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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
AREA AUDITOR GENERAL / VIETNAM

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

REPORT ON SURVEY OF

INTERNATIONAL RESCUE COMMITTEE (IRC)

MANAGEMENT OF PL 480 TITLE II PROGRAM

As of October 31, 1970



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

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Scope of Survey

We have made a survey to determine if the International Rescue Committee in Vietnam (IRC/VN), as an implementing agent of the Public Law (PL) 480, Title II programs, has the managerial capability, sufficient trained personnel, and working arrangements to organize, conduct, review and control the distribution of PL 480, Title II food commodities in an efficient manner.

We interviewed IRC officers and key personnel, reviewed the organizational structure, internal records, procedures and operating directives, and examined operations and records at the Saigon and Danang offices in Vietnam. We also interviewed concerned USAID personnel and reviewed pertinent documentation to the extent deemed necessary.

Background Information

IRC/VN is one of several voluntary agencies (VOLAGS) distributing food commodities in Vietnam under the PL 480 Title II program. This program is administered by the USAID's office of the Assistant Director for Food for Peace (AD/FFP), which provides programming assistance, supervision and direction of the program, including technical guidance.

The primary objectives of the PL 480 Title II program in Vietnam are to (a) provide continuing extraordinary food support for the combined GVN-US-Free World effort to defeat the Viet Cong in its attempt to win over the rural population and control the area South of the 17th parallel, (b) provide food on an emergency basis to sustain Vietnamese whose normal patterns of livelihood are disrupted by military conflict, including where necessary, feed for their animals, and (c) assist those needy Vietnamese who, as a result of war, disease, or other factors, are unable to provide for their basic food needs.

In addition to the VOLAGS, commodities are distributed through various GVN ministries for such purposes as refugee relief, relocation activities, war victims, maternal and child welfare, self-help projects, Montagnard relief, school lunch programs, hospital and other institutional feeding, health cases and other relief.

In Vietnam, all PL 480 Title II commodities are brought in as part of the total program planned for the fiscal year by 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. 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/CLA), assisted and advised by the USAID, has responsibility for the physical movement from ships' tackle to the first destination warehouse. CLA, utilizing independent contractors, is also responsible for effecting movement of the commodities from initial storage to provincial warehouses operated by the GVN's Ministry of Rural Development (MORD) throughout Vietnam. Commodities are requisitioned by the various distributing agencies through the MORD supply system.

The IRC is a non-sectarian voluntary agency dedicated to helping refugees who have fled from totalitarian oppression, or who are uprooted by war. Increasingly, IRC has been concerned with the plight of refugee children. The work of the IRC is made possible by the support of individual Americans, foundations, corporations, labor unions, and student, civic, and community groups. The headquarters of IRC are located in New York City, New York.

In addition to its independent activities, IRC in Vietnam is under contract to AID to furnish medical and refugee assistance. The contract for refugee assistance, among other things, provides that the IRC will organize, operate and supervise a commodity distribution program with various institutions.

IRC/VN is administering seven types of food distribution programs under PL 480 Title II. The principal programs are the School (bread distribution) and Food-for-Work programs, which account for approximately 8,500 and 6,200 recipients, respectively. Under the program for FY 1971, it is estimated that IRC/VN will receive from CLA 1,996 metric tons of food commodities (valued at \$298,974) for distribution by 44 distributors to 43,800 beneficiaries. The IRC/VN program represents approximately four percent of the total export dollar value of the FY 1971 VOIAG program in Vietnam.

AID Regulation 11, as incorporated in Manual Order 1571.2, requires the VOIAGS to organize, conduct, review and control distribution of commodities, and to make internal audits and end-use checks. There normally should be at least one complete comprehensive internal audit annually by the VOIAG or a series of audit examinations which, when combined will present a complete examination of the entire Title II program of the VOIAG. At least once annually, AID should evaluate the performance of the VOIAG. The results of this annual survey, as of October 31, 1970, follow.

