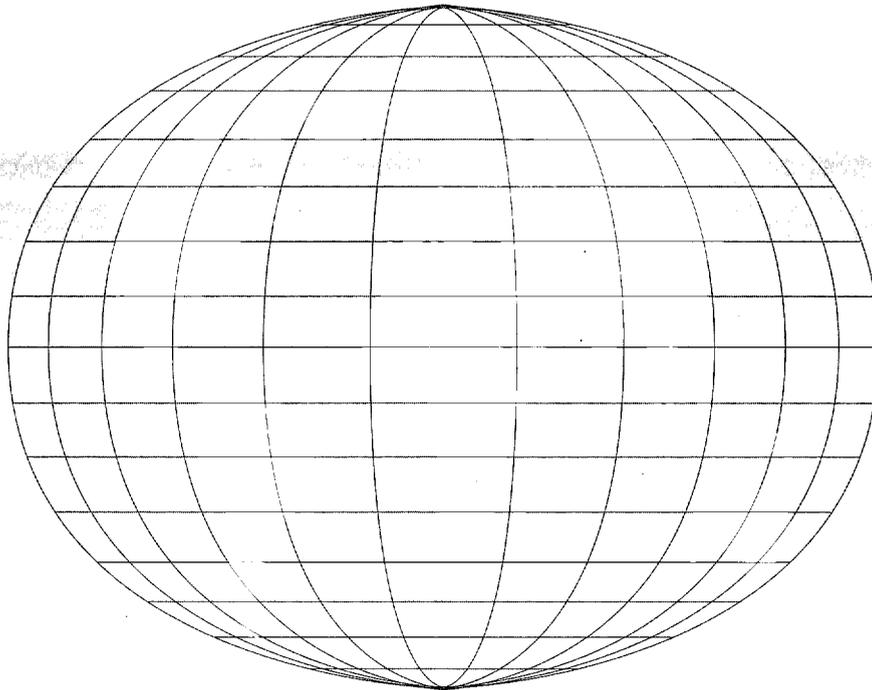


Report of Audit

Audit of How the ENI Bureau Defines, Plans and Responds to Disasters and Emergencies in the New Independent States

Audit Report No. 8-110-97-003

November 8, 1996



Regional Inspector General for Audit/Frankfurt

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



OFFICE OF THE REGIONAL INSPECTOR GENERAL
AMERICAN CONSULATE GENERAL FRANKFURT
21 SIESMAYERSTRASSE
60323 FRANKFURT AM MAIN
GERMANY

U. S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 8, 1996

MEMORANDUM

TO: DAA/ENI, Donald L. Pressley

FROM: RIG/A/Frankfurt, John P. Competello 

SUBJECT: Audit of How the ENI Bureau Defines, Plans and Responds to Disasters and Emergencies in the New Independent States (Audit Report No. 8-110-97-003)

This memorandum is our report on the subject audit. In preparing the report we considered your written comments on our draft report and have included these in Appendix II.

This report summarizes our five previous audits involving emergency assistance activities in the New Independent States (NIS). We believe that it relates closely to issues reported in the Agency's 1995 Performance Report. Specifically, the 1995 Performance Report states that the ambitiousness of USAID's goals and the high levels of external scrutiny necessitate significantly more performance monitoring than would be required of most comparably sized agencies. According to the Report, despite progress in getting and using performance information, USAID needs more and better monitoring and evaluation. Our prior audits found that the Bureau for Europe and New Independent States' (ENI) had responded positively to numerous challenges brought on in these emergencies. Also, our audits consistently reported a need for better performance monitoring.

The report contains one recommendation. Based on your comments and actions, we believe that a final management action has been taken on this recommendation.

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

Background

The USAID Administrator is designated as the President's Special Coordinator for International Disaster Assistance. USAID's Office of U.S. Foreign Disaster Assistance (OFDA) provides humanitarian assistance in response to a declaration of a foreign disaster made by a U.S. Ambassador or the U.S. Department of State.

While OFDA is responsible for responding to declared international disasters, USAID's Bureau for Europe and New Independent States' (ENI) is responsible for leading and coordinating USAID's response to emergency and humanitarian assistance requirements in the New Independent States (NIS). Specifically, ENI's Emergency Humanitarian Assistance Division is charged to provide food, medicine and shelter to address the consequences of economic and political dislocation, civil strife, and ethnic conflict.

