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Regional Inspector General for Audit

LATIN AMERICA

P.L. 480, TITLE II FOOD PROGRAM
CATHOLIC RELIEF SERVICES
USAID/HAITI
AUDIT REPORT No. 1-521-83-10
APRIL 29, 1983

CRS could not account for over \$530,000 worth of commodities during a 2-3/4 year period at one warehouse. At another warehouse, over 90 tons of commodities deteriorated, were stolen or disappeared during FY 1982 without a satisfactory explanation. None of the distribution sites we visited maintained records on commodity usage. Quarterly status reports contained erroneous information on commodities distributed. A CRS internal audit did not identify the significant deficiencies that were hindering implementation of the program. In our opinion, the deficiencies resulted from a lack of qualified staff and effective supervision and monitoring of the program.

The CRS program reportedly reached an average of 110,000 recipients per year with commodities valued at \$1.7 million. However, a required technical evaluation of the program had not been made and; therefore, it was not known if the goals of improved nutrition and an enhanced general development process were being accomplished.

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P.L. 480, TITLE II FOOD PROGRAM

CATHOLIC RELIEF SERVICES

USAID/HAITI

EXECUTIVE SUMMARY

The objectives of the P.L. 480, Title II Program in Haiti are to provide supplemental foods to improve the nutritional status of the people who may be malnourished and to enhance the general development process through the provision of a nutritional incentive. P.L. 480, Title II foods are distributed primarily in three programs: School Feeding, Food-for-Work (FFW), and Maternal Child Health (MCH).

P.L. 480, Title II commodities are distributed in Haiti by four Private Voluntary Organizations (PVOs): Cooperative for American Relief Everywhere, Inc. (CARE), Catholic Relief Services (CRS), Church World Services (CWS), and Seventh Day Adventist Service (SAWS). Each voluntary organization has a School Feeding program, a Maternal Child Health program, and a Food-for-Work program. This report covers the activities of CRS. The activities of the other voluntary organizations are covered in a separate report (A/R 1-521-83-9, dated April 29, 1983).

The audit was made to determine whether the Program was being carried out in accordance with AID policy and regulations, and whether it was being implemented, managed, and monitored in an efficient, economical, and coordinated manner. In brief, our conclusions are:

- (a) No technical evaluation of the program had been made. As a result, little information was available on what impact the program had on the target group or to what extent planned objectives were achieved (page 3).
- (b) From an operational point-of-view, CRS was not managing its P.L. 480, Title II food program in Haiti in an efficient and effective manner in order to ensure that commodities were used in accordance with AID policies and regulations. As a result, serious problems developed in commodity control and accounting. In our opinion, the major reasons for the problems were inadequate supervision and monitoring of program activities, lack of communication between CRS and its local counterpart (Secours Catholique) in Port-au-Prince, lack of training, insufficient personnel, inadequate warehouse facilities, and the failure of the CRS/New York audit staff to identify the problems (page 3)
- (c) During the period covered by our audit (January 1980 through September 1982), CRS was unable to account for over 53,000 units (bags, cases, etc) of commodities valued at approximately \$535,000 which were to be distributed through its Jeremie Regional Distribution Center (page 4).

- (d) A shortfall of approximately 33 percent in the distribution of commodities by the Port-au-Prince Regional Distribution Center. As a result, many needy recipients went without food during FY 1982 while others received less than a full ration (page 8).
- (e) A five percent inventory loss occurred during fiscal year 1982 at the CRS/Secours Catholique warehouse in Port-au-Prince without a satisfactory explanation being provided. No claim was made by CRS against Secours Catholique for these losses (page 9).
- (f) The system of distribution of commodities at the CRS/Secours Catholique warehouse in Port-au-Prince was inadequate. No priorities were established for distribution of commodities and adequate controls had not been instituted to prevent excess distributions (page 10).
- (g) Adequate records and controls were not being maintained to assure proper accountability over commodities issued to distribution centers. Records kept by the distribution centers were insufficient to offer a basis for the reconciliation of the quantities received and issued by the distribution centers. Accordingly, no controls exist to ensure the proper use of P.L. 480, Title II food (page 13).
- (h) Controls and documentation over food-for-work projects were not adequate. As a result, these projects lend themselves to criticisms and abuses (page 14).
- (i) Information included in the Quarterly Commodity Status Report was not reliable. As a result, USAID/Haiti was not provided with complete and accurate data needed to effectively monitor CRS' Title II program (page 15).

