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UNITED STATES A.I.D. MISSION TO VIETNAM (USAID/VN)

REPORT ON SURVEY OF

CATHOLIC RELIEF SERVICES (CRS)

MANAGEMENT OF PL 480 TITLE II PROGRAM

As of September 30, 1970



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UNITED STATES A.I.D. MISSION TO VIETNAM (USAID/VN)

REPORT ON SURVEY OF

CATHOLIC RELIEF SERVICES (CRS)

MANAGEMENT OF PL 480 TITLE II PROGRAM

As of September 30, 1970

Scope of Survey

In accordance with AID Manual Order No. 796.3, we made a survey of the Catholic Relief Services (CRS) operations pertaining to the PL 480 Title II program in Vietnam. Our review was made to determine the effectiveness of CRS' performance in the programming, control, and distribution of food commodities.

We interviewed CRS officers and key personnel, reviewed the organizational structure, internal records and procedures, and operating directives, and examined operations and records in four of the five CRS regional offices in Vietnam. We also interviewed concerned USAID/VN officials.

Background Information

In Vietnam, all PL 480 Title II commodities are brought in as part of the total program planned for the fiscal year by the USAID's Office of the Assistant Director for Food for Peace (AD/FFP). The annual program is developed on the basis of requirements compiled by distributing agencies and interested USAID/CORDS offices. Requests are consolidated and forwarded to AID/W for review and approval. Once the program is approved and a transfer authorization issued, regular shipments are initiated by the U.S. Department of Agriculture (USDA), according to a predetermined shipping schedule.

The Government of Vietnam's Central Logistics Agency (GVN/CIA), assisted and advised by the USAID, is responsible for physical movement from ships' tackle to the first destination warehouse and for initial storage of consolidated PL 480 Title II commodities. Utilizing independent contractors, CIA effects movement of the commodities from initial storage to provincial warehouses operated throughout Vietnam by the GVN's Ministry of Rural Development (MORD). Commodities are requisitioned by the various distributing agencies through the MORD supply system.

CRS carries out its activities in Vietnam in cooperation with Caritas/Vietnam, the relief agency of the Catholic Bishops in Vietnam, and with the Ministry of Social Welfare.

One of the largest voluntary agencies operating in Vietnam, CRS sponsors in almost all provinces, a variety of programs, including child care, relief aid, social welfare and nutrition. With an extensive organizational and distribution network, CRS provides commodities through numerous

agencies, including ten Buddhist organizations. These groups, in turn, distribute the commodities to schools, refugees and other needy persons. In the area of child care, CRS has a bread distribution program in urban areas reaching 491,000 students in day schools and boarding schools.

Under the CRS program for fiscal year (FY) 1971, it was originally estimated that CRS would distribute approximately 29,000 metric tons of food commodities (valued at \$4,589,456) to 696,000 beneficiaries. (It is currently estimated that the CRS FY 1971 program will provide PL 480 commodities to about 782,000 recipients.) The CRS program represents approximately 62 percent of the total export dollar value of the FY 1971 Voluntary Agency Program in Vietnam.

Responsibility within the USAID/VN for program assistance, supervision, direction, and technical guidance is assigned to the office of the Assistant Director of Food For Peace (AD/FFP) which is located organizationally within the office of the Associate Director for Commercial and Capital Assistance (ADCCA).

#### Prior Audit Report

Our prior Audit Report No. 70-61, "Report of Survey of Catholic Relief Services (CRS) Management of PL 480 Title II Programs", issued on December 4, 1969, contained three recommendations which have been satisfactorily implemented.

### FINDINGS AND RECOMMENDATIONS

#### Organization and Personnel

The distribution of food commodities throughout Vietnam by CRS/VN is controlled by five regional offices supervised by one American Program Assistant with staffs of Vietnamese clerical and end-use check personnel. The size of the program in each region is shown below:

<u>Region</u>	<u>Office</u>	<u>Number of Distributors</u>	<u>Number of Recipients</u>
I	Danang	260	107,933
II	Nha Trang	126	101,715
II	Quinhon	35	9,120
III	Saigon	834	393,951
IV	Cantho	365	168,870
Total		<u>1,620</u>	<u>781,589</u>

#### Operations

Our survey at Danang, Nha Trang, Saigon and Cantho disclosed that control over the distribution of food commodities ranged from satisfactory in Danang

and Saigon to poor in Nha Trang and Cantho. We believe that the poor controls at Nha Trang and Cantho are due primarily to lack of managerial supervision.

Listed below are the major deficiencies in the operation and control of the food feeding programs in Nha Trang and Cantho:

1. Project Control Forms had not been prepared for each Food-For-Peace project.
2. Shipments of commodities to recipient groups were not verified through feed-back of receipted copies of the requisition.
3. Mass distribution was made to large recipient groups with no verification of the number of eligible recipients by means of up-to-date distribution lists, observation of distributions, or effective end-use checks.
4. Signed agreements had not been obtained from all recipient groups.
5. Signed contracts had not been obtained from all bakeries.