The Bureau established the NIS Special Initiatives Project (110-0001) to fund its responses to emergencies and disasters in the NIS. As of March 31, 1996, ENI had obligated about \$307 million and expended approximately \$269 million for the emergency humanitarian assistance component of the NIS Special Initiatives Project. The Regional Inspector General for Audit in Frankfurt (RIG/A/F) has audited five emergency humanitarian assistance activities under the NIS Special Initiatives Project (see Appendix III).

Audit Objective

This audit is part of a worldwide audit of the effectiveness of USAID's response to disasters and emergencies. Specifically, the objective of this audit is to answer the following question:

How does the Bureau for Europe and New Independent States define, plan and respond to disasters and emergencies in the New Independent States?

In answering this objective, we utilized information from our five previous audits covering humanitarian assistance activities in the NIS. See Appendix I for a complete discussion of the scope and methodology for this audit.

Audit Findings

The Bureau for Europe and New Independent States (ENI) defines disasters and emergencies as events where human suffering resulted from economic and political dislocation, civil strife, and ethnic conflict in the New Independent States (NIS). ENI plans and responds to disasters and emergencies—in consultation with the Department of State NIS Coordinator—on a case-by-case basis after considering input from numerous sources, including but not limited to: (1) private voluntary organizations in the region; (2) Congressional Earmarks; (3) Government to Government requests; and (4) United Nations' Appeals.

In planning and responding to emergencies and disasters in the NIS, ENI's technical support office—Office of Human Resources' Emergency Humanitarian Assistance Division (ENI/HR/EHA)—represents the Bureau at frequent meetings with the Department of State NIS Coordinator. Regular communication is also held with USAID's personnel in the field as well as U.S. Embassies in the NIS. Much of the early (1991) humanitarian assistance activities were based on what was perceived to be USAID strengths—working with the U.S. Department of Agriculture to procure food and utilizing the Department of Defense to transport commodities to the Caucasus and Tajikistan's vulnerable groups. The 1991 FREEDOM Support Act earmarked funds for these type of activities which also brought various U.S. Private Voluntary Organizations into the region. ENI/HR/EHA also relies on assessments conducted by various international organizations such as the United Nations and the European Union.

RIG/A/F has audited five emergency humanitarian assistance activities in the NIS spanning fiscal year 1991 through fiscal year 1996; cumulatively these audits covered approximately \$144.3 million in obligations and \$123.4 million in expenditures. Our audits found that ENI was successful in providing much needed food, medicine and other basic supplies to millions of people affected by the consequences of economic and political dislocation, civil strife, and ethnic conflict in all non-declared emergencies throughout the NIS. Appendix III briefly summarizes these audits.

Notwithstanding these notable accomplishments, each of our audits have disclosed weaknesses in performance monitoring as disclosed below.

Better Planning for Performance Monitoring Needed

The ENI Bureau should plan better for performance monitoring of emergency humanitarian assistance activities to ensure that the activities achieve their desired results. Our conclusion is based on the following

examples taken from previously issued audit reports. (See Appendix III for details)

- ▶ Despite the significant quantitative accomplishments since 1991 as reported by Project HOPE,¹ the audit found that USAID's monitoring of the project's performance in meeting the medical needs in the NIS needed improvement. Better planning by USAID could have established baseline data and reporting requirements. This would have resulted in periodic and reliable reporting on the adequacy and usefulness of the products provided, thereby enabling USAID to have a more complete picture of the project's results. (Audit Report No. 8-110-94-006, March 17, 1994)
- ▶ The audit of Save the Children Federation's \$20.6 million in sub-grants to U.S. PVO's (providing food, wheat and medical supplies since 1993) also found that USAID's monitoring of the project's performance needed improvement. Better planning by USAID/Caucasus could have ensured quantifiable indicators were established to judge progress which would have revealed that three-fourths of the sub-grant activities audited did not meet the planned time frames or the beneficiaries targeted. (Audit Report No. 8-110-95-006, February 28, 1995)
- ▶ The audit of the Vulnerable Groups Assistance Program in Russia (\$15 million in whole and non-fat dried milk powder distributed during 1993) found that several key factors used in the design and planning changed during implementation. As a result, the program could not be measured against its original design, and USAID could not confirm the total number of beneficiaries reached. (Report No. 8-110-93-08, September 24, 1993)
- ▶ The audit of a \$13.3 million humanitarian health assistance activity in Ukraine disclosed that ENI/HR had difficulty confirming how 32 million doses of vaccine were used in fighting the diphtheria epidemic in Ukraine. Better planning by ENI/HR could have defined the performance monitoring needed to obtain complete and reliable data on the use of the vaccine, thereby enabling ENI to confirm that the vaccine reached the intended beneficiaries as intended. (Audit Report No. 8-121-96-009, July 29, 1996)