The contents of this report were reviewed by USAID/Haiti and AID/Washington, Office of Food-for-Peace. Their comments were considered in the preparation of this report.

BACKGROUND

The objectives of the P.L. 480, Title II Program in Haiti are to provide supplemental foods to improve the nutritional status of the people who may be malnourished and to enhance the general development process through the provision of a nutritional incentive. P.L. 480, Title II foods are distributed primarily in three programs: School Feeding, Food-for-Work (FFW), and Maternal Child Health (MCH).

With an illiteracy rate of about 80 percent in Haiti, special emphasis was placed on the School Feeding program. It accounted for 70 percent of all Title II food distributed in Haiti during fiscal years 1980, 1981, and 1982. Almost half of the primary schools in Haiti participated in the program, and it was estimated that close to 70 percent of the primary school children benefited from the program. In addition to providing a much needed nutritional supplement to the diets of school children, it served as an important incentive to regular school attendance.

Food-for-Work projects provided nutritional benefits as well as support to self-help activities. The FFW program supported small, community-oriented, self-help projects inspired by community members themselves. These included the construction of schools, clinics, roads, and reforestation projects. Food was provided as wages "in-kind", thus augmenting severely limited incomes while encouraging commitment to community development.

The Maternal Child Health program was designed to provide food to the most vulnerable group, i.e., the high-risk category of women of child bearing age and their children under the age of five with emphasis on children up to the age of three. Unlike other P.L. 480, Title II programs, trained private voluntary organization staff were normally available at final distribution sites to ensure that the foods were distributed to those most clearly in need. Furthermore, records were often maintained for each individual which showed their health/nutritional status at the first visit and their progress over time.

P.L. 480, Title II commodities were distributed in Haiti by four voluntary agencies: Cooperative for American Relief Everywhere, Inc. (CARE), Catholic Relief Services (CRS), Church World Services (CWS), and Seventh Day Adventist Service (SAWS). Each voluntary organization had a School Feeding program, a Maternal Child Health program, and a Food-for-Work program. This report covers the activities of CRS. The activities of the other voluntary organizations are covered in a separate report (see A/R 1-521-83-9, dated April 29, 1983).

CRS has been distributing P.L. 480, Title II Commodities in Haiti since 1958. The agency operates under a blanket agreement signed on September 8, 1958, between the United States and the GOH. CRS is also included as one of the sponsor agencies in an agreement signed by CRS' counterpart, Secours Catholique, and the GOH. The agreements provide for (a) duty-free entry of commodities, (b) payment of \$12,000 a year for inland transportation costs by the GOH, and (c) the responsibilities and obligations of Secours Catholique, including transportation and warehousing of commodities.

CRS serves large areas of Port-au-Prince, the capital of Haiti, through Secours Catholique of Port-au-Prince and the entire Southern Peninsula through Secours Catholique of Les Cayes and Jeremie. The CRS feeding programs distribute food to pre-school children, school children, Food-for-Work workers and dependents and adult indigents. CRS reported that during fiscal year 1982, the agency distributed food to 126,000 persons and planned to provide food to 130,500 beneficiaries during fiscal year 1983.

Purpose and Scope

Our review of the P.L. 480, Title II Program in Haiti covered the period from January 1, 1980 to September 30, 1982. The purposes of our audit were to:

- Determine the effectiveness of implementation and management of the program;
- Examine accountability and physical control of the commodities;
- Verify compliance with applicable laws and regulations;
- Determine the adequacy of AID's monitoring of the program; and,
- Identify and report on significant problem areas.

We reviewed USAID/Haiti and the CRS records, reports, and correspondence, and held discussions with officials of these agencies. In addition, shipment, receipt and distribution records and related reporting requirements were examined. To observe program operations, we visited selected warehouses, schools, Maternal Child Health centers, Food-for-Work projects, and public markets.

Our review was made between September and December 1982. The comments of USAID/Haiti and voluntary agency officials were considered in preparing this report.

