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ACCOUNTABILITY SURVEY
OF EMERGENCY ASSISTANCE TO ETHIOPIA

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ACCOUNTABILITY SURVEY OF EMERGENCY ASSISTANCE
TO ETHIOPIA

Executive Summary

This report takes a field perspective, addresses management and implementation concerns rather than programmatic and planning issues, provides some suggestions for improvements, and summarizes some "lessons learned" from the experiences gained in the U.S. emergency assistance program in Ethiopia.

AID/Addis recorded its vulnerability in terms of prudent monitoring and management of its humanitarian assistance portfolio in Ethiopia as expressed in the assessment called for by OMB circular A-123 dated September 9, 1985. This document reports that AID/Addis recognized its "vulnerability for some time" and in May 1985, during the DA/AID's visit, its request for staff help resulted in an average of three TDY persons in Addis from AID/W at any given time. Some of these employees were used on special studies, e.g., port charges, air drops, etc., but others worked almost exclusively in monitoring ongoing activities. By September 1985, the monitors had visited more than 70 feeding sites and other locations where operational support grants were being implemented. Such monitoring reports were said to be

extremely helpful in assuring the AID Representative that things generally were going well for the activity inspected, or in flagging some problems for remedial action. However, the Director of Regional Financial Management Center/Nairobi (RFMC) observed during a visit in September 1985, that there were still areas of high vulnerability given the limited staff resources in AID/Addis, with inadequate resources available from RFMC/Nairobi to support this operation.

Our survey basically substantiates the management problems confronted by AID/Addis during FY 1985, recognizes corrective actions taken by AID/Addis as the crisis situation eased a little by the end of CY 1985, and makes suggestions to further improve the accountability for U.S. resources transferred to the people of Ethiopia. We noted AID/Addis took additional positive steps around the end of FY 1985 as follows:

- contracted for two full time Food Monitors, and provided a comprehensive check list for their field trips.

- established standard quarterly reporting for all PVCs, furnishing a format providing for an inclusive, informative document.

- provided for quarterly meetings with PVOs to review in depth programmatic and management issues. (Included the Regional Food for Peace Officer from REDSO/ESA in these meetings.)

-followed up strongly with PVOs for submission of required quarterly reports on status of commodities and recipients.

-enhanced their FY 1986 subject files to include the additional documentation making follow-up data more readily available. Copies of all grants and contracts available in OFDA and FVA/FFP have been delivered from AID/W and are now in the files.

-finally gained AID/W agreement to use Letter of Credit financing procedures, affording "after the fact" administrative approval of vouchers based upon familiarity with the activity, the reasonableness of the charges and prudent inquiry. AID/Addis is now able to perform such measures of control.

Although our work was limited in scope to a survey, we noted that the major NGOs stated they were either undergoing their own internal audit, had been audited recently, or an audit was scheduled soon. Our survey of the nine NGOs handling food aid and the twelve NGOs delivering non-food aid disclosed organizations having adequate systems and procedures to provide accountability over U.S. resources entrusted to them to deliver to intended recipients. However, as any system requires "checks and balances" and monitoring, to maintain effectiveness we have offered various suggestions in this

report to enhance the ongoing work of overseeing NGO performance. Our review of trip reports and discussions with principal representatives of NGOs did not disclose any staffing limitations that would impact unfavorably upon implementing the program.

Notwithstanding the foregoing, the potential risk of non-compliance with USG and AID regulations and of other management abuses exists, as the means chosen to implement the program was to use a number of NGOs/IOs, and only a very minimum number of U.S. direct hire resident staff familiar with the pertinent regulations. Under the circumstances in Ethiopia, AID decided to accept the risk. Our survey did not disclose that this decision led to significant unfavorable results. While our survey was not an audit, it was an extensive review, and our findings were typical of those found in similar AID programs. There do not appear to be any serious deficiencies in the program. Much credit for this outcome rests with the tireless efforts of those involved with the program in Ethiopia.

I. Introduction

A. Background

During 1983-84, Ethiopia suffered from one of the most severe droughts in its history. The related human sufferings and the difficulties in meeting the assistance needs have received world wide attention on a scale seldom equaled. The problems encountered in delivering U.S. PL480 commodities within Ethiopia included civil strife, difficult government to government relations, congested ports, impassable roads, limited immediate availability of inland transport for commodities, and the attendant administrative problems of a rapid start-up of such a huge effort in a developing country.

The United States, along with 44 other countries and international organizations, responded to the urgent humanitarian needs by mounting a massive program of relief assistance. A.I.D.'s FY 1985 program in Ethiopia consisted of \$253 million in food aid and \$29 million in non-food grants. As of April 1, 1986, the planned levels for FY 1986 are \$125 million for food aid and \$30 million for non-food grants.

In Washington, the Administrator authorized the establishment of a senior level Task Force for Emergency Assistance Programs for the African Drought, including Ethiopia, to coordinate efforts with the several A.I.D.

operational offices concerned with the food and non-food assistance programs, as well as with external governmental departments and liaison with private and other donors.

The A.I.D. Office in Ethiopia had been closed after the termination of the development programs in 1979, based upon prohibitions contained in the Hickenlooper and Brooke amendments. However, the A.I.D. Administrator determined that it was essential to reopen an office in Addis with resident staff beginning in late CY 1984 to manage the large transfer of U.S. resources to Ethiopia. The constraints imposed by the Ethiopian government permitted only a minimal staff of five USAID direct hire employees, all of whom were on board by March 1985. (Appendix A) This staff was assisted by three personal services contractors (PSC) and further supplemented by periodic TDY assistance from AID/Washington. In November 1985, USAID was able to add two personal service contractors as food monitors, who provide for continuity in monitoring of the food program as they have replaced the TDY requirement to do this essential work.

The resident staff in Addis, while energetic, competent and professional employees given to seven-day work weeks, but subject to numerical limitation, found it impossible to meet all of the management responsibilities during the emergency situation in 1985 involving:

-monitoring the arrival of over 440,000 MT of U.S. food aid and its delivery to over 100 distribution points for over 4 million recipients within one year.

(Appendix B)

-monitoring of the implementation of 23 grant agreements and contracts with Private Voluntary Organizations and International Organizations.

(Appendix B)

-arranging, coordinating and monitoring a 150 plus truck fleet and over \$17 million charter air operations for airlift of emergency food and supplies to overcome limitations of ground transportation.

-coordinating assistance efforts on behalf of the USG with the Government of Ethiopia.

-liaison with 44 other donors. (Appendix C)

-briefing all levels of U.S. Government personnel (White House, Congressional, State and AID), the news media and foreign community.

Consequently, during 1985 the AID/Addis office found it imperative to rely extensively upon the integrity and capacity of the PVOs for compliance with regulations in effectively administering the U.S. food relief efforts. This was necessary, although all but one of the PVOs were also organizing their staffs and setting up their offices

in Ethiopia during 1985. Thus they were experiencing growing pains, but they were not faced with the same numerical personnel constraint as was A.I.D.

Thus during the first year of operations, the A.I.D. staff in Addis Ababa was mainly involved in establishing and staffing the office, planning the program, approving NGO proposals, briefing and escorting VIPs, and establishing relationships with the NGOs, the host government Relief and Rehabilitation Commission and other donors. Only a minimum of A.I.D. staff time was available to monitor the implementation work of PVOs, transport contractors, and port operations.

In summary, many organizations and people were attempting to cope with an immense emergency situation to minimize human suffering and death. Other reports document the success of the total effort in meeting this priority. This report addresses issues aimed at improving the financial management and internal control of these operations during execution of the substantial food and relief assistance program during FY 1986 (Appendix D and E) and cites some lessons having ramifications for future emergency assistance efforts.

B. Scope of Work

We have conducted a survey, as requested by the A.I.D. Representative in Addis, to determine if (1) current

systems required by AID regulations, grants and contracts for reporting and monitoring U.S. resources are in place, (2) gaps, inconsistencies and problems with the actual systems exist, and to (3) recommend corrective actions.

To implement this work we did the following:

(a) Interviewed in Washington the representatives of Food for Peace Title II, the African Drought Task Force, the Office of Foreign Disaster Assistance, the Office of Contract Management, and the Office of Financial Management to obtain background on the Ethiopian drought assistance program and identification of all emergency elements, including food and non-food grants and contracts;

(b) Obtained copies of all grants and contracts on file in Washington pertaining to the Ethiopian emergency program, paying particular attention to terms and conditions of the documents;

(c) Checked with appropriate offices in Washington on reports submitted on food and non-food grants and contracts, and examined reports for adequacy of reporting.

(d) Examined USAID files, particularly reports submitted by contractors/grantees on cash and food grants, checking for conformity with A.I.D. regulations and stipulations in grants and contracts.

(e) Reviewed USAID systems for monitoring the emergency food program and cooperating Agency agreements.

(f) Met in Ethiopia with representatives of contractors/grantees receiving U.S. resources in order to review their systems for management, monitoring and reporting on U.S. resources, again checking for conformity with A.I.D. regulations and provisions of contracts and grants. (Appendix F)

(g) Wrote this report based upon the information obtained as above.