¹ \$136.3 million worth of donated medical supplies distributed to 377 hospitals in 14 republics.

- ▶ The audit of \$92 million in food assistance to the Caucasus during fiscal years 1994 through 1996 also disclosed serious problems with in-country monitoring of 100,000 metric tons of wheat in Georgia. The report disclosed that at least 4,600 metric tons of wheat valued at about \$1.1 million was re-exported to Azerbaijan contrary to the agreement. In addition, an even larger amount of wheat—estimates ranged between 28 to 50 percent of the total wheat supplied for use in Georgia—may not have reached the intended beneficiaries. The audit also found that USAID/Caucasus failed to ensure that the Government of Armenia either (1) deposited about \$1.1 million in local currency to address the causes of the emergency as required under its agreement with USAID, or (2) formally require and ensure that the necessary policy reforms in the area of bread pricing were implemented. Better planning by ENI/HR/EHA would have provided a plan for performance monitoring commensurate with the large amount of assistance provided and the internal control vulnerabilities existing in the Caucasus. (Audit Report No. 8-110-97-001, November 8, 1996)

Based on the conditions described above, we believe that the ENI Bureau should require that performance monitoring be clearly defined during the design phase for emergency humanitarian assistance activities. We noted that under ENI's Project Preparation and Approval procedures, a Project Memorandum is required during the design phase of a project. The Project Memorandum is to focus on those aspects of design which will ensure smooth implementability and should explain how specific project outcomes will fold into ENI Strategic Framework objectives and impact indicators. The Project Memorandum should also include an Evaluation Plan, including intermediate and end-of-project indicators. However, we noted that there is no requirement for the Project Memorandum to clearly define how an activity's performance should be monitored to ensure desired results are achieved.

Recommendation No. 1: We recommend that the Bureau for Europe and New Independent States require that performance monitoring be defined, with appropriate resources devoted to it, and linked to expected results, during the design phase to help ensure that the expected results are achieved.

Management Comments and Our Evaluation

ENI pointed out that in the beginning of its activities in the NIS, there was no USAID presence. Initially Project No. 110-0001 was designed by the NIS Task Force in Washington to implement various activities quickly and to monitor them before USAID Missions were able to assume these

responsibilities. Subsequently, USAID Missions were established and staffed and then ENI/HR/EHA transferred the responsibility for these activities to these Missions. The Bureau stated that as USAID presence evolved, the capability to monitor at site strengthened. While we recognize the evolution of the Bureau and its Missions, we believe that for emergency assistance activities, ENI/HR/EHA was not, during the design phase of activities, defining performance, providing adequate resources and linking results to expected outcomes. However, as discussed below, the Bureau has made additional changes effecting performance monitoring.

The Bureau reported that subsequent to the draft audit report, it had established a performance management system which mandates the development of performance monitoring plans for all strategic objectives in its missions including strategic objectives for humanitarian assistance where applicable. The performance management system enables ENI's overseas operating units to manage and monitor their program activities, including humanitarian assistance, on a systematic basis. An integral element of the performance management system is the articulation of strategic objectives, intermediate results, indicators, baseline and targets. The Bureau concluded that it shares the Office of Inspector General's concern that there should be more comprehensive monitoring in the projects to which it gives technical support.