The above deficiencies apply generally to the entire feeding program in Nha Trang and Cantho. Subsequent sections of this report deal with deficiencies in specific operational functions or feeding programs in these offices, with recommendations to improve internal controls.

#### End-Use Checks

On September 8, 1967, CRS/New York headquarters issued Field Mission Letter (FML) No. 100.97 advising all CRS program offices that AID/W was transferring to the American Volags the prime responsibility for PL 480 program audits. This letter advised CRS program officers that, to meet its new responsibilities in connection with program auditing, CRS needed to expand the end-use checking process within the recipient country. This FML was followed by FML No. 100.99, dated October 16, 1967, which stated that the main objective of the self-audit program was to get CRS counterpart agencies to assume responsibility for the performance of regular, comprehensive and fully reported end-use checks. This FML stated, further, that (1) counterpart agencies must do their own comprehensive end-use checking, (2) CRS would defray part of the cost, if the counterpart agencies are unable to pay all the costs of the additional end-use checking, and (3) if the counterpart did not exercise its responsibilities in end-use checking, CRS would not program PL 480 foods on the counterpart's behalf.

The following analyses of the end-use checking controls in effect at the time of our survey of four field offices are based upon review of available end-use check reports, observation of end-use checks performed by CRS personnel, and discussions with the CRS Commodity Control Officer and other concerned CRS personnel.

1. Region I - Danang Office has two Vietnamese employees responsible for end-use checking 260 distributors serving 108,000 recipients in five provinces. Of the 260 distributors, a total of 127 are schools in the school feeding program providing bread to 72,148 students. The majority of the schools are associated with Caritas/Vietnam which employs its own end-use checkers. Only a limited number of end-use checks have, however, been completed by Caritas. Satisfactory progress had been made in end-use checking the remaining 133 distributors.

2. Region II - Nha Trang Office has two full-time employees responsible for end-use checking 126 distributors serving 102,000 recipients. The checkers were hired in April 1970, and prior to that time, this office had not performed end-use checks. Review of the files showed that only a limited number of accounts had been checked in the past five months. In Khanh Hoa province, where Nha Trang is located, there are 42 distributors for which there were only ten end-use check reports.

3. Region III - Saigon Office has three full-time end-use checkers responsible for auditing 187 accounts serving 69,000 recipients. In addition, two other end-use checkers are involved on a full-time basis in the school feeding program which provides bread to 325,000 students in 647 schools, of which 633 are operated by counterpart agencies employing 11 end-use checkers. The counterpart agencies forward copies of periodic end-use checks to CRS for review and follow-up. The end-use check program in Region III was very satisfactory.

4. Region IV - Cantho Office employs three end-use checkers responsible for checking 365 accounts with 169,000 recipients. Within this total program are 299 schools giving bread to 127,000 pupils. The majority of the schools are controlled by Caritas which employs no end-use checkers. Review of files in the Cantho office revealed no end-use checks of the schools in the Caritas bread program. In addition, review of account files in other feeding programs indicated that the end-use checks of distributors have been inadequate.

#### Recommendation No. 1

USAID/VN should require CRS/VN to (a) implement, within 90 days, an adequate end-use check program uniformly throughout Vietnam, or (b) discontinue distribution of PL 480 commodities through outlets (Nha Trang office and Caritas/Vietnam) which fail to carry out a satisfactory end-use check program.

#### School Feeding Program

The largest single PL 480 commodity feeding category in FY 1971 for the combined GVN/Volag program is the School Feeding Program which will distribute bread to approximately 1,008,000 school-age children. Bread will be baked with wheat flour imported under the PL 480 Title II Program.

CRS, as part of the total effort, proposes to distribute bread to approximately 440,000 school age children, and about 10,400 metric tons of wheat flour will be drawn from CIA warehouses for this purpose. Our survey indicated that adequate controls were in existence at Danang and Saigon to account for the delivery of flour to the bakers and bread to the schools. In Saigon, which has the largest program, records, reports and end-use checks were used to reconcile flour consumption to bread deliveries.

Our survey at the Nha Trang and Cantho offices indicated that immediate action needs to be taken to provide adequate controls over the distribution of flour and bread. The combined program in Nha Trang and Cantho provides bread to about 161,317 school children in 359 schools. To obtain adequate reporting and control for the program, there is need for the following:

1. Project control forms for each individual school.
2. Signed school agreements and bakery contracts.
3. Signed receipts from bakeries for flour received from CIA.
4. Monthly reports from bakeries showing bread deliveries to schools.
5. Monthly reports from schools showing bread receipts from bakeries.
6. Monthly flour inventory reports from bakeries.
7. End-use checks of schools and bakeries.
8. Periodic attendance lists of school-age children.