(Note: An outline of the proposed steps to execute this scope of work is presented in Appendix G. During the course of the work, it was determined not essential, or not within the time frame, to perform all of the steps; e. g., some of the steps were now being performed by on board staff, or based upon information disclosed during our work the need for further inquiry was obviated.)

II. Findings and Recommendations

A. Port Operations and Discharge Surveyors Reports

(Our port observations were limited to Assab where an estimated 75% of AID food is received for Ethiopia. PVO representatives expressed the view that Massawa and the port in Djibouti operate more effectively and are not as congested as Assab.)

One of the weaknesses in the delivery system, expressed by all of the PVOs, was the delay in obtaining discharge surveyor reports from their surveyor contractors

at the port; i.e., it is not uncommon for the PVO to receive the survey report from four to nine months after a ship arrival in port. Without the discharge surveyor report the PVO cannot process claims for losses and damages through their home office against the carrier. Various persons interviewed on this subject, including port operations managers, PVO representatives, ship representatives and discharge survey contractors, offered the following explanations for the extended delays in issuing discharge reports:

-The Port Authority may take weeks/months in completing the unloading of all of the commodities pertaining to a particular bill of lading assigned to a consignee (PVO). This relates to the fact that the U.S. food arriving on U.S. carriers (some U.S. food was shipped on foreign bottoms and therefore not relevant to this issue) is carried on the ship in barges. The commodities representing one bill of lading may be loaded onto one or more barges. Other cargo unloaded from ships directly onto the quay is frequently given priority over unloading barges, as it is in the Port Authority's interest to unload ships ahead of barges in the port. The barges may be unloaded "piece meal" in between ships and such partial unloadings may not account for the total quantity on a bill of lading, thus delaying the issuance of a discharge report.

-Another reason cited for the slow unloading of barges is that commodities are left on the barges for storage purposes, as there may be a shortage of space at port, or in warehouses further down the system.

-The discharge survey contractor has a limited number of surveyors and tally clerks at the port to conduct the counting and prepare discharge survey reports. The reports are forwarded to the Discharge Surveyor's home office in Addis, then submitted to the PVOs, or, depending upon the parties to the contract, to the Commodity Credit Corporation (CCC). (We were told that the PVOs can obtain a free copy of the discharge survey report when the contract is with CCC.)

We reviewed the question of duplicate payment by WVRO and CCC for the same discharge surveyor services at Port Assab. Based upon our discussions with the parties concerned, we feel that this may have happened. However, it is necessary to identify specific contracts between Galatley Hanky and WVRO or CCC, then an inquiry should be sent to CCC to ascertain if they paid for such services as did WVRO. AID/Addis has initiated a request for contract details from WVRO.

With respect to another issue at the port, we understand that the Port Authority has not issued "Outturn" reports to the carriers in a timely manner, so

that they may have a record substantiating their deliveries. This poses the possibility of port losses being attributed to marine losses, the latter a liability of the carrier. However, this problem is basically an issue between the ship owners and the Port Authority, at least at this point.

We were informed that there have been instances where the Port Quarantine (Health) Officer declared commodities on barges unfit for human consumption, based upon visual inspection without benefit of a laboratory test, or even close examination, precluding the carrier from offloading such cargo and requiring the carrier to take such cargo to other ports or the U.S. Although this results in costs and distress to the carrier, the amount involved is estimated (about 4,000 MT) to be relatively insignificant compared to the overall tonnage shipped in 1985.

LESSONS LEARNED

We observed that CRS was using enclosed containers (similar to lift vans) for loading the commodities at the port to be hauled from the port quay to its nearby yard outside of the port gate. The containers are a safe storage facility in the CRS truck yard in Assab until transport trucks can pick up the containers for transport to primary warehouses. This also precludes reloading, expedites removal from the port and reduces port

congestion. More information on this subject is extracted from a CRS proposal dated October 10, 1985 as follows:

"Part of the existing problem is not only an overall shortage of vehicles, but also inefficient management of existing fleets, which results in a high turn around time. To this end, CRS proposes to introduce a highly efficient containerized operation which would not only greatly reduce turnaround time, but would also provide extra storage facilities both at the port and at primary distribution points. For each vehicle, there would be forty (40) foot containers (35 MT capacity). At all times, one would be on the vehicle, one would be in the port, and one at a primary distribution point. At the port and primary distribution point the contractors will provide heavy lift cranes. In this manner, a vehicle coming from the port to PDP would simply drop the full container, load an empty one, and return to the port. In the port, the empty one would be unloaded and full one loaded. Thus the vehicle avoids any loading/unloading time, and the time spent waiting for the same would be greatly reduced. Besides increasing operational efficiency of the vehicles, this containerized operation would address the storage problem as well, as goods in the port would no longer have to be stacked in the open awaiting transport."

RECOMMENDATIONS:

1. AID/Addis should continue close monitoring of the flow of commodities at the port and related discharge documentation through the system. This effort should be performed, to the extent possible, jointly with representatives of the PVOs and their agents at the port. As these monitoring efforts proceed, it can be determined if it is necessary to bring more official pressure to bear upon the Port Authority to unload barges more expeditiously and to make formal demands in writing to the discharge surveyors to expedite their work. It may evolve that the PVOs need to secure additional warehouse space in country.

2. AID/Addis should consider hiring a part-time monitor at the port to observe and report on activities with respect to each shipment until departure from the port.

3. AID/Addis should follow up with WVRO, FHI and EOC to obtain copies of their contracts with discharge surveyor contractors and a list of payments they have made to the discharge surveyor; then cable CCC to ascertain if they contracted for the same services. If CCC confirms duplicate payment, then AID/Addis should request a refund from the discharge surveyor for credit to CCC. Depending upon their response, AID/Addis may need to request RIG/II/Nairobi assistance.

B. Commodity Tracking System

One of the primary objectives in this survey was to assure that the Private Voluntary Organizations (PVO) handling the receipt, transport and distribution of PL480 Title II food commodities had in place a commodity tracking system providing for accountability of U.S. resources from bill of lading evidencing shipment from the U.S. through the receiving ports to warehouses and then to the recipients of the food. We discussed and reviewed the existing systems and procedures with the PVO representatives. (Appendix F) We visited some of the primary warehouses where the commodities of CARE, CRS and WVRO are stored and tested their records and reviewed their system for food distribution procedures. We found the warehouses, particularly the superb RRC warehouse in Nazareth, and the records adequate and in compliance with PL480 standards. In addition we reviewed AID Food Monitor trip reports covering primary and secondary storage points and distribution centers throughout Ethiopia. (We suggest that food monitors assure that a copy of each trip report is included in subject NGO file as well as the chronological file.) The contracting of two full time food monitors by AID/Addis in November 1985, replacing the need for TDY food monitors from Washington, provides significant improvement and continuity for this important aspect of accountability over U.S. assistance.

Our observations generally substantiate that reasonable and adequate procedures and systems of commodity tracking are provided by the PVOs under the existing circumstances. We did note some instances where the PVOs do not record and report all of the losses to AID/Addis, nor in some instances were they forwarding discharge surveyors reports to the home office to support claims. However, the PVOs unanimously stated that losses are relatively small, but they would correct this oversight..

With such a dynamic program implemented by so many agencies, AID/Addis, NGOs and their auditors will need to continue to emphasize monitoring work. In this regard it is noted that all of the NGOs representatives interviewed stated that they were recently audited by their internal or external auditors, or an audit was scheduled soon.

Note: We noted that SAVE has written procedures for commodity tracking that appeared to be simple, but complete, and could be used as a model by the AID/Addis Food Monitors in testing other PVOs implementing the smaller programs.

LESSONS LEARNED:

AID/Addis recognizes and we concur that emergency food programs of this magnitude could benefit from full time AID Food Monitors (PSCs) from the beginning of the program. However, in this instance, with staffing

constraints and non-availability of PSCs, AID/Addis was forced to rely upon TDY assistance from AID/W on an as available basis.

RECOMMENDATIONS:

1. AID Food Monitors should include in their check list for field trips the following steps to be performed on a selective basis:

a. obtain schedules of periodic inventory taking by PVOs.

b. arrange to be at primary warehouses at time of physical inventory taking and test the counts, observe that commodities are stacked orderly so as to be conducive to accurate count, note that comparison and recording of physical inventory counts are made to inventory records, note their follow-up on any differences, and that adjustments are included in reports to PVO headquarters in Addis.

c. scan warehouse and distribution center records for obvious errors and compare records to reports sent to PVO headquarters in Addis.

d. test procedures at the warehouses for "checking-in" commodities received from the port, i.e.:

-commodities delivered agrees with waybill carried by the truck driver.

- spoilage or loss recorded and reported.
- entries into "book inventory" agree with receiving document.
- losses or damages reported to their headquarters, then to AID.

e. review storage conditions:

- security
- rodent free
- facilities for spraying, if necessary.
- stacked so food can be moved out on a First-In-First-Out (FIFO) basis.
- rebagging facilities for broken bags.

f. procedures for determining if food "unfit for human consumption":

- request for disposal sent to AID.
- health certificate obtained.
- disposition of commodities recorded.
- report sent to AID.
- deposit of proceeds from sales with U.S. Embassy.

g. review documentation of shipment of commodities from warehouse to distribution centers:

- notification procedures authorizing shipment.
- use of waybill, or if own trucks, how count is controlled.