At the time of our draft audit report, it was unclear whether humanitarian assistance was to be included in the new performance management system because this type of assistance is not included under sustainable development. However, based on the Bureau's action to include humanitarian assistance in the Bureau's overall performance management system, we consider the recommendations as having a final management action.

SCOPE AND METHODOLOGY

Scope

In accordance with generally accepted government auditing standards, the Regional Inspector General's Office in Germany audited five activities under the emergency humanitarian assistance component of the NIS Special Initiatives Project (110-0001). Fieldwork for these audits were conducted from April 1993 through June 1996. These audits covered approximately \$144.3 million in obligations and \$123.4 million in expenditures. As of March 31, 1996, ENI obligated about \$307 million and expended approximately \$269 million for all emergency humanitarian assistance activities under the NIS Special Initiatives Project. Each of the five audit reports are listed in Appendix III and each report contains a detailed scope and methodology for the audit.

This report combines information from each of the five audits covering emergency assistance activities in the NIS. Specifically, this report covers how the Emergency Humanitarian Assistance Division under the Office of Human Resources of the Bureau for Europe and New Independent States defined, planned and responded to disasters and emergencies.

Methodology

In answering the audit objective, we reviewed the previous five audit reports from the Regional Inspector General in Frankfurt, Germany (including audit reports from the office when it was located in Bonn, Germany) covering emergency humanitarian assistance in the NIS.

In addition to the work performed relating to the previous five audits, we also met with officials from the Bureau for Europe and New Independent States in Washington, D.C.; USAID's Office of U.S. Foreign Disaster assistance; the Office of Food For Peace; the Office of Transition Initiatives; USAID/Kiev; and USAID/Caucasus' offices in Yerevan, Armenia and Tbilisi, Georgia to determine how the Emergency Humanitarian Assistance Division under the Office of Human Resources of the Bureau for Europe and New Independent States defined, planned and responded to disasters and emergencies.

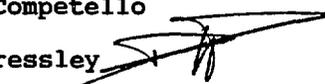


U.S. AGENCY FOR
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SEP 19 1996

MEMORANDUM

TO: OIG/Frankfurt, John Competello

FROM: DAA/ENI, Donald L. Pressley 

SUBJECT: Draft Memorandum Report: Audit of How ENI/HR Defines, Plans, and Responds to Disasters and Emergencies in the New Independent States

We have reviewed the subject draft report, dated August 20, 1996. The report's single recommendation follows:

Recommendation No. 1: We recommend that the Office of Human Resources' Emergency Humanitarian Assistance Division, in coordination with the Bureau for Europe and New Independent States, require that performance monitoring be defined, with appropriate resources devoted to it, and linked to expected results, during the design phase to help ensure that the expected results are achieved.

Response to the Recommendation:

ENI activities began as responses to emergencies in the NIS region when there was no USAID presence. There were two goals. The first goal was to establish a United States presence as quickly as possible. The second goal, developmental but limited in scope, was for USAID and the U.S. PVO community to acquire familiarity with the countries and events, gain a better understanding of the needs toward which future programs might be directed, apply lessons learned from U.S. PVO efforts in Eastern Europe, and undertake some immediate and limited activities to address needs that could be quickly identified.

Initially, as there was no field presence, Project 110-0001 was designed by the NIS Task force in USAID/Washington to implement many different kinds of activities quickly and monitor them before the appropriate Missions were positioned and staffed to assume responsibility for them. Later, once Missions were in place, ENI/HR/EHA transferred the responsibility for these activities to them. Among those activities were the five cited in the Report. As a USAID field presence evolved, the capability

to monitor at site strengthened. ENI/W's principal role was to provide technical support.

Subsequent to this audit report, ENI established a performance management system which mandates the development of performance monitoring plans for all strategic objectives in our country missions including strategic objectives for humanitarian assistance where applicable. The performance management system enables ENI field posts to manage and monitor their program activities, including humanitarian assistance, on a systematic basis. An integral element of the performance management system is the articulation of strategic objectives, intermediate results, indicators, baseline and targets. This methodology applies to humanitarian assistance and is further buttressed by M/OP's requirement that performance-based contracting be implemented in FY 97.