AUDIT FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Overall Assessment of The CRS Program Achievements

The P.L. 480, Title II program has been in existence in Haiti since 1958. As shown on Exhibit A, the value of commodities distributed by CRS averaged about \$1.7 million and reached an estimated 110,000 recipients per year during fiscal years 1980, 1981, and 1982. Several studies were made of selected P.L. 480, Title II activities and the School Feeding program of Haiti. However, a comprehensive technical evaluation, as required by AID Handbook 9, Chapter 13, had not been made. As a result, reliable information was not available to determine what impact the supplemental feeding program had on the target group in Haiti or to what extent planned accomplishments and objectives were achieved. For this reason, we cannot express an opinion on whether there was improvement in the nutritional status of the people or if the general development process had been enhanced. The details of the above conclusion have been included in Audit Report No. 1-521-83-9, dated April 29, 1983) and will not be included in this report.

From an operational point-of-view, CRS had not effectively and efficiently managed its Title II food programs in Haiti. Program supervision by CRS was not sufficient to effectively control the use of Title II commodities in accordance with AID policies and regulations. As a result, approximately \$535,000 worth of commodities were unaccounted for at one regional center.

In accordance with AID Handbook 9, Chapter 7, cooperating sponsors are responsible for the efficient operation of the program. This includes providing adequate supervisory personnel to organize, conduct, review, and control the management and distribution of commodities.

The Mission tried to monitor the food program to ensure that it was implemented in an effective manner. However, CRS had very serious problems in program administration and implementation, such as:

- Unable to account for over 53,000 units of commodities valued at approximately \$535,000 distributed through its Jeremie Regional Distribution Center;
- Strained relations between CRS and Secours Catholique/Port-au-Prince seriously hindered program operations;
- A shortfall of approximately 33 percent in the distribution of commodities by the Port-au-Prince Regional Distribution Center;
- A five percent inventory loss occurred during fiscal year 1982 at the CRS/Secours Catholique warehouse in Port-au-Prince without a satisfactory explanation;
- The system of commodity distribution at the CRS/Secours Catholique warehouse in Port-au-Prince was inadequate;

- CRS needs to obtain adequate warehouse facilities;
- Records and controls over commodities used by the distribution centers were inadequate;
- Food-for-Work projects were not properly documented and controlled;
- Information reported on Quarterly Commodity Status Reports was not reliable;
- CRS should establish and implement an adequate publicity program; and
- Internal audits performed by CRS headquarters did not identify the extent and serious nature of CRS/Haiti's management and implementation problems.

In view of the serious problems in the implementation of the CRS P.L. 480, Title II food programs, we believe that USAID/Haiti should establish a time frame for correcting the problems identified. If the deficiencies are not corrected within the established time frame, the CRS program should be terminated.

Recommendation No. 1

USAID/Haiti should (a) establish a realistic time frame for correcting of the deficiencies noted in this report; and (b) within that time period, obtain evidence to show that the deficiencies have been corrected. If the deficiencies are not corrected, the CRS Title II program in Haiti should be terminated.

The Accountability and Control Over Commodities at the Jeremie Regional Distribution Center were Inadequate.

Accounting records and inventory controls maintained at the Jeremie Regional Distribution Center were inadequate to ensure proper recording of receipts, storage, and distribution of P.L. 480, Title II commodities. The overriding reason for poor accounting records and lax inventory controls was CRS' inability to provide needed supervision to the operations of the regional warehouse combined with USAID/Haiti's inability to provide effective monitoring to the program. As a result, we found that over 53,000 units of commodities with an estimated value of approximately \$535,000 were unaccounted for at the regional center. Our efforts to reconcile the differences proved fruitless.

During the period covered by our audit (January 1980 through September 1982), CRS shipped to Jeremie 179,557 units of commodities for subsequent distribution to program recipients. Our review of the accounting records at

Jeremie showed that only 145,522 units of commodities were recorded as received in the accounting records maintained at Jeremie. The difference of 34,035 units, with an estimated commercial export value of \$331,302 could not be accounted for. Our efforts to reconcile the difference proved fruitless. Many of the receipt documents were missing or not available. A comparison of the commodities shipped to Jeremie with that recorded on the Center's accounting records showed:

<u>Commodity</u>	<u>Units Shipped To Jeremie</u>	<u>Units Recorded on Center's Records</u>	<u>Difference</u>	<u>Estimated Commercial Export Value</u>
Bulgar	51,033	40,618	10,415	\$105,348
Flour	15,340	12,937	2,403	24,451
CSM	15,373	12,411	2,962	31,990
Cornmeal	60,032	48,493	11,539	105,120
Oil	10,948	9,800	1,148	23,886
NFDM	<u>26,831</u>	<u>21,263</u>	<u>5,568</u>	<u>40,507</u>
Total	<u>179,557</u>	<u>145,522</u>	<u>34,035</u>	<u>\$331,302</u>