- decrease recorded in warehouse "book" inventory.
- reports to PVO headquarters of any differences between amounts shipped and amounts received at distribution centers.
- reports to AID/Addis on losses.

h. compare quarterly Commodity Status Reports with supporting documents submitted to the headquarters from the field.

C. Losses

We were informed that CRS will file a claim against the carrier for a few thousand MT of spoiled commodities regarded as marine losses as they had not been as yet unloaded from barges; a few barges sunk at the port and other commodities on board other barges suffered from sea water damages.

Two PVOs, CARE and CRS, advised us they have filed claims for losses within the port areas and losses occurring on the government run railroad. They have thus far been unable to collect on these claims against the Ethiopian Government run organizations, and both PVOs stated they doubted that they would collect on the claims. As AID/Addis has very little, if any, leverage with the Government of Ethiopia, there is probably nothing that can be done about these losses.

The PVOs unanimously attested that losses of commodities from the port to final recipient have been insignificant overall, or as CARE and CRS representatives expressed it--the losses were minimal when compared to their inland loss experience in other countries. The PVOs basically attributed this result to the honesty and integrity of the Ethiopian people, perhaps reinforced by an authoritarian regime.

However, we observed that some of the PVOs, while experiencing small losses, have not reported these losses to AID/Addis or to their Addis headquarters. AID/Addis is making a point of this oversight during field visits as well as requiring such information in the PVO quarterly report submissions to AID/Addis.

CRS advised us that although they are regularly filing claims on all losses, even those with a value of less than \$300, they have not yet analyzed these losses to determine how many of the collections were in excess of \$100, which need to be deposited with the U.S. Disbursing Officer.

RECOMMENDATIONS:

1. AID/Addis should continue written requests for commodity loss reports from the PVOs, and remind them at quarterly meetings if such are not forthcoming. At the same time AID/Addis food monitors should pursue the issue of losses during their visits to field sites, ascertaining if losses are reported to the PVO Addis office.

2. AID/Addis should follow up with CRS to determine the amount of loss claims which should be deposited with the U.S. Disbursing Officer.

D. Potential Sources of Funds to NGOs From PL480

Program

There are three potential sources of funds to the NGOs related to AID's PL480 program in Ethiopia. These are:

- Collection of fees from recipients
- Disposition of empty containers
- Disposition of commodities unfit for authorized use

Collection of Fees from Recipients

Under a "regular" PL480 Title II program, based on their ability to pay, recipients may be charged a fee at the time they receive food. Such a fee is usually waived during emergency programs, and in the case of the emergency food program in Ethiopia the AID/Addis office considered that collection of such fees would be unconscionable.

Early in the program it came to the attention of AID/Addis that some agencies of CRS had been collecting fees from recipients under the emergency program. CRS was advised to put a halt to these collections and agreed to do so. During our survey, we found no instances when fees were currently being collected by any NGOs under the emergency program.

Our review of CRS internal audit reports for those areas where in the past fees had been collected under the emergency program disclosed that the following funds for fees were currently on deposit:

Mekele	Birr 71,256
Adigrat	26,788
Zalambesa	24,318
Axum	4,042
Adwa	4,562
Eritrea	<u>53,885</u>

Birr 184,851 (equiv.\$90,171)

CRS officials advised us they were waiting for a proposal from recipient agencies on how to utilize these funds; and upon receipt of the proposal CRS would submit it to AID/Addis for approval.

CRS has had a "regular" PL480 Title II program in Ethiopia for many years. This regular program is continuing simultaneously with the emergency program operated by CRS. Under this "regular program, some CRS agencies are collecting fees from recipients. We found that CRS had adequate records disclosing the amount of fees collected, and that use of the funds was for program expenses as authorized by AID regulations.

Disposition of Empty Containers

AID regulations permit disposition of empty PL480 containers (bags, cans, drums) free of charge to eligible food recipients, or these containers may be sold or exchanged. If sold, use of proceeds is restricted for use as program costs; e.g., transportation, storage, handling, insect and rodent control, rebagging of damaged commodities, or other program expenses.

Our survey indicated the following methods were being used by NGOs to dispose of empty containers:

<u>NGO</u>	<u>Sold</u>	<u>Exchanged</u>	<u>Given Away</u>
CRS	X		X
WVRO	X		X
CARE		X 1/	X
LWF	X		X
SCF			X 2/
FHI	X		X
LICROSS			X
ICRC			X
EOC			X

1/ In some instances CARE was using empty containers as payment to laborers for rebagging commodities and carrying food into and out of warehouses.

2/ SCF advised us they plan to sell containers in the near future.

Of the four NGOs selling empty containers, only one (LWF) advised us their Addis headquarters does not have knowledge of the amounts of funds collected or the use made of those funds.

AID auditors invariably review the procedures used by NGOs in (a) collecting fees from recipients, (b) sales of empty containers, and (c) the uses of proceeds from both. To lessen their vulnerability in this situation, AID/Addis should obtain periodic (perhaps quarterly) reports from NGOs collecting fees and/or selling containers. These reports should contain information on amounts received and on uses made of the funds.

Disposition of Commodities Unfit for Authorized Uses

At times commodities (especially bagged commodities) are damaged to the extent they are no longer fit for human consumption. When this occurs, AID regulations require that a certification be obtained from a public health official or other competent authority. The AID office is to be advised of the problem, and should determine the method for disposal of the commodities in accordance with priorities prescribed in AID regulations. The first priority in the AID regulations would not apply in Ethiopia as there are no AID projects here. The second priority in AID regulations is to sell the commodities as animal feed, fertilizer, or for industrial use at the

highest obtainable price. Proceeds from the sale of commodities unfit for human consumption (less costs of certification by health officials and costs of sale) are to be deposited with the U.S. Disbursing Officer at the American Embassy for credit to the Commodity Credit Corporation (CCC). We were advised by AID/Addis that as this is a humanitarian program, they had decided that disposal of commodities unfit for human consumption should be to give such commodities free of charge to needy persons for use as animal feed or fertilizer. Although we concur with their rationale, we suggest that "for the record" they obtain the concurrence of FVA/FFP in AID/W.

Although we noted instances of commodities which had been spoiled to the point where they were unfit for human consumption, some of the NGOs did not seem to understand they were required to obtain disposition instructions from AID/Addis prior to disposing of the commodities. With this lack of understanding, it is possible some PVOs sold some commodities which were unfit for human consumption. During discussions with personnel of the U.S. Embassy Disbursing Office, we were informed that they had not collected any funds from NGOs for this purpose over the past year.

AID/Addis should institute procedures to remind the NGOs of their responsibilities on handling PL480 commodities which are unfit for human consumption.

RECOMMENDATIONS:

1. AID/Addis should:

(a) If the proposal from CRS on how to utilize the funds collected (Birr 184,851) from recipients under the emergency program has not been submitted by June 30, 1986, follow-up with CRS.

(b) Obtain periodic reports from those PVOs who are collecting fees from recipients, or selling empty containers, to disclose the amount of funds collected and uses made of those funds.

(c) Advise FVA of the AID/Addis decision to give priority to free disposition to needy persons of commodities unfit for human consumption for use as animal feed or fertilizer, and request their concurrence in this decision.

(d) Remind all PVOs of AID's requirement that (1) only AID/Addis may authorize the disposition of PL480 commodities which are unfit for human consumption, and (2) net proceeds from sale of commodities unfit for human consumption must be deposited with the U.S. Disbursing Officer.

(e) Follow-up with all NGOs to determine if they have sold any commodities unfit for human consumption since the beginning of AID's emergency food program in

Ethiopia; and if so, ensure that net proceeds from such sales are promptly deposited with the U.S. Disbursing Officer.

E. Inland Transport

Lessons Learned

1. One of the major concerns during FY 1985 and early FY 1986 has been the matter of sufficient trucks for inland transport of PL480 commodities from the ports to the recipient. We noted that AID/Addis obtained TDY experts to come to Ethiopia to review internal transport needs. We believe that future emergency efforts similar to the program in Ethiopia would benefit from the early deployment of a team of transport experts, with cost analysis capability, to assist the resident staff in resolving some of the inherent issues; e.g.,:

- total fleet requirements
- appropriate costs
- sources
- vehicle specifications

2. In discussions with the PVOs, the question was raised as to the need for identifying OFDA and FVA/FFP grant agreements for inland transport with specific shipments of food. The PVOs feel that the procedures resulted in additional, unnecessary record keeping for them. Although it was necessary to use the planned total

shipments of food in calculating the amount of the grant to the PVOs for inland transportation, the grants could have covered several scheduled shipments over the FY. Thus it would not have been necessary for the PVOs to identify inland transportation bills by each shipment, rather only against U.S. shipments during the FY.