The ENI Bureau shares OIG's concern that there should be more comprehensive monitoring in the projects to which it gives technical support. This has become a reality with the establishment of ENI's performance management system for which monitoring is a critical element. For the reasons above, the Bureau requests the OIG to consider this recommendation as resolved. Based on your favorable determination that it is resolved, ENI will request M/MPI/MIC to close the audit recommendation.

**SYNOPSIS OF USAID OFFICE OF INSPECTOR GENERAL AUDIT
REPORTS OF THE DISASTER AND EMERGENCY ASSISTANCE
PROVIDED TO THE NEW INDEPENDENCE STATES**

Audit of the Distribution of Emergency Medical Supplies to the New Independent States Under USAID Cooperative Agreement with the People-To-People Health Foundation "Project Hope" (Audit Report No. 8-110-94-006 dated March 17, 1994).

The Office of the Regional Inspector General for Audit/Bonn audited the project to determine how USAID funds were used and whether the project's planned objectives had been accomplished. As of September 30, 1993, Project HOPE reported expenditures of \$12.3 million or 79 percent of the project's authorized amount. Project HOPE used these funds to finance the administrative costs associated with conducting hospital medical needs assessments; seeking and acquiring medical supplies; warehousing, packaging, and supervising the delivery of medical supplies to selected hospitals; and following-up with the recipient hospitals to validate the use of the delivered products.

These activities resulted in substantial amounts of medical supplies being quickly acquired and distributed throughout the NIS. As of June 30, 1993, two and one-half years into the project, Project HOPE reported that it had acquired \$138.5 million worth of medical supplies from 195 donors and direct purchases. Of this total, Project Hope reported that it had distributed \$136.3 million worth of products to 377 hospitals in 14 republics.

Despite the significant quantitative accomplishments reported by Project HOPE, this information only provided a partial picture of project results. Missing from the quarterly reports was information to specifically gauge the extent of private sector participation and other qualitative aspects of the project such as adequacy and usefulness of the products acquired and delivered. This type of information would have given USAID a more accurate and complete picture for which to judge the project and possibly would have caused USAID to have taken action to minimize some of the problems that we observed during our hospital visits related to the type, quantity, and shelf-life of products distributed.

Audit of USAID/Caucuses Management of Activities Conducted by Save the Children Federation and Its Sub-grantees in the Transcaucasia (Audit Report No. 8-110-95-006 dated February 28, 1995).

In the former Soviet Republics of Georgia, Armenia and Azerbaijan, the area has been besieged by ethnic strife and military engagements leading to increasing numbers of refugees, chronic shortages of food, fuel, medical supplies, and other basics compounded by harsh winter weather. To achieve a more rapid response to emergency needs in the area, USAID entered into a cooperative agreement with the American private voluntary Organization, Save the Children Federation (SC).

The cooperative agreement directs SC to make sub-grants, using USAID funds, to U.S. PVO/not-for-profit organizations, or indigenous organizations to implement emergency assistance projects. Among the positive aspects of the program, we found that as of June 30, 1994, 25 sub-grants had been signed between SC and eligible U.S. PVOs. Total sub-grant obligations as of June 30, 1994 were reported to be about \$20.6 million and were geographically dispersed with 44 percent of this amount dedicated to Azerbaijan, 34 percent to Armenia, 18 percent to Georgia, and 5 percent to regional activities affecting all three countries.

However, because of the expansion of activities, and, to some extent, shortage of staff, USAID/Caucasus did not ensure that its instructions to SC were carried out. For example, an Implementation Plan was to include jointly agreed benchmarks and a time-frame to be used to measure progress. However, even with a 9-month extension of the due date, the Plan and related country strategies were submitted three weeks late. In addition, the Plan still did not contain measurable performance indicators and benchmarks. USAID/Caucasus did not ensure that SC's sub-grant activities accomplished the outputs (results) envisioned in its sub-grant agreements. In addition to the absence of quantifiable indicators by which to judge progress, the audit found that three-fourths of the sub-grant activities audited did not meet the planned time frames or the beneficiaries targeted.

Audit of the Vulnerable Groups Assistance Program in Russia (Report No. 8-110-93-08 dated September 24, 1993).