At our request, USAID/Haiti took a complete inventory of commodities at the Jeremie warehouse on December 2, 1982. This inventory showed a shortage of 19,208 units of commodities with an estimated export value of \$203,695. The results of the physical inventory were:

<u>Commodity</u>	<u>Book Balance</u>	<u>Physical Inventory</u>	<u>Difference</u>	<u>Estimated Commercial Export Value</u>
Bulgar	5,399	-0-	5,399	\$54,619
Flour	1,091	-0-	1,091	11,101
CSM	1,265	-0-	1,265	13,662
Cornmeal	9,507	2,860	6,647	60,554
Oil	2,773	645	2,128	44,277
NFDM	<u>6,185</u>	<u>3,507</u>	<u>2,678</u>	<u>19,482</u>
Total	<u>26,220</u>	<u>7,012</u>	<u>19,208</u>	<u>\$203,695</u>

When we discussed the above situation with the CRS Country Program Director, he admitted that there were problems in the proper operation of the Jeremie Regional Distribution Center. He said it was due to the absence of qualified staff and the lack of adequate supervision. On the other hand, he indicated that the commodities unaccounted for could have been the result of distributing regular program commodities to meet emergency needs under the Hurricane Allen Emergency Relief Program during calendar years 1980 and 1981 without recording these issuances on the Jeremie records. CRS was in fact

authorized to use its regular stock for the emergency relief effort. Therefore, although the possibility exists that this could account for this problem, it does not relieve CRS of its responsibility for maintaining records of these transactions.

Although CRS was able to show us some receipt documents which indicated that it had in fact issued commodities from its regular program to meet emergency needs, no overall record per se was maintained which accounted for the commodities issued. In addition, we noted that the individual responsible for maintaining the accounting records at Jeremie was also performing field inspections. This in itself is a major weakness in internal controls. Also, we noted that the Mission had not conducted any field inspections at the Jeremie Regional Distribution Center during the period covered by our review.

AID Handbook 9, Chapter 7, requires cooperating sponsors to maintain and to make available records and documents which accurately reflect all transactions pertaining to the receipt, storage, and distribution of Title II commodities. This was not the case at the Jeremie Regional Distribution Center. We believe that CRS was negligent in administering the commodities shipped to Jeremie and should be held accountable. Accordingly, CRS should be required to provide documents to account for the distribution of all commodities shipped to Jeremie. For any commodities which it cannot provide appropriate documents on their use, CRS should reimburse the United States for the value of the commodities.

Subsequent to the December 2, 1982 inventory, USAID/Haiti took another inventory of the Jeremie Regional Distribution Center and found that by March 23, 1983, an additional 919 units of commodities could not be accounted for. At that point, USAID/Haiti suspended the CRS program in the Jeremie region.

Recommendation No. 2

USAID/Haiti should obtain from CRS documents supporting the distribution of all commodities shipped to Jeremie and issue a bill for collection for any commodities not fully accounted for.

Relations Between CRS and Secours Catholique of Port-au-Prince Hindered Program Operation

At the time of our review, the relationship between CRS and Secours Catholique had deteriorated to the point where the implementation of CRS P.L. 480, Title II programs in the Port-au-Prince area had been severely affected. As a result, without a reconciliation between the parties involved, the Title II programs cannot be implemented in an efficient and effective manner.

CRS operates in Haiti under a blanket agreement signed on September 8, 1958, between the United States and the GOH. CRS is also included as one of the sponsor agencies in an agreement signed by CRS' counterpart, Secours Catholique, and the GOH. The internal responsibilities and obligations of CRS' main counterpart are outlined in a separate agreement between Secours Catholique and CRS/Haiti signed on April 21, 1964. Under the terms of these agreements, CRS is responsible for the supervision and administrative control of commodities distributed by its counterpart in Haiti. Secours Catholique is therefore responsible for the operational aspects of the program.