F. U.N. Truck Fleet (World Food Program Transport Operations in Ethiopia--WTOE)

In December 1984, shortly after AID got involved in providing assistance to the emergency drought situation in Ethiopia, a transport expert on TDY to AID/Addis predicted a significant shortage of both long haul and short haul trucks within Ethiopia to move food commodities from ports to distribution centers. It was decided, however, that AID procurement of vehicles for use in Ethiopia would not be permissible under the Hickenlooper amendment.

Subsequently, in March 1985, a revised interpretation of the Hickenlooper amendment indicated it would be permissible to procure trucks to carry U.S. relief commodities, and AID/Addis was requested to develop plans in conjunction with PVOs for a fleet of vehicles. Another TDY expert reviewed the vehicle situation in Ethiopia, and concluded that the problem was too large for the U.S. to handle alone, that the U.S. contribution should be limited to providing one-third of the needed vehicles, and that the U.S. should assist the U.S. PVOs to be self-sufficient in short haul vehicles.

Thus a plan was sent to AID/W to establish a consolidated fleet of PVO vehicles with their own maintenance facilities. It was also recommended that this fleet be managed by a private U.S. firm already doing business in Ethiopia. This plan was not accepted by AID/W based on their rationale that sufficient private funds were then available to the U.S. PVOs to procure trucks.

In August 1985, the AID Administrator visited Ethiopia and discussed the transportation problem with AID/Addis and the UN Assistant Secretary General for Emergency Operations in Ethiopia. During these discussions it was decided that a fleet to be administered by the UN Office for Emergency Operations in Ethiopia (UN/OEOE) and managed by the U.S. private firm already in country would probably go a long way to solving the transportation problem. The AID Administrator pledged U.S. support. Band Aid/Live Aid had already promised to match the U.S. contribution to the UN fleet.

A delay developed when the UN Headquarters in New York would not agree to having a UN Truck Fleet administered by UN/OEOE, and insisted that it be administered by the World Food Program (WFP). A survey team from WFP headquarters in Rome concluded that WFP should establish its own transport operations to manage the fleet rather than have

a private contractor. This was despite the objections of the in-country representatives of the UN, WFP and AID/Addis as they preferred the firm with experience in Ethiopia.

In any event, under the final agreement, AID, the Band Aid Trust/Live Aid Foundation, and the United Nations jointly agreed to provide funding to set up an organization to be known as the World Food Program Transport Operation in Ethiopia (WTOE) for the sole purpose of managing, operating and maintaining a fleet of 250 trucks/tractors and a corresponding number of trailers. This operation is commonly known as the UN Truck Fleet.

This fleet of trucks was to be operated under the following four guiding principles:

- Movement of emergency relief and recovery cargo only, with no diversion of the trucks from the intended purpose;
- Absolutely no support for the military or the resettlement program;
- No substitution of the UN trucks for trucks now committed by the the Government of Ethiopia to the movement of relief cargo; and
- The fleet must be managed as an independent unit; i.e., not as an arm of the Government, and without outside interventions.

AID's contribution toward the UN Fleet consisted of:

-Provision of 150 new trucks/tractors and 200 new trailers for use by the fleet for twelve months. (AID provided these vehicles through a lease agreement with World Vision Relief Organization (WVRO) at a cost of \$13.5 million.)

-A grant of \$2.4 million to the United Nations Office of Emergency Operations in Africa (UN/OEOA) for use in the management of day-to-day operations and maintenance of the UN Fleet.

Our review of this operation to date indicates several areas where additional follow-up work by AID/Addis may be necessary.

- Potential excess of vehicles for hauling emergency relief commodities.

- Difficulty in getting newly arrived UN Fleet vehicles cleared through the ports.

- Lack of a written agreement for the provisional tariffs currently being charged by WTOE.

- Uncertainty whether the liquidated damages provision of the AID/WVRO lease will be invoked.

1. Potential excess of vehicles for hauling emergency relief commodities.

There is no doubt that when emergency relief commodities began arriving in Ethiopia, there was a

significant shortage of vehicles for transporting the commodities to where they were most needed. Thus, AID and other donors began procuring trucks and trailers to move commodities by road. We do not have information on how many vehicles (long haul and short haul) were procured by all donors during the first year of the emergency; however, 75 vehicles capable of the "long haul" from the port to primary warehouses were procured under various AID grants between the beginning of the emergency and establishment of the UN Fleet. (See Appendix H) We are also aware that CARE procured their own fleet of more than 30 "long haul" trucks. Thus, it is apparent that significantly more trucks were available toward the end of the first year of the emergency.

We noted cables from AID/Addis stating that the biggest problem with the UN Fleet was a lack of contracts to move cargo from the port. During our discussions with CARE and CRS (the two largest voluntary agencies receiving U.S. food commodities), we were told they foresaw little if any requirements to use the UN Fleet. We were also told that although the RRC had been expected to use the UN Fleet, they had not yet done so. There have also been reports that contrary to one of the guiding principles for the UN Fleet, trucks previously committed by the Government of Ethiopia to carry emergency relief commodities are now being used for other purposes.

It may be too early to claim that provision of an additional 250 "long haul" trucks for the UN Fleet was excess to requirements. It will, however, be necessary for AID/Addis to keep a close watch on the utilization of the UN Fleet and encourage all PVOs receiving U.S. commodities and other donors of emergency food aid to utilize the UN Fleet rather than NATRACOR whenever their own trucks cannot handle the volume of food in the port areas.

2. Difficulty in getting newly arrived UN Fleet vehicles cleared through ports

WTOE has been experiencing difficulties in getting vehicles promptly cleared through the two Ethiopian ports. The agreement between the UN and the RRC provided for clearance of the vehicles as relief equipment--thus free of duty and port charges. When the vehicles began to arrive, WTOE processed forms for clearance as though these were regular UN vehicles. This was done to ensure that the UN would be able to maintain adequate control when it became necessary to dispose of the vehicles. Using this type of clearance form, the port authorities did not recognize the vehicles as relief equipment, and considered it necessary to levy various port charges. The UN was able to clear some of the vehicles by providing the port authorities with a written agreement to eventually settle

charges after a determination was made within the Ethiopian Government -- expecting the determination to be that the vehicles were relief equipment. After a period of time in clearing vehicles in this manner, the port authorities decided they would not clear additional vehicles until the issue was either resolved or the prior charges paid. During February and March 1986, vehicles which arrived at Assab and Massawa were not cleared through the ports.

We understand that at the end of March 1986, the Minister of Transportation intervened and instructed the port authorities to accept assurances from RRC that the vehicles should be cleared from the port. It remains to be seen if this intervention by the RRC will enable WTOE to clear the vehicles without payment of port charges. Further, the issue as to designation of the vehicles as relief equipment is yet to be resolved.

3. Lack of written agreement for the provisional tariffs currently being charged by WTOE

There were lengthy discussions between WTOE, AID/Addis, AID/Washington, and the RRC about the rates to be charged by WTOE for use of the UN Fleet. WTOE initially thought it should charge the same rates being charged by NATRACOR. This would have precluded the UN

fleet from being accused of undercutting the commercial truck fleet rates. However, the UN fleet would then have run at a revenue surplus or "profit." AID felt the rate charged should be discounted to reflect AID's financial input to the UN Fleet.

Based on discussions with WTOE personnel, we understand WTOE will use a dual rate -- the NATRACOR rate when carrying non-U.S. relief commodities, and an "at cost" rate when carrying U.S. relief commodities. The "at cost" rate would cover only fuel, spare parts, tires and other operational expenses not covered by the donor grants. This rate was provisionally estimated at 65% of the NATRACOR rate. It was agreed the RRC would also pay the "at cost" rate for relief commodities from any donor. We understand this provisional rate is to be used until WTOE has more accurate estimates of their costs based on historical data. We have not, however, found any written agreements in AID/Addis files to this effect.

4. Uncertainty whether the liquidated damages provision of the AID/WVRO lease will be invoked

The AID lease agreement with WVRO for leasing the 150 long haul trucks and 200 trailers provided for a twelve month lease at a cost to AID of \$13.5 million. Section F of that agreement contained the following clause for liquidated damages:

"Delivery shall be on or before the following date(s):

The initial shipment of trucks and trailers	10/29/85
Balance of trucks and trailers	11/12/85

Time is of the essence in this lease and the AID Contracting Officer may terminate this lease or charge the Lessor liquidated damages at the rate of \$4,500 per day for every day the Lessor does not meet the above delivery schedule."

The delivery schedules slipped and the final 15 trucks arrived about February 15, 1986. The accountant for WVRO told us that deliveries were beyond the control of WVRO; and as AID recognized this, he expected Section F of the lease agreement to be revised and the initial date of the lease to also to be revised to February 15, 1986. We found nothing in AID/W or AID/Addis files to indicate that the lease agreement was being revised; neither did we find anything relating to initiation of a claim for liquidated damages.

RECOMMENDATIONS:

1. AID/Addis should:
 - a. Continue to follow-up with all PVOs receiving U.S. commodities, and with other donors, to encourage them to utilize the UN Fleet whenever their own vehicles cannot handle the volume of food in the ports.

b. Ensure that a written agreement is obtained from WTOE on the rates to be charged by the UN Fleet for hauling U.S. commodities.

c. Discuss with AID/Washington whether an amendment to the WVRO truck lease is justified, or if a claim for liquidated damages should be initiated.

d. Inform AID/W if significant under utilization of the vehicles does materialize, suggesting that AID/W negotiate with the UN and WVRO the transfer of the vehicles to another program.