In October 1992 USAID obligated about \$15 million for the Vulnerable Groups Assistance Program (VGAP) to provide whole and non-fat dried milk

powder for Russia. The program responded to an anticipated milk shortage in the Winter/Spring 1993 seasons in Russia, provided milk to targeted groups in specified numbers and geographical regions, and demonstrated U.S. support for Russia's transition to a democracy.

The audit found that USAID took adequate steps to ensure that the Vulnerable Groups Assistance Program had its intended effect. However, although the food was properly delivered and distributed, several key factors used in design and planning changed during implementation and resulted in a program which could not be measured against its original design. Also, the NIS Task Force could have better monitored the program to ensure that commodity marking requirements were completed to better illustrate U.S. support.

Audit of ENI's Humanitarian Assistance Activity in Ukraine (Audit Report No. 8-121-96-009 dated July 29, 1996).

In 1994 the Ukrainian Ambassador in Washington, D.C. made a request to the United States Ambassador-at-large for assistance on three immediate medical problems. Accordingly, USAID entered into a \$13.3 million cooperative agreement with the Program for Appropriate Technology in Health (PATH), a non-profit organization, to address the Ukrainian diphtheria epidemic, provide insulin for insulin-dependent Ukrainian juveniles and develop a program to deal with the transmission of hepatitis B among Ukrainian health workers.

The audit found that as of December 31, 1995, the majority of the 32 million doses of USAID-funded Td vaccine, approximately 22.8 million doses, had been shipped to Ukraine to help fight the diphtheria epidemic. Of this amount, about 21.4 million were distributed to 27 regions throughout Ukraine. Also, significant quantities of insulin was provided to children below age 15 and technical assistance was provided to help Ukraine in reducing the exposure of health care workers to infections caused by contact with blood.

The audit also disclosed that ENI/HR discovered midway through the project that they had not adequately planned for the monitoring of the 32 million doses of USAID-funded diphtheria vaccine delivered to Ukraine. We found that since the project's inception that PATH was unable to confirm the total number of adults immunized with USAID-funded vaccine. Because complete and reliable data on the use of USAID-funded vaccine

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was never collected, ENI/HR will be unable to confirm that the vaccine reached the intended beneficiaries.

Audit of the Bureau for Europe and New Independent States' Emergency Food Assistance Activities in the Caucasus Since Fiscal Year 1994 (Audit Report No. 8-110-97-001, November 8, 1996)

The April 1994 United Nations Consolidated Inter-Agency Appeal for the Caucasus reported that the situation in Armenia and Georgia had worsened in 1993 and early 1994. In response, USAID requested that the U.S. President authorize the release of 200,000 metric tons (mt) of wheat (valued at approximately \$47 million) from the Food Security Wheat Reserve (FSWR) under provisions of P.L. 480, Title II, Food for Peace. ENI/HR also entered into a cooperative agreement with CARE and interagency agreements with the USDA's Commodity Credit Corporation. Under these agreements, USAID obligated approximately \$45 million to buy flour, dry whole milk, beans, rice, oil and farina, and transport and monitor the commodities.

The audit disclosed that CARE distributed emergency food assistance to about 850,000 beneficiaries (children and pregnant/lactating women in Armenia, Azerbaijan, Georgia and Tajikistan) during the period May 1994 through June 1995, and they will complete the distribution in additional emergency food assistance to about 157,000 beneficiaries by October 1996. The audit also revealed that when the supply of bread was critically short, millions of Armenians and Georgians benefited from the 200,000 mt of wheat delivered to their respective countries during 1994 and 1995.

The audit also disclosed estimates on the misuse of the 100,000 mt of wheat in Georgia ranged between 28 to 50 percent, but only a diversion of 4,600 mt could be substantiated—valued at \$1.1 million. This situation was due to a number of factors (political instability, deteriorating economic conditions, etc.) but greater in-country monitoring by USAID may have discouraged the misuse of wheat. As a result, a portion of the civilian population in need in Georgia were not reached through the government bread ration program. Further, the audit found that the USAID/Caucasus failed to ensure that the Government of Armenia either (1) deposited about \$1.1 million in local currency to address the causes of the emergency as required under its agreement with USAID, or (2) formally require and ensure that the necessary policy reforms in the area of bread pricing were implemented.