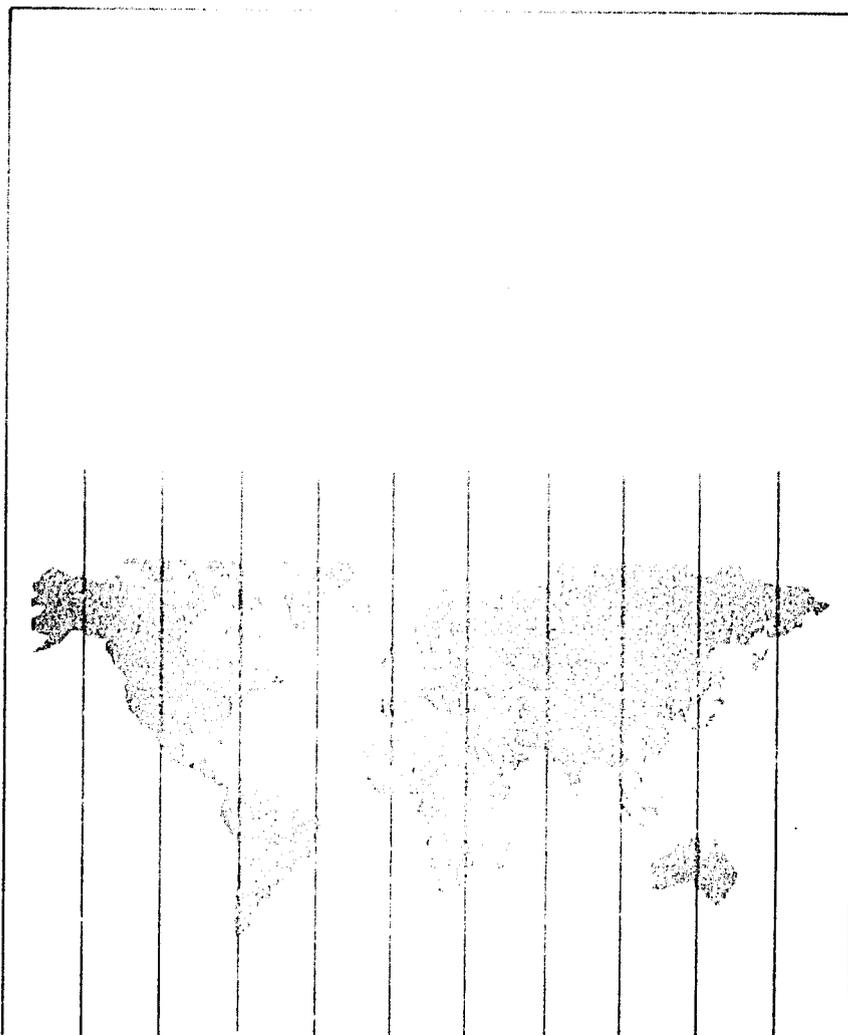


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
NAIROBI

PD AMZ-999

AUDIT OF
THE P.L.480 TITLE II
FOOD PROGRAM IN SUDAN

AUDIT REPORT NO. 3-650-89-19
September 26, 1989

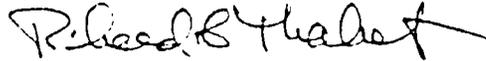
UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

UNITED STATES POSTAL ADDRESS
BOX 232
APO NY 09675

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 3026
NAIROBI, KENYA

September 26, 1989

MEMORANDUM FOR MISSION DIRECTOR USAID/SUDAN, Frederick E. Gilbert



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

SUBJECT: Audit of the P.L. 480 Title II Food Program in Sudan

The Office of the Regional Inspector General for Audit, Nairobi has completed its audit of the P.L. 480 Title II Food Program in Sudan. Five copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment and your comments are attached to the report. The report contains one recommendation. Recommendation No. 1(a) is considered closed. Recommendation No. 1(b) is resolved but will not be closed until completion of planned or promised action. Please advise me within 30 days of any additional actions taken to implement recommendation No. 1(b).

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

Background

The Agricultural Trade Development and Assistance Act of 1954, Public Law 480, as amended, is the statutory basis for the Food for Peace Program. In enacting the legislation, the Congress declared it to be the policy of the United States to use its agricultural productivity to combat hunger and malnutrition, encourage economic growth and development, and expand markets for both U.S. agricultural commodities and local foodstuffs produced in developing nations.