G. Non Food AID

In addition to providing PL480 commodities and funds to transport those commodities from ports to distribution centers, AID also provided (a) grants to certain NGOs to assist them in establishing feeding/health centers, (b) grants to UNICEF for general relief activities, and (c) a contract for airlift of commodities to areas which could not be readily reached by truck.

Grants to NGOs

Following is a list of the major non food grants provided by AID to NGOs, and the purpose of the grants:

	(\$000)	
<u>NGO</u>	<u>Amount</u>	<u>Purpose</u>
CARE	397.6	Monitoring AID grant of 50,000 MT of food to the RRC.
WVRO	1,597.7	Provide food, water and medical assistance at three primary feeding centers.
"	1,113.0	Operate two Twin Otter aircraft in support of five nutritional health centers.
"	3,641.7 ^{1/}	Establish health and nutrition feeding programs at nine centers.
WVRO	1,613.7	Provide support (vehicles, staff and operating expenses) for the emergency food distribution program.
SCF	980.0	Procure trucks for the emergency distribution program.
ICRC	400.0	Provide funds for transporting trucks to Ethiopia.
FHI	803.9	Establish five emergency relief feeding sites.

1/ An amendment to extend this grant was in process during our review in AID/W.

(\$000)		
<u>NGO</u>	<u>Amount</u>	<u>Purpose</u>
ADRA	620.9 ^{2/}	Provide personnel, commodities and logistical support for ADRA's feeding program.
LICROSS	2,588.3 ^{3/}	Provide seeds, fertilizers, pesticides farming tools and technical assistance to Wollo Region.
HPI	540.0 ^{3/}	Provide oxen and farm implements to be used in a Draft Oxen Restocking Program.

2/ As AID/Addis felt ADRA was not implementing this program in accordance with their proposal, or as well as other NGOs, and had not submitted any financial or progress reports, this grant was terminated.

3/ These recent grants were in the initial stages of implementation at the time of our survey.

Based on our review of reports submitted by the NGOs, and/or reports of field trip visits by AID employees and personal service contractors, it appeared that the purposes of these grants (except the ADRA grant, as noted

above) were being accomplished. During our survey we ascertained that these NGOs had supporting documentation available for audit by AID or Congressional personnel.

Grants to UNICEF

AID made three grants to UNICEF:

(\$000)			
<u>Grant No.</u>	<u>Amount</u>	<u>Period Covered</u>	<u>Purpose</u>
4187	1,000	8/30/84 - 5/31/85	In support of UNICEF's emergency relief program for victims of the drought.
5074	750	4/01/85 - 12/31/85	Emergency water drilling program.
	29		Water Containers
5093	1,000	5/14/85 - 5/13/86	Tires and funds to transport emergency commodities.

Grant 4187:

Although this grant terminated on 5/31/85, UNICEF has not yet submitted any formal reports to AID. UNICEF was required to submit a "final report on activities carried out under this grant, including accounting for these funds in sufficient detail to enable AID to liquidate the grant." During our survey we were provided with a copy of the UNICEF/Ethiopia Progress Report No. 1, which had been submitted to UNICEF headquarters in October 1985. This "preliminary" progress report indicates that more than \$1 million was spent by UNICEF, but that the funds were not entirely utilized according to the cost breakdown of UNICEF's proposal, since between the time of submission of the proposal and the time funds were received the situation had changed and other priorities emerged.

Grant 5074:

UNICEF/Ethiopia had a final report on this \$750,000 grant with detailed information of the twelve bore holes constructed with grant funds. The costs attributed to this grant totaled \$620,985; however, these costs have been estimated by UNICEF because shipments of some of the items ordered have not yet arrived. During our last few days in Ethiopia, an AID engineer from REDSO/EA was on a site check of the bore holes. Prior to making his

inspection, he told us he believed UNICEF's final costs for the type of equipment being procured should be less than the total of the AID grant.

In conjunction with this grant, AID procured 24,160 water jugs and paid the transportation to ship them to Ethiopia. UNICEF personnel advised us these water jugs had not yet arrived in Ethiopia, but they believed they were currently in the port of Djibouti. They also told us these water jugs were originally intended to be used at feeding camps; but as most of the camps had now been disbanded, UNICEF would decide how they could be best utilized.

Grant 5093:

The purpose of this grant was to ensure that (a) tires were available in Ethiopia for trucks being used to transport emergency food commodities, and (b) funds were available to pay NATRACOR under a transport agreement between the U.N., the RRC and NATRACOR. Under a contract with Goodyear International, AID ordered 2,908 sets of tires. UNICEF records indicate that 2,896 sets of tires arrived and were distributed to the RRC (1,328 sets) and NATRACOR (1,568 sets). (During our review of the AID/Washington Controller's records, we noted that Goodyear had been paid \$482,500 against the contract value of \$485,080. Thus, it is possible not all ordered tires were shipped.)

At the time of our survey at UNICEF, only \$53,718 (of the \$500,000 available) had been paid to NATRACOR for transportation of food commodities consigned to the RRC. Within the last week of our survey, at the request of UNICEF, AID/Addis sought permission from AID/W to amend the grant in order to utilize part of the funds for badly needed pallets at the port of Djibbuti to properly store AID food commodities; and to extend the period of the grant through December 31, 1986, to be consistent with the time frame AID anticipates having an emergency food program in Ethiopia.

Contract for Airlift of Food Commodities

Toward the beginning of the emergency food program, it was determined that trucks would be unable to readily reach many people who needed food to stay alive. Thus AID, and other donors, arranged for airlifts of food. AID signed a contract with Transamerica Airlines to airlift food from Asmara primarily to Mekele and Axum--two cities which could not be reached by road due to local factions between Asmara and these two cities being at war with the Government of Ethiopia. This contract was initially for a two month period, but was amended several times and eventually covered the 13 month period of November 1984 through November 1985. The total amount obligated under this contract was \$16.6 million.

Starting about April 1985, members of AID/Addis staff noted various discrepancies with the flight times being reported by Transamerica, and also noted other inconsistencies. These matters were reported to AID/W. Since all Transamerica personnel and records were gone from Ethiopia at the time of our survey, we were not able to discuss any issues with Transamerica or review their records. We did, however, review AID/Addis files, and sent copies of pertinent correspondence and analyses previously made by AID/Addis personnel to AID's Inspector General in the event his offices wished to further pursue this matter or make a financial audit of the Transamerica contract.

RECOMMENDATIONS:

1. AID/Addis should:

(a) Review the use of funds by UNICEF on Grant No. 4187 to determine if the changes between UNICEF's proposal and actual usage are in consonance with the type of relief efforts supported by AID.

(b) Follow-up with UNICEF to ensure their final report on Grant No. 4187 is promptly submitted to AID/Washington.

(c) Follow-up with the REDSO/EA engineer to obtain a realistic estimate of the cost of the twelve boreholes and related equipment, compare that amount to final cost

figures of UNICEF when they are available, and advise OFDA and the AID Controller of the amount of refund AID should receive from UNICEF under Grant No. 5074.

(d) Follow-up with UNICEF to ensure that when the 24,160 water jugs are received, they are utilized on a relief activity which can be supported by AID.

(e) Follow-up with UNICEF, OFDA and the AID Controller to determine if AID paid for the twelve sets of tires not received under Grant No. 5093; and, if appropriate, research the matter of the missing sets of tires.

H. Financial Status of Operational Grant Agreements

Our review of records in M/FM in Washington of the status of drawdown under letters of credit and expenditure reports liquidating advances to NGOs disclosed a minimum of financial reporting by the NGOs. The status of the funds made available to the NGO reports as of February 1986 is presented in Appendix I.

RECOMMENDATIONS:

1. AID/Addis should:

a. Request AFR/Ethiopia Desk to obtain from M/FM an up date of Appendix I as of the end of April 1986 and every 60 days thereafter until the end of CY 86.

b. Based upon such reports, AID/Addis should follow up with the NGOs as appropriate to ascertain the reason

for lack of financial activity against their grant. If the NGO has submitted their disbursements to their headquarters on a reasonably current basis, then the NGO should be requested to follow up with their headquarters to submit vouchers to liquidate advances.