FINDINGS AND RECOMMENDATIONS

Organization and Personnel

IRC/VN is well organized with definite lines of responsibility and authority. Three major operating divisions, Medical Assistance, Refugee

Assistance, and Independent Operations report to the Director, IRC/VN. Food for Peace is a Branch under the Refugee Assistance Division. The Food for Peace Branch Chief (an American citizen) is responsible for the control and operation of the FFP program. He is assisted by another American and two local employees.

Review of the background and experience of the personnel in the FFP Branch indicates that they have the necessary qualifications to perform their duties. The FFP Branch Chief has had previous experience with Civic Action programs, which were similar to the FFP programs. The American assistant has a background of supply and commodity accounting. The local personnel have been trained by IRC and are familiar with their duties.

Operations

Basic control documents and files such as requisition registers, copies of requisitions, acknowledgment of receipts, project control forms, master control cards for each distributor, and inventory reports from bakeries are in use.

Our review disclosed, however, the following areas of weakness:

1. Inventory reports from bakeries were based on computed figures only. The report did not indicate the physical balance of commodities on hand at the end of the period.
2. Project control forms were improperly completed.
3. Distributors were not required to make inventory reports.
4. There were no signed agreements between IRC and distributors.
5. End-use inspections were not standardized nor performed on a regular basis; however, review of supporting documentation for projects terminated indicated that 10 percent of the 125 projects initiated had been terminated because of misuse of commodities as disclosed by inspections.

Recommendation No. 1

USAID/VN should (a) ensure that IRC takes corrective action, within 90 days, on the five items noted in the above findings, and (b) evaluate, after 90 days, the action taken by IRC to determine its effectiveness, and ensure prompt cancellation of those projects where correction action is deemed unsatisfactory.

We observed operations and took physical inventories at two bakeries in Danang. The performance of the Hong Hung bakery was satisfactory. At the Thanh Long bakery, we determined that the number of loaves of bread produced for the month of October 1970 was not commensurate with the amount

of flour stated as consumed. For the period examined, 435 bags of flour were reported as used, whereas the equivalent number of loaves of bread accounted for only 347 bags of flour, for a shortage of 88 bags (about 2 metric tons) of flour. No recommendation is made because the Chief of the Food for Peace Branch, IRC, stated that he would terminate the baker's contract when the current balance of 226 bags of flour on hand had been consumed.

To determine the propriety of the quantities of flour distributed, we computed quantities at FFP standard consumption rates and compared them to the consumption of bread at 29 schools in Region I. Two schools were under-supplied, seven schools were oversupplied and twenty schools received the proper quantity. We also visited four schools in Danang and found that the average daily attendance at two of the schools was less than the number of students for which commodities were distributed. We brought these deficiencies to the attention of IRC/VN and immediate corrective action was initiated.

Internal Audit

The size and scope of the PL 480 Title II program administered by IRC at the present time does not justify a separate internal audit staff. Under the circumstances prevailing, operational inspections can form the basis for accomplishing the internal audit requirements of AID Regulation 11. As a minimum, the following additional procedures should be undertaken by IRC/VN to ensure fulfillment of these internal audit requirements:

1. Establishment of a firm schedule of commodity control and utilization inspections for each participating institution at least semi-annually, with a copy of the schedule provided to the Director, IRC, to ensure adherence to the schedule.
2. Submission monthly of a report to the Director, IRC, enumerating the participating institutions visited, findings (if any), and follow-up action taken on previous findings.
3. Annual review by the Director of the IRC books and records pertaining to the PL 480 Title II program.
4. Preparation of internal audit reports at least semiannually, based on consolidation of the monthly inspection reports and other documentation/information available.

Recommendation No. 2

USAID/VN should request IRC/VN to establish additional procedures, as outlined above, which will satisfy the internal audit requirements of AID Regulation 11.

Distribution of Report

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