Title II of P.L. 480 authorizes the donation of food for developmental, nutritional, and urgent or extraordinary relief purposes. Title II programs supplement and reinforce other developmental and nutritional activities and are to be conducted within a framework of increasing local participation in management and funding.

In fiscal years 1988 and 1989, the U.S. Government provided approximately 118,000 metric tons of food for emergency relief which were administered by USAID/Sudan. Of this amount, 75,000 metric tons were made available to the relief program under two transfer authorizations commonly referred to as SWAP agreements.

The first agreement signed by USAID and the Government of Sudan (GOS) in March 1988 authorized the delivery of up to 20,000 metric tons of U.S. hard red winter wheat in exchange for up to 25,000 metric tons of Sudanese sorghum. Under the second agreement signed in June 1989 up to 30,000 metric tons of U.S. wheat was to be exchanged for up to 50,000 metric tons of Sudanese sorghum. The wheat was to be taken into GOS inventories and the 75,000 metric tons of sorghum was to be used for the relief program in Sudan.

Audit Objectives and Scope

The staff of the Regional Inspector General for Audit/Nairobi, made a performance and financial audit of the fiscal years 1988 and 1989 food relief program in Sudan during July and August 1989. The original audit objectives were to determine whether adequate accountability and controls existed over the receipt, inspection, storage and distribution of commodities, and whether the overall program goals were being met.

However, the objectives and scope of the audit were redefined from the outset of the review because travel for diplomatic personnel to areas outside Khartoum was suspended by the new military Government. Travel to the port, Government, A.I.D. and private warehouses and distribution points in country was essential in order to physically inspect and document the accounting system and controls in place.

As a result the scope covered an audit of two SWAP Agreements for 75,000 metric tons of sorghum, the cost of which was not to exceed \$11.3 million. The objective was to determine whether the SWAP agreements were being implemented as agreed. The audit included a review of relevant documentation and discussions with responsible officials of USAID/Sudan, the Agricultural Bank of Sudan and private voluntary organizations in Khartoum. The reviews of internal controls and compliance were limited to the finding presented in this report. The audit was made in accordance with generally accepted government auditing standards.

Results Of Audit

The audit found that the SWAP agreements between USAID/Sudan and the GOS were generally being implemented as agreed. However, 1,468 metric tons of sorghum at a calculated cost of \$234,880 was due to USAID under Transfer Authorization No. 650-XXX-000-8607 (SWAP I) and up to 1,500 metric tons of sorghum calculated at

\$219,600 would be due after the delivery of U.S. wheat is completed under the second Transfer Authorization No. 650-XXX-000-9611 (SWAP II). The report recommends that USAID/Sudan immediately claim the quantity of sorghum due under SWAP I, and that procedures be established to claim amounts due under SWAP II and any other subsequent agreements within 30 days after delivery and final accounting of U.S. wheat received.

USAID/Sudan Needed to Claim Undelivered Sorghum - The GOS signed two transfer authorizations for delivery of sorghum to the U.S. Government for distribution in Sudan under the Title II relief program. However, 1,468 metric tons of sorghum from the first exchange agreement at a calculated cost of \$234,880 had not been delivered to USAID/Sudan because the Mission had not performed a reconciliation of the amount due under that agreement. As a result, the relief program in Sudan did not benefit from this quantity of sorghum. Receipt of up to another 1,500 metric tons of sorghum calculated at \$219,600 would also be delayed if the reconciliation and claim were not made in a timely manner.

Discussion - The SWAP I Transfer Authorization was signed in March 1988 by USAID/Sudan, on behalf of the U.S. Government, and the GOS. It authorized delivery of up to 20,000 metric tons of U.S. hard red winter wheat in exchange for up to 25,000 metric tons of Sudanese sorghum. A total of 23,750 metric tons of sorghum was to be delivered by the GOS before it requested delivery of the wheat. The remaining 1,250 metric tons of sorghum was to be retained by the GOS to make up for any shortfalls in the wheat shipments. After the wheat was delivered, inspected and weighed, the GOS was to deliver the remaining 1,250 metric tons of sorghum or, in the case of a wheat shortfall, an appropriate amount based on a 1:1.25 ratio of wheat to sorghum.