I. Payment Verification Process of Vouchers Submitted by Organizations under Grants for Internal Transport

Appendix I summarizes agreements providing for funds to be advanced, funds to be drawn down under Letters of Credit, or for reimbursement of funds expended by the PVOs for cost of transporting PL480 commodities within Ethiopia. The question of the AID/Addis mission verifying NGO vouchers under direct reimbursement procedures requiring administrative approval of a volume of invoices prior to payment has been at issue since early in 1985. The circumstances surrounding this program in Ethiopia should have made the answer obvious to AID/W if they would have focused on the issue. The AID/Addis circumstances involve only a staff of four professional U.S. direct hire without benefit of Controller skill, and a program valued at approximately \$253 million in PL480 Title II food and \$29 million in non-food aid in FY 1985. The program levels for FY 1986 are somewhat reduced, but on the same

order of magnitude. The Regional Financial Management Center (RFMC/Nairobi) workload prior to the Ethiopian emergency exceeded their capacity to meet their regional work, and they were not directed to give priority to the Ethiopia program. (See the November 1984 Assessment of RFMC/Nairobi which reflected a workload in excess of present staff capacity and projected an expanding workload exclusive of the Ethiopia program.) However, AID/Addis simply could not handle the voluminous invoice verification process under existing constraints, and the Letter of Credit procedures for timely funding of the PVOs' inland transport costs (requiring after the fact administrative approval) should have been established from the beginning. Instead numerous cable exchanges between AID/Addis and AID/W ensued over about one year before AID/W finally agreed to amend the agreements in January 1986 (State 30904).

However, we were unable to assure ourselves that FY 1985 PA/PR's have been amended to reflect the LOC method of financing for the following:

	<u>PA/PR Number</u>	<u>Amount</u>
CARE	5702	\$ 2,960,000
WVRO	5704	2,639,875
CRDA	5707	360,000

The records available to us in AID/W indicated that only an advance of \$600,000 had been made against 5702, and no disbursements made against 5704 and 5707 as of February 26, 1986. Therefore, we believe AID/Addis should request AID/W to amend these agreements, if the AID/W records in fact do show undisbursed balances.

LESSONS LEARNED

We believe that under the existing circumstances of a sizeable PL480 Title II program and limited resident staff, reasonable control is provided for when there are U.S. PVOs with acceptable accounting systems, subject to their own internal and external audit, including AID and GAO audit, handling the U.S. funds. Then the resident U.S. direct hire, familiar with the PVO activities and the costs to be incurred, would provide administrative approval of the expenditures under the Letter of Credit method of financing after reviewing the expenditures for reasonableness.

RECOMMENDATION

1. AID/Addis should request AID/W to amend the above PA/PRs to provide reimbursement under the LOC procedures, if there are remaining undisbursed balances.

Reimbursement to RRC for Inland Transportation

Closer scrutiny is required for host country costs. In the case of RRC, the OFDA grant dated 2/25/85 provided

\$450,000 and the FFP PA/PR 5703 provided \$2,050,000 for inland transport charges. These agreements provide for the vouchers to be received by AID/Addis and processed by RFMC/Nairobi.

In support of reimbursement of RRC inland transport costs, the AID/Addis files should document the administrative approval of the RRC billings in line with the Agency's "Payment Verification Policy" which follows:

In addition to the (required) negative statement by the Project Officer that he/she knows of no reason why the voucher should not be approved, the Agency now requires information as to the basis for your approval, i.e.:

- number of field visits to the project site in last three months.

- number of visits to implementing agency's main office to discuss project implementation.

- number of times met with counterpart in last three months to discuss contractor performance, commodities delivered, etc.

- based upon project site visits, AID/Addis has sufficient information to provide an administrative approval of the invoice.

- none of the above, but other basis to approve the invoice as specified.

RECOMMENDATION

1. AID/Addis should:

a. compare the RRC billings with reports from CARE and AID/Addis monitors, the monitors having observed RRC truck deliveries and the food in the warehouses, or distribution centers, and noted delivery receipts and related documentation on file.

b. compare the MT shipments billed with MT in the system for the destination indicated. Also the reasonableness of the billings can be affirmed by comparison with approved programs for specific locations as reflected in available statistical records.

c. assure that airlifts were not used for destinations and periods billed.

d. other points of comparison available to knowledgeable AID/Addis staff familiar with the program.

e. verify that billings to USG represent only 50% of eligible costs incurred.

f. obtain assurances from RRC that documentation supporting total billing will remain on file with the Ministry of Finance and the RRC.

(The steps taken should be summarized, and included as part of the administrative approval with the voucher transmitted to RFMC/Nairobi for processing.)

J. AID/W Coordination with AID/Addis

LESSONS LEARNED

One thing we found disturbing was the necessity for AID/Addis to repeatedly request copies of grant agreements and contracts from OFDA and FVA/FFP in Washington. One of AID/W's primary responsibilities is to make certain that the field has such documentation on a timely basis so that the field may be able to monitor implementation of the agreements. If pouches are unreliable, an exchange of cables can confirm transmission. However, this action was obviated by the number of TDYs during FY 1985. Such documents could have been hand carried to post by TDYers.

K. Phase Down

Present plans call for ending a resident U.S. Direct Hire presence in Addis Ababa o/a the end of CY 1986. Steps should be taken in advance to afford an orderly phase down. The following should be given consideration to facilitate an orderly closing down.

RECOMMENDATION:

1. AID/Addis should send letters of instructions to each NGO having USC resources for which they do not have a final report on file. These letters should cite

the reporting requirements, the need to maintain records subject to audit for a stated period and other stipulations as specified in the grant agreement. A summary of the agreements available to us is presented in Appendix I.

2. AID/Addis should request M/SER to assist and coordinate:

-in the retention, destruction and disposition of all files.

-in the disposition of AID non-expendable property.

3. AID/Addis should prepare a "Final Summary Report" in the format as prescribed in Appendix F of Handbook 8, Chapter 3.

Appendix A

Accountability Survey
of Emergency Assistance to Ethiopia

AID/Addis StaffArrival DateU.S. Direct Hire 1/

AID Representative	F. Fischer.....	1/85
Deputy AID Representative	R. Machmer.....	1/85
Food for Peace Officer	C. Gordon.....	2/85
Secretary	C. Dwyer.....	3/85
Program Officer	W. North.....	2/85 to 7/85
Project Development Officer	J. Pagano.....	7/85

Personal Service Contractors

Administrative Officer	B. Sparkman.....	11/84
Program Assistant	C. Heffernan..	11/84 to 7/85
Program Assistant	D. Dwyer.....	3/85
General Service Officer	S. Kolstad.....	5/85
Food Monitor/Prog. Asst.	K. Dolan.....	11/85
Food Monitor/Prog. Asst.	S. Reed.....	11/85

1/ This staff was assisted by over 35 TDY personnel during FY 1985. There also were U.S. direct hire personnel here on TDY during late CY 1984.

ACCOUNTABILITY SURVEY
OF EMERGENCY ASSISTANCE TO ETHIOPIA

U.S. EMERGENCY ASSISTANCE TO ETHIOPIA - FY 85

FOOD AID

<u>RECIPIENT*</u>	<u>COMMODITIES</u> <u>APPROVED</u> <u>(IN MT)</u>	<u>ARRIVED IN</u> <u>ETHIOPIA</u> <u>(IN MT)</u>	<u>VALUE OF MT</u> <u>APPROVED**</u> <u>(\$ 000 US)</u>
CARE	41,527	41,526	22,364.3
CDAA	161,194	156,745	108,546.0
CRS -- Emer.	40,558	40,558	22,356.6
CRS -- Regular	11,869	11,869	5,369.7
CRS -- North	9,000	5,000	4,763.0
CRS -- MC	4,654	4,654	2,833.8
ICRC	37,635	37,635	18,086.3
ICRC/CRDA (Seeds)	5,000	5,000	1,350.0
LICROSS	11,610	11,610	5,483.9
RRC	50,000	50,203	18,833.0
SAVE	17,401	16,024	9,340.9
WFP/IEER	9,973	9,979	5,165.1
WVRO	35,464	35,120	24,137.0
WVRO -- North	8,100		4,843.8
Subtotal	<u>443,985</u>	<u>425,923</u>	<u>253,473.4</u>

NON FOOD AID

<u>ITEM</u>	<u>VALUE OF</u> <u>APPROVAL</u> <u>(\$ 000 US)</u>
ADRA (Blankets, Medicines, Logistics)	621.1
ADRA (Airfreight)	12.5
Africare (Medical Teams)	300.0
AJJDC (Medical, Shelter Supplies)	350.0
CARE (Food Monitors)	397.6
Concern (Plastic Sheeting)	55.8
FFH (Support for Feeding & Med. Services)	683.8
Heifer Project Int'l (Draft Oxen)	540.0
Helen Keller Int'l (Medical Support)	34.2
ICRC (Air Transport of Trucks)	400.0
Interaction (Support for Flying Tigers)	17.1
RRC (Fuel Costs for Food Airlift)	25.0
RRC (Blankets, Plastic Sheeting)	170.2
Transamerica (Emergency Food Airlifts)	16,627.3
UNDRO (Monitoring/Coordination Support)	65.5
UNICEF (Truck Leasing and Tires)	1,000.0
UNICEF (Water to Displaced Persons)	750.0
UNICEF (Relief Flight from Europe)	53.0
WASH (Water/Sanitation)	150.0
WVRO (Air/Ground Transport, Water, Medicines)	1,597.6
WVRO (Feeding Center Expansion)	3,808.0
WVRO (18,000 blankets)	71.1
WVRO (Operating Costs for Twin Otters)	<u>1,113.0</u>
Subtotal Non-Food Assistance	28,842.8
<u>TOTAL U.S. EMERGENCY ASSISTANCE</u>	<u>282,316.2</u>