Secours Catholique was to be an equal partner with CRS in the implementation of the P.L. 480, Title II program in the Port-au-Prince area. However, this was not the case. There was a noticeable deterioration in the relations between the two organizations. As a result, Secours Catholique's role in implementation of P.L. 480, Title II program was limited solely to the operation of the warehouse that was used to store program commodities. Also, increasing suspicions of each other resulted in allegations and counter-allegations.

The following best exemplify the extent of deterioration in the relationship between CRS and Secours Catholique of Port-au-Prince:

- Secours Catholique was completely excluded from the process of preparing the Annual Estimate of Requirements (AER). As CRS's counterpart in Port-au-Prince, Secours Catholique should provide CRS with annual requests of commodities needed to satisfy the rationed requirements of each class of recipient under the Title II program. These statistics form the basis for the AER submitted by CRS to AID for approval.
- During the period from October 1981 to September 15, 1982, CRS, with approval from USAID/Haiti, transferred to other organizations some commodities originally intended for Secours Catholique to distribute in Port-au-Prince. Since CRS did not pass this information on to Secours Catholique at that time, Secours Catholique suspected, and made allegations, that the commodities had been misused.
- A local newspaper carried a series of articles containing allegations on the operations of CRS; the articles had been written by a high official of Secours Catholique.
- Delays in receipt of commodities ranging from one to three months were not made known to Secours Catholique. As a result, these delays hindered the operation of the program and enhanced fears on the part of Secours Catholique employees that commodities were being misused.
- During August and September, 1982, the monthly commodity status reports were not forwarded to CRS for two reasons: (a) Secours Catholique employees did not feel it was necessary to forward them and (b) CRS did not ask for them.

- CRS employees had not participated with Secours Catholique, since April 1982, in conducting the monthly physical inventories of commodities on hand in the Port-Au-Prince warehouse.
- Secours Catholique had been unable to carry out end-use inspections because CRS would not make available distribution center files.
- CRS had not made available to Secours Catholique, a copy of AID Handbook 9 and regulations II governing the P.L. 480, Title II program. Furthermore, the latest training afforded Secours Catholique by CRS dated back to 1977.

We believe it is imperative that CRS and Secours Catholique reconcile their differences so the program can be operated in an efficient and effective manner. Such a reconciliation would ensure proper implementation of the P.L. 480, Title II food program and avoid misunderstandings and accusations. If such a reconciliation does not take place, we believe that control of the P.L. 480, Title II program in Port-au-Prince should be transferred to another voluntary agency operating in Port-au-Prince.

Recommendation No. 3

USAID/Haiti should ensure that CRS and Secours Catholique of Port-au-Prince establish a smooth working relationship. If unable to do so, control of the P.L. 480, Title II program in Port-au-Prince should be transferred to another voluntary agency operating in Port-au-Prince.

A Shortfall was Incurred in the Distribution of P.L. 480, Title II Commodities in the Port-au-Prince Area.

Needy recipients were not fed on a continual basis because of a shortfall in commodities actually distributed by Secours Catholique of Port-au-Prince versus program requirements as established by CRS. Consequently, nearly one-third of the commodities required by the CRS P.L. 480, Title II program in Port-au-Prince for FY 1982 were not, for various reasons, actually distributed to needy recipients. In some instances, distribution centers had not received food since the fourth quarter of FY 1981. Other distribution centers had not received their full ration of commodities.

USAID/Haiti hired Price Waterhouse Associates to make a special audit of CRS' program in the Port-au-Prince area because of allegations made. According to information obtained from Price Waterhouse Associates during its audit and data it compiled per our specific request, Secours Catholique incurred a shortfall of 730 metric tons in commodities actually distributed in the Port-au-Prince area during fiscal year 1982. This shortfall was caused by: (1) an error made by CRS in ordering program commodities; (2) maritime transportation

losses; (3) commodities loaned to other organizations; (4) commodities held at the warehouse due to program suspension; (5) commodities held at the port because of delays in clearing customs; and (6) losses incurred at the Secours Catholique warehouse. (See Exhibit B for a detailed analysis of the shortfall).

Most of the causes for the shortfall were inadvertent and beyond the control of CRS. The losses incurred at the Secours Catholique warehouse are discussed in a subsequent section of this report and this section deals only with commodities held at the port because of delays in clearing customs.

At the time of our review, we noted that eight shipments destined for the Secours Catholique warehouse in Port-au-Prince had not cleared customs. Five of these shipments had been at the port for over two months. The other three shipments had been at the port for over a month. These shipments represented approximately two million pounds of P. L. 480, Title II commodities.