#### Recommendation No. 2

USAID/VN should require CRS to (a) establish, within 90 days, a proper control system for the school feeding programs in Nha Trang and Cantho, and (b) discontinue the program(s) if such corrective action is not fully implemented.

#### War Widows and Dependents

This is the second largest category in the CRS/VN FY 1971 commodity feeding program. CRS/VN will distribute nonfat dry milk, vegetable oil, and corn-soya-milk (CSM) to approximately 100,000 war widows and dependents.

In Regions I and III, recipients were usually organized by a social service worker from the GVN Ministry of Social Welfare into groups associated with the military units to which the husbands were assigned at the time of death. The social service worker prepared monthly distribution lists showing name and service number of deceased husband, name, address, and identity

card number of widow, and number of dependents. At the time of the monthly commodity distribution, the widow signed the distribution list to signify receipt of the commodities.

Our survey in the four regional offices disclosed that the distribution to widows and dependents is not adequately controlled. Listed below are the deficiencies noted during our survey:

1. No verification of the recipient distribution lists was made against official military records to substantiate death of husband (all offices).

2. Some husbands who were listed as "dead" were alive and living at the address shown on the distribution list (Saigon).

3. Project control forms for each distribution point had not been prepared (Nha Trang and Cantho).

4. Signatures had not been obtained on distribution lists (Danang and Saigon).

5. Monthly distribution lists were not on file (Nha Trang and Cantho).

6. No end-use checks were performed (Nha Trang and Cantho).

7. Monthly distribution was not witnessed by end-use checkers (all regions).

8. Caritas priests distributed commodities to widows and dependents in the parishes without verifying that the widows were eligible due to war-related deaths of husbands (Nha Trang and Cantho).

#### Recommendation No. 3

USAID/VN should require CRS to (a) establish, within 90 days, a proper control system for the War Widows and Dependents feeding program to correct the deficiencies noted above, and (b) discontinue the program if such corrective action is not fully implemented.

#### Ineligible Recipients

1. Our review of monthly distribution reports, quarterly forecasts, and other records in the Nha Trang office, disclosed that large quantities of PL 480 food had been shipped to several provinces in Region II to feed about 50,000 Montagnards. The largest concentration of Montagnards was in Tuyen-Duc province where approximately 23,000 were issued food. The distribution of food to these groups had been reported under the Economic/Community Development (Food-For-Work) category in reports submitted to USAID's AD/FFP.

A total of 6,060 units (bags and cases) of bulgur, vegetable oil, wheat flour, nonfat dry milk, rolled oats and CSM had been allocated in August 1970 for shipment to these people. Of this total, 3,500 units were shipped in August and September by CLA and 2,560 units were awaiting truck transportation at the time of our review.

CRS at Nha Trang undertook to feed the Montagnards for humanitarian reasons, because the responsible GVN entity, the Ministry of Ethnic Minorities, was not issuing PL 480 commodities to these Montagnards, and the food from CRS was their only means of subsistence.

The files at Nha Trang contained no records to control this operation, e.g., there were (a) no project control forms, (b) no documents to evidence computation of the number of recipients, (c) no end-use check reports, and (d) no records to verify distribution of commodities to the Montagnards.

#### Recommendation No. 4

USAID/VN should (a) urge the GVN Ministry of Social Welfare and Ministry of Ethnic Minorities to implement promptly a program to distribute food to the Montagnards, and (b) request CRS to phase out distribution of PL 480 food commodities to the Montagnards as soon as practicable.

2. Records at Cantho showed that two groups of recipients were provided nonfat dry milk, cornmeal, bulgur, and rolled oats under the Food-for-Work category. One group of 6,500 recipients was known as "Thien Phuoc-Parish" in Kien-Phong province, and the second group of 2,400 recipients was called "Xuan-Hoa-Parish" in Phong-Dinh province.

Cantho's quarterly projection for October through December 1970 showed that about 216 metric tons of commodities would be shipped to these groups during these months. Our survey disclosed that project control forms had not been prepared for CRS head office approval of the feeding program. There had been no controls to monitor the distribution of commodities to these recipients. Monthly shipments were made automatically to these groups without any representative of the groups appearing at the CRS office in Cantho. Other documents missing from the account files were signed receipts verifying delivery of the food to the groups, lists of recipients to account for the total number upon which monthly allocation was based, end-use checks, and monthly inventory reports.

#### Recommendation No. 5

USAID/VN should require CRS/VN to discontinue distributing PL 480 food commodities to the two parish groups mentioned above until such time as the program is approved, and adequate control measures are established.

Distribution of Report

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