* Full names in Appendix E

**Includes commodity, ocean freight and internal freight.

ACCOUNTABILITY SURVEY
OF EMERGENCY ASSISTANCE TO ETHIOPIA
TOTAL EMERGENCY ASSISTANCE TO ETHIOPIA (U.S. FY 1985)

<u>COUNTRY</u>	<u>FOOD AID</u> <u>(\$000)</u>	<u>NON-FOOD AID</u> <u>(\$000)</u>	<u>TOTAL AID</u> <u>(\$000)</u>
Australia	14,474	9,849	24,323
Austria	1,080	830	1,910
Belgium	3,970	3,109	7,079
Bulgaria	5,219	8,916	14,135
Canada	41,974	10,044	52,018
China	4,082	3,163	7,245
Cuba	1,610	774	2,384
Czechoslovakia	3,010	2,852	5,862
Denmark	514	4,028	4,542
E.E.C.	59,951	22,650	82,601
Finland	2,378	796	3,174
France	5,448	370	5,818
German D.R.	1,353	10,036	11,389
Germany F R	17,124	55,076	72,200
Greece	4,801	152	4,953
Hungary	1,754	700	2,454
Iceland	51		51
India	15,390		15,390
Iran	1,392		1,392
Ireland	1,232		1,232
Italy	6,940	49,344	56,284
Japan	6,169	18,178	24,347
Korea Rep.	150	710	860
Libya	270	1,836	2,106
Netherlands	5,735	2,705	8,440
New Zealand	38		38
Norway	5,611	360	5,971
Pakistan	135		135
Poland	3,480	4,215	7,695
Romania	1,000	19,000	20,000
Spain	4,060	600	4,660
Sweden	5,560	12,250	17,810
Switzerland	4,620	2,467	7,087
U.S.S.R.		260,000	260,000
United Kingdom	7,660	37,205	44,865
U.S.A.	253,473	28,843	282,316
Yugoslavia	5,514	133	5,647
Zimbabwe	3,750		3,750
United Nations Organizations:			
FAO		4,200	4,200
UNHCR		1,655	1,655
UNICEF	6,752	8,761	15,513
WHO	6,760	26,396	33,156
WFP	13,994	3,418	17,412
TOTAL:	\$528,478	\$615,841	\$1,144,319

Figures compiled by the office of UN/ASG Michael Priestley.

AID/Addis
Mar. 6, 1986

ACCOUNTABILITY SURVEY
OF EMERGENCY ASSISTANCE TO ETHIOPIA

U.S. EMERGENCY ASSISTANCE TO ETHIOPIA FY 86

FOOD AID

<u>RECIPIENT*</u>	<u>COMMODITIES</u> <u>APPROVED</u> <u>(IN MT)</u>	<u>ARRIVED IN</u> <u>ETHIOPIA</u> <u>(IN MT)</u>	<u>VALUE OF MT</u> <u>APPROVED**</u> <u>(\$000 US)</u>
CARE	66,400	7,218	26,545.7
CDAA	75,000	39,401	30,137.4
CRS-Reg	12,783	3,624	5,237.0
CRS-North	16,825	11,762	11,837.3
CRS-MC	4,654	1,048	1,825.6
EOC	4,463		1,580.3
FFH	7,000	1,438	2,526.7
ICRC	19,925	13,014	9,034.5
LICROSS	5,000	1,632	2,363.7
SAVE	14,125	13,950	5,323.8
WVRO	40,363	24,265	19,359.7
WVRO-North	12,049	21,131	9,712.2
Subtotal	278,587	138,483	125,483.9

NON FOOD AID

<u>ITEM</u>	<u>VALUE OF</u> <u>APPROVAL</u> <u>(\$000 US)</u>
AJJDC (Seed Swap - 2,677 MT)	642.5
CARE (Seed Swap - 1,859 MT)	446.2
CRDA (Seed Swap - 8,717 MT)	2,092.0
CRS (Seed Swap - 2,488 MT)	597.1
SAVE (Seed Swap - 1,457 MT)	349.7
WVRO (Seed Swap - 4,412 MT)	1,058.9
ICRC (Seed Swap - 1,261 MT)	302.6
Unallocated (Seed Swap - 894 MT)	214.6
PFP (Seeds)	292.9
AJJDC (Agpaks)	350.0
CARE (Agpaks)	111.0
CRS (Agpaks)	725.9
SAVE (Agpaks/FFW)	692.8
WVRO (Agpaks)	3,000.0
CARE (Sidamo Feeding)	64.9
CARE (Hararghe Logistics)	500.0
FFH (Logistics)	44.2
FFH (Medical)	544.7
UN (Trucks)	13,424.3
WFP (UN Truck Fleet Management)	2,400.0
WVRO (Health/Nutrition)	2,800.0
Subtotal	<u>30,654.3</u>
<u>TOTAL U.S. EMERGENCY ASSISTANCE</u>	<u>156,138.2</u> *****

* Full names in Appendix E

**Includes commodity, ocean freight and internal freight.

ACCOUNTABILITY SURVEY
OF EMERGENCY ASSISTANCE TO ETHIOPIA

NAMES OF RECIPIENTS

AJJDC	-	American Joint Jewish Distribution Committee
CARE	-	No longer an acronym
CRDA	-	Christian Relief and Development Association
CRS - Reg	-	Catholic Relief Services - Regular Program
CRS - North	-	Catholic Relief Services - Food for the North Initiative
CRS - MC	-	Catholic Relief Services - Missionaries of Charity
EOC	-	Ethiopian Orthodox Church
FFH	-	Food for the Hungry
ICRC	-	International Committee of the Red Cross
JRP	-	Joint Relief Partnership
CROSS	-	League of Red Cross Societies
PPF	-	Partnership for Productivity
SAVE	-	Save the Children, US
WVRO	-	World Vision Relief Organization
WVRO - North	-	World Vision Relief Organization - Food for the North Initiative

WANG PVONAMES

Appendix FAccountability Survey
of Emergency Assistance to EthiopiaSchedule of Meetings with Non Governmental Organizations

- March 18, -9:00 am: CARE- Meeting with Stanley Dunn,
Director and E. K. Krishnin,
Assistant Director.
- March 19, -9:00 am: CRS- Meeting with Frank Carlin,
Country Representative, Bill
Rastetter and Paul Cunningham,
Deputy Country Representatives.
- March 20, -9:45 am: World Vision Relief Organization
(WVRO)- Meeting with Chris Casey,
Logistics Coordinator.
- March 20, -2:00 pm: World Vision Relief Organization
(WVRO)- Meeting with Bill Hall,
Controller.
- March 21, -9:00 am: Save the Children- Meeting with
Jerry Salole, Country Director,
Jerry Jones, Deputy Country
Director, and Laurie Gavin, Team
Leader.

- March 21, -2:00 pm: League of Red Cross Societies
(LICROSS)- Meeting with Joe Kerr,
Administration/Finance Delegate,
Robert Schneider, Development
Delegate, Kostantinos Berhe, Head of
Disaster Prevention, Girma Shibeshi,
Head of Finance.
- March 24, -10:00 am: Food for the Hungry, Inc.(FHI)-
Meeting with Tom Fellows, Director,
Al Kehler, Deputy Director.
- March 24, -11:30 am: UNICEF- Meeting with Horst
Ruttinger, UN Emergency Logistics
Officer
- March 24, - 2:30 pm: Lutheran World Federation (LWF)-
Meeting with Paavo Farm, Deputy
Director, and two staff members.
- March 25, - All Day: At Port Assab- Meetings with
officials of Port Authority,
representatives of the discharge
surveyor contractors, and CRS port
agent.
- March 26, -10:00 am: Relief and Rehabilitation (RRC)-
Meeting with Atu Alumnu.
- March 26, - 2:00 am: UNICEF- Meeting with Burkard Oberle,
UN Truck Fleet.

- March 27, - 9:00 am: UNICEF- Meeting with K. Ray,
Director of Water Projects.
- March 27, - 9:30 am: UNICEF- Meeting with W. Bjorg,
Project Officer.
- March 27, - 2:00 pm: CRDA- Meeting with Atu Teklu, Heifer
Project officer.
- March 27, - 3:00 pm: Gelatley Hankey Co.(Addis Office)-
Meeting with Country Director of
Discharge Surveyor contractor.
- March 28, - 7:00 am: Departed with C. Casey, WVRO and K.
Dolan, AID/Addis Food Monitor, for
Nazareth to visit PVO warehouses:
WVRO and the FHI and CRS stocks in
the RRC warehouse.
- March 31, - 2:30 am: ADRA- Meeting with C. Blackwood,
Director.
- April 1,2 - 7:00 am: Departed for Dire Dawa with B.
Sparkman, AID/Addis, to visit CARE
and CRS offices, distribution center
and warehouses. CARE- RAJ Nurula,
CRS- Major Lemma.

- April 3, - 9:00 am: WVRO- Meeting with Larry Johnson,
Internal Audit Manager, California,
Max Warren, Internal Auditor, Olwen
Brown, WVRO/E.
- April 5, - 11:00 am: CRS- Meeting with Bill Rastetter
- April 7, -10:00 am: EOC- Meeting with Ato Zemedhun and
Shawn Walsh.
- April 7, -11:00 am: ICRC- Meeting with Lynette Loewen,
Relief Coordinator.