We were told by CRS officials that normally it takes 3 to 7 days after arrival in country to clear customs and move the commodities to the Secours Catholique warehouse in Port-au-Prince. Recently, however, the Ministry of Finance became reluctant to provide timely authorization to move commodities from the port. The position of the Ministry was that it had a backlog of requests and were processing them on a first-come, first-served basis.

In our opinion, this explanation is unacceptable. Immediate corrective action is needed in order to expedite the clearance process and make commodities available for distribution in a timely manner. We believe that USAID/Haiti in conjunction with CRS must insist that the Ministry of Finance expedite the entry of P.L. 480, Title II commodities as this action will be in the best interest of the people and Government of Haiti.

In response to a draft of this report, USAID/Haiti advised us that a meeting with the Ministry of Finance to discuss port charges and logistics had been requested. Letters were sent by USAID/Haiti Mission Director to the Minister of Finance on February 22 and April 12, 1983.

Recommendation No. 4

USAID/Haiti, in conjunction with CRS, make arrangements with the Ministry of Finance to expedite the entry of P.L. 480, Title II commodities into Haiti.

Records at Secours Catholique Warehouse in Port-au-Prince Showed Questionable Inventory Losses.

Inventory losses of 90 tons of P.L. 480, Title II commodities occurred at the Secours Catholique warehouse in Port-au-Prince during FY 1982. In our opinion, satisfactory explanations were not given for these losses. Furthermore, CRS had neither questioned nor filed claims against Secours Catholique to obtain justification for or recuperate the value of those losses.

According to a Price Waterhouse Associates audit report dated October 15, 1982, inventory losses representing 4,091 bags and cases of P.L. 480, Title II food occurred at the Secours Catholique warehouse in Port-au-Prince during FY 1982. This represented 5 percent of the P.L. 480, Title II commodities received by the warehouse during the year. This loss was over and above a two percent loss that occurred during maritime transportation.

According to Price Waterhouse Associates, 3,124 bags and cases of P.L. 480, Title II commodities were reported to have deteriorated in the depot (not counting an additional 767 deteriorated bags and cases identified at the time of our physical count); 488 bags and cases were recorded as stolen at the beginning of August 1982; 382 bags and cases were lost and could not be accounted for by the warehouse manager; and 97 bags and cases were missing at the time of a physical count on October 4, 1982.

In our opinion, these losses were especially large in view of the short period of time that the commodities remained in the warehouse. Price Waterhouse Associates found that the receipt and issuance of commodities from the warehouse took place almost concurrently. In most instances, commodities were retained in the warehouse for only a few days. Accordingly, we believe that CRS should initiate a claim against Secours Catholique for those P.L. 480, Title II commodity losses for which a satisfactory explanation has not been provided.

Recommendation No. 5

USAID/Haiti should obtain from CRS explanations and justifications for the commodity losses that occurred at the Secours Catholique warehouse during FY 1982. A bill for collection should be issued for the commodities lost, which are not adequately explained or justified.

System of Distribution of Commodities at the Secours Catholique Warehouse in Port-au-Prince was not Adequate.

Our review of the Secours Catholique/Port-au-Prince distribution system confirmed Price Waterhouse Associates' audit findings that (1) priorities were not being established for distribution of commodities; and (2) inadequate controls existed over inventory issuances.

No Priority System No set priorities were established by Secours Catholique/Port-au-Prince in making distribution of P.L. 480, Title II commodities. Distributions were made on a first-come first-served basis without considering the center's requirements or the quantities of commodities available. Consequently, some distribution centers received more than their requirements while others received less during FY 1982. Some distribution centers received no commodities during the fiscal year. All this was done without giving proper consideration to the actual needs of each center.

In our opinion, priorities should be established jointly by CRS and Secours Catholique/Port-au-Prince to ensure that issuances from the warehouse are made based upon the needs and requirements of the various distribution centers. We agree with Price Waterhouse Associates recommendation in its audit report of October 15, 1982, that a formal schedule of deliveries should be established taking into account the actual availability and needs for commodities.

Recommendation No. 6

USAID/Haiti should obtain from CRS, in collaboration with Secours Catholique, its plan to establish and implement an adequate distribution and control system to ensure that priorities are set for issuances of commodities from the warehouse and that distribution is made in accordance with the center's requirements.