The last quantity of wheat under SWAP I was off-loaded, inspected and weighed at Port Sudan on October 26, 1988. A total of 19,920 metric tons of wheat was accepted by the GOS, which was to be exchanged for 24,900 metric tons of sorghum. The GOS provided 23,432 metric tons of sorghum, thus a balance of 1,468 metric tons was to be made available to USAID or its authorized agent. As of August 2, 1989 this amount had not been received because the Mission had not performed a reconciliation to determine the quantity of sorghum due to USAID from the portion retained by the GOS. A USAID official informed us that the reconciliation was a recognized pending action that had not been performed because the Mission became involved in other tasks, specifically the second SWAP agreement covered under Transfer Authorization No. 650-XXX-000-9611. The Mission had not established procedures for ensuring that reconciliations were made in a timely manner after deliveries of commodities were completed. Thus at the conclusion of our fieldwork in August 1989, more than nine months had passed

since 19,920 metric tons of wheat covered under SWAP I was accepted by the GOS. However, USAID had not received the balance of 1,468 metric tons of Sudanese sorghum costing \$234,880, calculated at \$160 per metric ton^{1/}.

The SWAP II Transfer Authorization, signed in June 1989, covered a second exchange of up to 30,000 metric tons of U.S. wheat for up to 50,000 metric tons of Sudanese sorghum. An initial quantity of 25,000 metric tons of sorghum was to be delivered to USAID by the GOS prior to June 30, 1989 followed by a second quantity of 23,500 metric tons at a date to be determined by both parties prior to delivery of the wheat. The remaining 1,500 metric tons of sorghum was to be retained to make up any amount due after the wheat was delivered, inspected and weighed.

At the time of our review in August 1989, we were informed by USAID and Agricultural Bank of Sudan officials that of the initial total of 25,000 metric tons of sorghum, 15,000 metric tons had been transferred to A.I.D. storage and 10,000 metric tons remained in Agricultural Bank of Sudan warehouses awaiting inspection by AID. The wheat had not been shipped since all the required sorghum was not delivered by the GOS.

Until USAID performs the necessary reconciliation and claims any amount due from the GOS under SWAP II, as much as 1,500 metric tons of sorghum costing \$219,600 (calculated at \$146.40 per metric ton^{1/}) would not be realized. The auditors were concerned that a claim for the residual amount due under SWAP II could also be delayed due to the fact that the SWAP I reconciliation and claim was not made for more than nine months. Also, at the time of the audit the Mission had been experiencing on going problems, and given additional tasks, which affected its workload in implementing the emergency relief program in Sudan. Problems included restrictions on travel and the uninhibited movement of USAID and implementing agency personnel, and incidents affecting the safety and security of the commodities and people involved in the food distribution process. In addition, the Mission was involved in the implementation of phase down activities required under the Brooke wind-up plan and Section 513 of the Fiscal Year 1989 Appropriations Act.

Recommendation No. 1

We recommend that the Director, USAID/Sudan:

- a. immediately request from the Government of Sudan delivery of 1,468 metric tons of sorghum at a calculated cost of \$234,880 under Transfer Authorization No. 650-XXX-000-8607; and

- b. establish procedures to request from the Government of Sudan delivery of the retained amount of 1,500 metric tons of sorghum (calculated at \$219,600), or portion thereof, within 30 days after the final accounting and delivery of all wheat is made to the Government under Transfer Authorization No. 650-XXX-000-9611, and any subsequent agreements.

USAID/Sudan agreed with the finding and recommendation and requested the Government of Sudan to deliver the quantity of sorghum due to USAID's agent to complete its part of the SWAP I agreement. The Mission requested RIG/A/N to revise the reported amounts in part (a) of the recommendation to reflect the quantities of sorghum that were actually claimed, and that part (b) be rephrased to recommend that procedures be established to claim for sorghum due under any subsequent agreements, in addition to SWAP II. The amounts and wording in the report were revised accordingly.

Recommendation 1(a) is considered closed upon issuance of the report since the Mission requested the sorghum due from the Government of Sudan by letter dated August 24, 1989. Recommendation 1(b) will be closed upon evidence received by this office that procedures had been established by the Mission to claim for the retained portion of sorghum due within 30 days of final accounting under SWAP II and any subsequent agreements.

1/ Cost per metric ton was based on the maximum cost of wheat (\$4 million for SWAP I and \$7.3 million for SWAP II) exchanged for the quantities of sorghum under each agreement.

AUDIT OF
THE P.L. 480 TITLE II
FOOD PROGRAM IN SUDAN

APPENDICES

memorandum

DATE: September 19, 1989

REPLY TO
ATTN OF: Frederick E. Gilbert, Director, USAID/Sudan

SUBJECT: Mission Comments - Draft Audit Report of the P.L. 480 Title II Food Program in Sudan

TO: Mr. Richard C. Thabet, Regional Inspector General for Audit, Nairobi

REF: (A) Thabet/Gilbert Memo, 9/7/89, w/Att. Subject Draft Audit Report
(B) Khartoum 09415, 8/25/89

The Mission has reviewed the draft audit report and offers the following comments.