Appendix GAccountability Survey
of Emergency Assistance to EthiopiaOutline of Survey Steps
Conducted in EthiopiaI. USAID/Ethiopia

- A. Receive Program/Management Briefings
 - 1. Obtain copy of AID/Addis Briefing Book.
 - 2. Obtain copy of Vulnerability Assessment.
 - 3. Receive oral briefings from AID Rep, Administrative Officer, FFP Officer, Food Monitors, and Program Assistant.
- B. Examine USAID files (FY 1986):
 - 1. Issues Cables)-AID/W responsiveness
 - 2. Evaluation Messages)
 - 3. Status Reports (Note compliance with agreements and regulations.) For USAID, PVOs, AID/W, RRC/GOE
- C. Review USAID's plan for monitoring NGOs management of program.
 - 1. Discuss details of monitoring actions.
 - 2. Read trip reports.
 - 3. Ascertain if corrective actions are proposed, taken and followed-up on.
 - 4. Inquire if PVOs are considered cooperative and responsive.
 - 5. Inquire if PVOs have adequate and competent staff.
 - 6. Review minutes and reports from USAID meetings with PVOs and extent of follow-up on issues raised.
- D. Review Payment Verification Process
 - 1. For disbursements under Letters of Credit.
 - 2. For Direct disbursements or reimbursements.

II. Grantees/Contractors (PVOs/NGOs)

A. Review Contractors/Grantees Management and Accountability Systems

1. Obtain organization structure of PVOs and alignment of duties.
2. Review written operational procedures and obtain copies of related documents and forms. Summarize if necessary.
3. Examine commodity tracking system (See attachment A.)
4. Summarize losses reported by PVOs for first quarter of FY 1986.
5. Examine non-food AID programs determining compliance with contract or grant agreements and AID regulations. (See attachment B.)

B. Visit ports, distribution centers and storage facilities for commodities and sites of AID-funded operational activities to determine if:

1. Adequate records, procedures and controls exist.
2. Storage is orderly, secure from loss by theft, insect infestation, and deterioration by other elements.
3. Spillage is not excessive.
4. Deliveries of assistance is timely.

C. Inland transportation costs

1. Review cost determination methods.
2. Examine documents supporting vouchers.

D. Observe operations of Discharge Service Contractor(s) at Port

1. Determine basis and when survey reports are prepared.
2. Review timeliness of survey reports.
3. Review basis of billings to CCC and/or consignee.
4. Evaluate adequacy of staff for amount of work.

Attachment AControl (Accountability) over Food

1. Determine what PVO does in regard to:
 - Comparison of:
 - a. B/L Quantities
 - b. Outturn reports
 - c. Independent discharge surveyor's report
 - d. Quantity thru Port Gates
 - e. Quantity stored in Port or Port Area
 - f. Quantity moved from Port (or Port warehouse)
 - g. Quantity received at Distribution Center
 - h. Quantity distributed at Center
2. Where does tally to B/L quantities stop? (commodity identified with B/L)
3. Review procedures for filing claims on losses:
 - a. ocean losses
 - b. losses between off-loaded quantity and quantity leaving port
 - c. losses between various storage points
 - d. "allowable" losses, i.e., no claim filed
4. Note follow-up actions on claims by the PVOs.
5. Ascertain disposition of proceeds from claims.
6. Review procedures for periodic, regular inventories at interim warehouses and distribution center warehouse. What is done to resolve differences between book and physical inventory amounts?
7. Observe storage procedures and controls, i.e., security, stacking, cleanliness, infestation controls, etc.

General

1. Review detail supporting Commodity Status Reports (CSR).
2. Review detail supporting Recipient Status Reports (RSR).
3. Review procedures for using OFDA grants or PA/PRs for transportation.
4. Determine extent of monitoring and end use checks and trip reports.
5. Ascertain disposition of unfit/spoiled commodities.
6. Ascertain disposition of containers and use of proceeds if sold.
7. Is there a fee to recipients and if so what is the use of the proceeds?

Attachment BGrants/Contracts for Non-Food Aid

1. Ascertain status of objective of agreement, i.e., not yet begun, in process, completed. Obtain brief description.
2. Obtain organizational alignment and number of people involved.
3. Obtain the amount of funds expended to date by budget item and the amounts billed to AID.
4. Note accountability controls for major items procured
5. Determine the procedures used by the PVOs for maintaining separate records or OFDA and FFP (PA/PR) funding.
6. Determine if reports required by agreements have been submitted.
7. Review details supporting the reports.
8. Determine extent of monitoring of activity.

Appendix H

Accountability Survey
of Emergency Assistance to Ethiopia
Vehicles Procured/Leased with AID Funds

CRS- Kenyan Leased Vehicles

50*	Prime mover Tractors
50*	Trailers and Semi-trailers
1*	40 Ton Tipper with Trailer
1*	18 Ton Closed Box Lorry
3*	14 Flat Bed Lorry
7	Pick up Trucks
218*	Metal Containers
<u>330</u>	

WVRO

	<u>Grant 5009</u>
100	10 Ton Trucks and 12 Ton Trailers
4	4 Wheel Drive Vehicles
	<u>Grant 5064</u>
20*	30 Ton Trucks
31	Landcruisers
2	4 Ton Unimog Trucks
	<u>Grant 5166</u>
20	Trucks (specifics not in Grant Agreement)
<u>177</u>	

<u>SCF</u>	<u>Grant 5106</u>
20	7.3 Ton Trucks

* Can be used as Port to Primary Warehouse (long haul)
 Trucks (CRS - 55, WVRO - 20)
 Note: Period covers from beginning of Emergency through
 establishment of UN Fleet.

Appendix I

Accountability Survey
of Emergency Assistance to Ethiopia

<u>Organization</u>	<u>Operational Grants and Contracts</u>			<u>Status as of</u> <u>February 26, 1986</u>
	<u>Number</u>	<u>Amount</u>	<u>Method of</u> <u>Financing</u>	
<u>OFDA Grants:</u>				
WVRO	5009	\$1,597,640	LOC	Fully drawn down
	5063	1,113,010	LOC	\$726,410 drawn down
	5064	3,641,694	LOC	\$1,863,921 drawn down
	5166	1,613,685	LOC	No draw downs
CRS	4152	6,987,880	LOC	Fully drawn down
Missionaries of Charity	5068	578,400	LOC	\$28,478 drawn down
CARE	5048	397,555	Direct Disb	\$82,922
Save the Children	5106	980,000	LOC	Fully drawn down
FHI	5069	803,857	LOC	\$434,786 drawn down
Africare	5127	300,000	LOC	\$22,669 drawn down
ADRA	5044	620,874	LOC	No draw downs
Helen Keller	5102	34,083	LOC	\$33,027 drawn down
Part. of Productivity	6004	1,116,724	LOC	\$62,536 drawn down
AJJDC	5090	350,000	Advance	\$113,105 vouchered
Heifer Project (CRDA)	5174	540,000	Advance	No Vouchers submitted
UNICEF	4787	1,000,000	Advance	No Vouchers submitted
	5074	750,000	Advance	No Vouchers submitted
	5093	500,000	LOC	No draw downs
(Tires)	5141	485,080	Direct Disb	\$482,500 disbursed
UN OEOA- Truck Fleet	6012	2,400,000	Advance	\$400,900 vouchered
UNDRO	5105	65,500	Direct Disb	\$65,500
ICRC	5109	400,000	Advance	No vouchers submitted
LICROSS	6045	2,588,292	Advance	No vouchers submitted
RRC (Inland Transport)	-	450,000	Direct Disb	No vouchers submitted
Transamerica Airlines	5026	16,627,344	Direct Disb	\$15,719,306
<u>FVA/FFP Grants (PA/PR) for Internal Transport</u>				
CRS	5701	3,835,000	Advance	No vouchers submitted
"	5701	17,881,000	LOC	No draw downs
"	6731	1,761,900	LOC	No draw downs
CARE	5702	2,960,000	Advanced	\$600,000, no vouchers
"	6732	677,700	LOC	No draw downs
RRC	5703	2,050,000	Direct Disb	No disbursements
WVRO	5704	2,639,875	Direct Disb	No disbursements
"(UN Truck Fleet contr.)	5175	13,523,327	LOC	\$82,940 drawn down
"	6733	3,349,300	LOC	No draw downs
SCF	5706	590,000	Direct Disb	Fully Disbursed
CRDA	5707	360,000	Direct Disb	No Disbursements
FHI	6734	417,500	LOC	No draw downs

Notes: (1) For the FY 1985 funding with minimum or no disbursements, the NGOs attested that they had submitted vouchers to their headquarters. Therefore, either their headquarters have not submitted documentation to AID/W, or AID/W/FM has not recorded the disbursement/draw down against their account. (2) We noted an OFDA report listing a couple of other small grants, e.g., purchase orders for plastic. Although, we were unable to locate any supporting documents, we were told that these grants had been fully disbursed.