Control of Inventory Issues. The procedures for issuing commodities from the Secours Catholique warehouse were inadequate. As a result, it is possible that an unauthorized individual could receive P.L. 480, Title II commodities or that an approved representative could actually receive more than authorized. This is possible because no formal procedures exist to identify distribution center representatives who pick up the commodities at the warehouse. Also, inventory receipt documents issued at the office of Secours Catholique were signed by distribution center representatives before they actually proceeded to the warehouse to pick up the commodities. Therefore, the representative could alter the receipt document and obtain a greater quantity than authorized.

Although we noted no instances of abuse under the present system, we believe that procedures need to be established and implemented to ensure that inventory issue receipts are only signed by authorized and identified distribution center representatives subsequent to the receipt of commodities.

Recommendation No. 7

USAID/Haiti should obtain from CRS, in collaboration with Secours Catholique/Port-au-Prince, a plan to establish and implement procedures to guarantee that inventory issuance receipts are only signed by authorized and identified distribution center representatives after the receipt of commodities.

CRS Needs to Obtain Adequate Warehouse Facilities.

Most of the warehouse facilities being utilized by CRS in Haiti at the time of our review were inadequate. As a result, we noted significant quantities of commodities that were damaged, spoiled or infested by rodents or insects. Also, the warehouse at Jeremie was so small that it was necessary to stack the bags to the ceiling (30 bags high) and against the walls with no

walking space between commodities to facilitate the performance of physical inventories.

The CRS P.L. 480, Title II program in Haiti covered the Southern peninsula of Haiti and certain areas of Port-au-Prince and the West. CRS maintained warehouse facilities in Port-au-Prince, Les Cayes and Jeremie. In Port-au-Prince, CRS utilized the storage facilities of Secours Catholique in addition to renting space. Three depots were utilized in Les Cayes. In Jeremie, CRS rented storage space with funds provided under an outreach grant.

We found that the warehouses used by CRS in Port-au-Prince and Jeremie were inadequate. In addition, we consider one of the three warehouses being utilized in Les Cayes to be inadequate. These warehouses were not properly ventilated, lacking screens, rodent/insect infested or not large enough. At all of these warehouses, we noticed significant quantities of commodities that were damaged, spoiled or rodent/insect infested. At the Secours Catholique warehouse in Port-au-Prince, 3,124 bags and cases were reported deteriorated in the warehouse during FY 1982. At the time of our visit to the warehouse, we noted an additional 767 deteriorated bags and cases. As mentioned previously, the warehouse at Jeremie was so small that it was necessary to stack the bags to the ceiling and against the walls with no walking space between commodities to facilitate the taking of physical inventories.

Subsequent to our visit, USAID/Haiti personnel inspected the Jeremie warehouse and found:

"The conditions at the warehouse were deplorable when I first arrived. It was filthy and crawling with insects and rats. Pallettes were placed only under the flour. Every other commodity was stacked directly on the cement floor. Commodities were scattered and space was poorly used. Both the flour and the milk were stacked to the ceiling, which made access difficult.

"Following is a list of the commodities and their condition:

- "1. Cornmeal.- Some of the bags were rat eaten and the insects which had subsequently infested the food could be seen through the plastic. Much of the cornmeal had been put into other bags. All of these became infested to the point where one could hear the insects inside.
- "2. Soy-fortified Cornmeal.- All of this was spoiled. Some was spoiled on arrival and had been returned by the schools.
- "3. Soy-fortified Bulgur.- The only bulgur remaining in the depot was rotten, after becoming wet during shipping.

"4. Flour.- The entire supply of flour was full of weevils. The warehouse manager assured me that they were only outside on the bags. However, when opened, the bags were found to be infested. Also, several bags which had gotten wet in transport had been mixed in with the others and the spoilage caused by the salt water had spread to the other bags surrounding them.

"5. Non-fat Milk.- This commodity was for the most part in good condition. Some of it that had been transferred to other bags was spoiled, but it was a small percentage.

"Wednesday morning, the warehouse was in even worse shape. A shipment of oil had come in on Tuesday and instead of finishing the job of properly stacking the cases, the workers had thrown the cases on the floor and gone home. The careless handling of the boxes had damaged enough of them to allow a huge puddle of six or seven feet in diameter to leak out onto the floor. To absorb this oil, they dumped bags of spoiled cornmeal on it and swept it up."

