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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 REVIEW OF

WORLD RELIEF COMMISSION (WRC)

MANAGEMENT OF PL 480 TITLE II PROGRAM

As of October 31, 1970

Audit Report No. 9-730-71-55

December 11, 1970



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

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Scope of Survey

In accordance with AID Manual Order No. 796.3, we have made a review of the World Relief Commission in Vietnam (WRC/VN) management and control of its PL 480 Title II food distribution program.

We interviewed WRC/VN officials and key personnel, and reviewed the organizational structure, internal records and procedures, operating directives, and other pertinent documentation to the extent deemed necessary. We also observed WRC/VN operations in Danang and Hue.

Background Information

WRC/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 (Section 201) 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 the military conflict, including, where necessary, feed for their animals, and (c) assist those needy Vietnamese who, as the result of the war, disease, or other factors, are unable to provide for their basic food needs.

In addition to VOLAGS, commodities are distributed through the GVN Ministries of Social Welfare (the cooperating sponsor), Health, and the Ministry of Rural Development (MORD), 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.

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The Government of Vietnam's Central Logistics Agency (GVN/CLA), assisted and advised by the USAID, has responsibility for the physical movement of PL 480 Title II commodities 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 MORD. Commodities are requisitioned by the various distributing agencies through the MORD supply system.

WRC, headquartered in Long Island City, New York, is a nonprofit relief agency for the National Association of Evangelicals, a confederation of about 40 different Evangelical Church denominations. WRC is engaged in missionary support, social service, emergency aid, vocational training, and medical assistance.

Distribution of food commodities by WRC/VN under PL 480, Title II began in August, 1965. Currently, food distribution is limited to emergency relief, school bread feeding, and food-for-work programs in Military Region I. These activities are carried out in cooperation with the Christian Youth Social Services (CYSS), a Vietnamese voluntary agency recognized by the GVN, the Christian and Missionary Alliance (CMA), an American organization of missionaries resident in Vietnam, and the GVN Ministries of Health, Social Welfare and Relief.

It is estimated that in FY 1971, WRC/VN will receive from CLA 3,358 metric tons of food commodities, valued at \$548,473, for distribution to approximately 65,500 recipients. The WRC/VN program represents about 7.5 percent of the total export value of the FY 1971 Title II Voluntary Agency program in Vietnam.

AID Regulation 11, as incorporated in Manual Order No. 1571.2, requires the VOLAGS to organize, conduct, review, and control distribution of commodities, and to make internal audits and end-use checks. There should be at least one complete annual comprehensive internal audit or a series of audit examinations which, when combined, will present a complete examination of the entire Title II program of the VOLAG. At least once annually, AID should evaluate the performance of the VOLAG. The results of this annual review, as of October 31, 1970, follow.

Prior Audit Report

Audit Report No. 70-62, dated December 4, 1969, contained two recommendations. One recommendation was closed by the USAID upon the issuance by WRC/VN of a revised operating procedure manual.

A second recommendation pertaining to quarterly internal audits to be conducted by WRC/VN was also closed, based on performance of one such audit. We noted, however (see below) that these reviews by WRC/VN have been discontinued, and therefore the recommendation is repeated in a subsequent section of this report.

FINDINGS AND RECOMMENDATIONS

Internal Audit

WRC/VN did not fully implement Recommendation No. 1 of our prior audit report (No. 70-62) pertaining to the internal audit requirements of Section 211.5 (c) of AID Regulation 11 (AID M.O. No. 1571.2). While the WRC/VN Logistics Officer made a review of the WRC/VN PL 480 distribution program for the period from July through December 1969, there has been no subsequent internal audit. At the time of our review, no internal audits had been scheduled. The discontinuance of the periodic review appears to be due to changes in WRC/VN American personnel during 1970.

The following procedures should be undertaken by WRC/VN to ensure sound internal controls:

1. The WRC/VN Logistics Officer should schedule examination of distributors, and of WRC/VN and CYSS control records, and should designate American personnel to accomplish examination of specific distributors.
2. Monthly status reports should be submitted to the Logistics Officer enumerating the participating institutions visited, findings, and follow-up action taken on previous findings.
3. Quarterly, the Logistics Officer should submit to the Director, WRC/VN, a summary report of activity, expressing an opinion on accounting, storage, distribution, publicity, proceeds from sale of empty cloth bags, eligibility of beneficiaries, commodities unfit for human consumption, losses and misuses of commodities, and promptness of required reports.

Recommendation No. 1

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

Distribution of Commodities

Review of 57 commodity distribution reports for 12 weekly and 45 monthly distributions to relief and food-for-work projects disclosed that excessive PL 480 commodities had been issued to the recipient groups.

The USAID Food-for-Peace prescribed rates of commodity use for each recipient indicated that a total of 8,110 bags (186,530 kilograms) of grain products (bulgur wheat, cornmeal, rolled oats, and corn-soya-milk (CSM)) should have been issued to the recipient groups included in our review. Examination of warehouse withdrawal/distribution reports showed that WRC/VN had actually issued a total of 14,201 bags (326,623 kilograms), or 6,091 bags (140,093 kilograms) more than the USAID/FFP guidelines.

The WRC/VN Logistics Officer in Danang took immediate action to distribute commodities to the recipient groups in accordance with USAID/FFP guidelines.

Recommendation No. 2

USAID/VN should determine by follow-up review that future WRC/VN distributions of PL 480 commodities are based upon the prescribed rates of commodity use for each recipient.

School Bread Program

Our review of controls exercised over the distribution of flour to bakeries for the baking of bread for school children indicated certain weaknesses which could allow bakeries to accumulate excess stocks of PL 480 wheat flour without detection by WRC/VN. Although monthly reports of bread deliveries to schools were prepared by the bakeries, the bakeries were not submitting monthly reports of flour on hand. There was no reconciliation between flour delivered to the bakeries and bread delivered to the schools to determine flour consumption by the bakeries. In addition, end-use checks of schools and bakeries were made too infrequently and test weighing of the loaves of bread was not done on a regular basis.

The WRC/VN Logistics Officer in Danang indicated that he would institute additional controls in the bread feeding program in order to monitor more closely the consumption of flour by the bakeries.

Recommendation No. 3

USAID/VN should determine by follow-up review that WRC/VN has in fact established control over the flour delivered to the bakeries.

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Director 15

AID/W

Office of Audit, Auditor General 3

Office of Programming and Economic Policy, AA/VN 2

Office of Commodity Control and Surveillance, AA/VN 1

Assistant General Counsel for Vietnam, AA/VN 1

Special Assistant for Program Management (Compliance), AA/VN 2

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OTHER

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Inspections and Investigations Staff (IIS)/Saigon 2

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