1. On page 2, first para., last sentence, the draft audit report reads, "The wheat was to be taken . . . and . . . sorghum was to be used" This past tense only applies to SWAP I; the SWAP II wheat has not arrived in country (initial 15,000 MT scheduled to arrive Port Sudan September 25, 1989). We request that the language of the report be modified along the lines reflecting the past tense of SWAP I and the future tense of SWAP II.
2. On page 5, the draft report states 19,929.6 MT of wheat was delivered to the GOS. As noted in copies of correspondence previously provided to RIG/A/N, the correct amount is 19,920 MT of wheat. The GOS delivered 23,432 MT of sorghum to the Mission's agent. Total SWAP I sorghum that should have been delivered, at a ratio of 1:1.25 of wheat to sorghum, should be 24,900 MT, resulting in a balance due of 1,468 MT due from the GOS.

As further noted in the correspondence, the GOS/Agricultural Bank of Sudan reported delivery of 23,513 MT of sorghum to USAID's agent. The GOS has been asked to resolve the difference in delivered (SWAP) sorghum of 81 MT; i.e., the 23,513 MT reported by the GOS versus the 23,432 MT reported by USAID's agent. (See Attachment A)

The Mission requests that RIG/A/N revise the reported amounts, and other related figures, on page 5 of the draft audit report.

3. "Recommendation No. 1

"We recommend that the Director, USAID/Sudan:

- "a. immediately request from the GOS delivery of the 1,162 metric tons of sorghum at a calculated cost of \$185,920 under Transfer Authorization No. 650-XXX-000-8607; and

2.

- "b. request from the GOS delivery of the retained amount of 1,500 metric tons of sorghum (calculated at \$219,600), or portion thereof, within 30 days after the final accounting and delivery of all wheat is made to the GOS under Transfer Authorization No. 650-XXX-000-9611."

Re, part a., the Mission has requested that the GOS deliver the (corrected) quantity of 1,387 MT of sorghum to USAID's agent to complete its part of the SWAP I agreement, plus a potential additional amount of 81 MT (total 1,468 MT) of sorghum pending resolution of the amount of sorghum delivered by the GOS between that reported in Agricultural Bank of Sudan (ABS) delivery orders and that reported in the USAID agent's receipts (23,513 MT versus 23,432 MT).

Accordingly, we request that recommendation no. 1.a. be closed with issuance of the final audit report.

Re, part b., inasmuch as the 30,000 MT of wheat has yet to be delivered to the GOS, and the initial shipment of 15,000 MT is not scheduled to arrive in Port Sudan until September 25, 1989, at the earliest, we find the recommendation inappropriate as written. Until such time as all the wheat has arrived in Port Sudan; has been inspected, weighed, and the final quantity determined; and delivery to, and acceptance by, the GOS of the final determined and agreed-to quantity, it is impossible to request GOS delivery of the retained amount, let alone determine the final retained amount to be delivered to USAID.

We believe that the intent of the audit recommendation can be better achieved by rephrasing the recommendation towards the establishment of Mission procedures to provide for the orderly and timely accounting of wheat deliveries and corresponding GOS delivery of SWAP commodities, such that the delays encountered under the SWAP I agreement are not encountered under the SWAP II and any subsequent agreements.

Accordingly, we request that recommendation no. 1.b. be modified in the final report such that it addresses the perceived needs for more timely action by Mission personnel, and permits the Mission to respond to deficiencies in performance criteria, and thus permit more timely closure of (a revised) recommendation no. 1.b., rather than making a request to the GOS for delivery of SWAP commodities against non-existent deliveries of U.S. wheat (a non-auditable event), along with rephrasing of other RIG/A/N comments in the report

3.

that clearly indicates the prospective nature of problems that could arise under the SWAP II agreement if adequate systems and procedures are not in place, given the Mission's performance with the 1988 SWAP I agreement (Transfer Authorization No. 650-XXX-000-8(07)).

Att: Attachment A

cc: Mr. Ray King, AFR/CONT, AID/W (w/Att. and Draft Audit Report Copy)

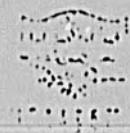
DIST: O/DIR
CONT
PRG
GDO
CR

11

A
011

STATE DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY FOR
ECONOMIC AFFAIRS

271



Omer Ali Omer
First Undersecretary
Ministry of Commerce, Cooperation
and Supply
Khartoum, Sudan

AUG 24 1988

Dear Mr. Undersecretary,

Subject: Transfer Authorization 650-XXXX-000-8607 - Emergency Sorghum/Wheat Exchange Signed March 1st 1988.

Your attention is drawn to Section 6, paragraphs B. Delivery of Wheat, and C. Delivery of Sorghum, of the subject agreement. Specifically, this letter deals with finalizing the exchange requirements and reconciling the balance of sorghum to be delivered to USAID based upon the wheat received by MCCS.

According to an independent discharge survey performed for the U.S. Government, MCCS has received at Port Sudan the following quantities of wheat under this agreement:

	<u>Vessel</u>	<u>Arrival Port Sudan</u>	<u>Actual Quantity Delivered (MT)</u>
A. Wheat in Bags	Leslie Lykes	19 July 1988	1,243 3,854
B. Bulk Wheat	Shibumi	22 Oct.	<u>14,823</u>
TOTAL.....			19,920

According to information provided by the Agriculture Bank of Sudan (ABS) the following quantities of Sorghum were authorized for delivery to USAID:

<u>Date</u>	<u>Delivery Order Number</u>	<u>Quantity (in 90kg bags)</u>	<u>Location</u>	<u>Equivalent Metric Tons</u>
23 June 88	056070	60,000	Kosti	5,400
7 July 88	056074	72,000	Kosti	6,480
7 July 88	056077	21,452	El Gedaref	1,931
7 July 88	056079	<u>107,798</u>	El Gedaref	<u>9,702</u>
TOTAL.....				23,513

Actual quantities of sorghum received by USAID Agent, Abdul Rahman Ismail :

<u>Date</u>	<u>Quantities (in 90kg bags)</u>	<u>Location</u>	<u>Equivalent (Metric Tons)</u>
Through 9 Sept 88	131,098	Kosti	11,799
From Sept Through 13 Oct. 88	<u>129,250</u>	El Gedaref	<u>11,633</u>
<u>TOTAL.....</u>	<u>260,348.....</u>		<u>23,432</u>

Difference between ABS delivery orders and USAID's Agent's receipt:

81 MT (23,513 MT less 23,432 MT)

Reconciliation:

Wheat delivered by USAID to MCCS.....19,920 MT Wheat
 Equivalent sorghum at ratio 1:1.25.....24,900 MT Sorghum
 Sorghum per ABS delivery orders.....23,513 MT Sorghum
 Balance due USAID per Subject Agreement..... 1,387 MT Sorghum

Regarding the difference of 81 MT sorghum between ABS delivery orders and USAID's Agent, USAID requests ABS to review its actual delivery documents at Kosti and El Gedaref which reveal actual USAID's Agent's receipt of the total 261,250 90 kg bags (equivalent to 23,432 MT). If there is no justifiable explanation to dispute USAID's Agent's claims of receipt, an additional 81 MT sorghum should be added to the 1,387 MT sorghum above.

USAID requests your assistance in notifying ABS of the balance to be made available to USAID. Upon receipt of ABS issuance of a delivery order for 1,387 MT (15,411 bags) sorghum at Kosti, USAID will arrange to have an independent inspector certify the lot and USAID's Agent notified to receive the quantities free along side (FAS) ABS's warehouse.

Regarding the 81 MT sorghum in dispute, USAID is prepared to discuss this with ABS at their earliest convenience.

Sincerely yours,

Frederick E. Machser
 Frederick E. Machser
 Acting Mission Director

cc: General Manager ABS
 Mamoum Medani, CAC, Ministry of Finance and Economic Planning

W

REPORT DISTRIBUTION

American Ambassador to Sudan	1
Mission Director	5
AA/AFR	1
AFR/EA/SS	1
AFR/CONT	1
AA/XA	2
XA/PR	1
LEG	1
GC	1
AA/M	2
AA/PEM	1
SAA/S&T	1
S&T/AGR	1
PPC/CDIE	3
M/SER/MO	1
M/SER/FOMS	1
M/AAA/SER	1
M/SER/CM/SD/SS	1
REDSO/ESA	1
FVA/FFP	1
RFMC/Nairobi	1
IG	1
DIG	1
IG/PPO	2
IG/LC	1
IG/ADM/C&R	12
AIG/I	1
RIG/I/N	1
IG/PSA	1
RIG/A/C	1
RIG/A/D	1
RIG/A/M	1
RIG/A/S	1
RIG/A/T	1
RIG/A/W	1