The problem at the Secours Catholique warehouse in Port-au-Prince should be corrected in view of the fact that they were building a new warehouse facility with AID outreach funds at the time of our audit with occupancy scheduled for January 1983. Also a warehouse facility was being constructed in Les Cayes for occupancy in April 1983. No plans had been made for acquiring additional warehouse facilities at Jeremie.

We are of the opinion that in order to ensure against increased internal losses and contamination of food, either a new warehouse will have to be built or other facilities acquired at Jeremie.

Recommendation No. 8

USAID/Haiti should require CRS to acquire adequate warehouse facilities at Jeremie.

Records and Controls Over Commodities Maintained by Distribution Centers were Inadequate.

Adequate records and controls were not being maintained to assure proper accountability over commodities issued to distribution centers. Records kept by the distribution centers were insufficient to offer a basis for the reconciliation of the quantities distributed by the warehouses with the quantities ultimately received and used by the distribution centers.

We visited eight CRS distribution centers. We found that none of these centers maintained records on commodity usage. Also, in many instances, receipt documents were not available substantiating the quantities of commodities received from the warehouses.

In its audit, Price Waterhouse noted similar findings as a result of its visits to ten distribution centers. In addition, Price Waterhouse noted two instances where school officials admitted they sold P.L. 480, Title II commodities in order to buy ingredients to cook meals. Also, four of the schools visited reportedly sold commodities to pay transportation costs. At one Food-for-Work project, the coordinator admitted that he sold bags of food to buy project materials.

In our opinion, the lack of records and controls over commodities at distribution centers resulted in commodities being sold. Although we did not identify any large quantities of CRS commodities being sold, we believe that the possibility of extensive abuse exists. Accordingly, CRS should establish and implement adequate procedures to strengthen its supervision and monitoring of the distribution center activities to ensure that adequate records and controls are being maintained to properly account for all P.L. 480, Title II commodities.

Recommendation No. 9

USAID/Haiti should obtain from CRS a plan to establish and implement procedures to strengthen its supervision and monitoring of distribution center activities to ensure that adequate records and controls are maintained to account for all commodities received and issued by the distribution centers.

Food-for-Work Projects were not Properly Documented and Controlled.

Controls and documentation over Food-for-Work projects were not adequate. Without adequate controls and documentation, these projects lend themselves to possible criticism and internal abuses.

Price Waterhouse Associates reported in its audit report dated October 15, 1982, covering CRS P.L. 480, Title II activities in the Port-au-Prince area, that CRS had not exercised adequate controls and documentation over Food-for-Work projects. Deficiencies were reported in the following areas:

- no guidelines were established between the work carried out and the number of workers covered by a project;
- no systematic evaluation of the work was performed to ensure adequate progress;
- no assurance was obtained by CRS/Haiti that projects it supported were not already funded by other organizations; and
- the usefulness and ultimate ownership of the work performed was not properly assessed.

Although our review of Food-for-Work projects was limited, we did visit two projects where we found that some work was actually taking place in an approved area. Nevertheless, we noted similar problems and deficiencies as reported by Price Waterhouse Associates with regard to controls and documentation over projects. No records were maintained on the projects visited.

In our opinion, controls and documentation over Food-for-Work projects should be established and implemented to ensure that progress on the work carried out corresponds to the number of workers and the time period covered by the project; that the same work is not supported by other AID programs; that the usefulness and ultimate ownership of the work performed is properly assessed; and that formal inspection reports are prepared.

Recommendation No. 10

USAID/Haiti should ensure that CRS establishes and implements a formal system for controlling and documenting Food-for-Work projects.

Commodity Status Reports were not Reliable.

CRS' Quarterly Commodity Status reports did not accurately reflect the quantity of commodities distributed to program recipients. Our analysis of the commodity status reports submitted to USAID/Haiti for the second and third quarters of FY 1982 disclosed numerous discrepancies. As a result, USAID/Haiti was not provided with accurate and complete data needed to effectively monitor CRS' P.L. 480, Title II programs.

The discrepancies noted during our review were determined by comparing what was reported by the three CRS Regional Distribution Centers (Port-au-Prince, Les Cayes and Jeremie) in their monthly commodity status reports versus what CRS reported in its Quarterly Commodity Status reports for the second and third quarters of FY 1982. We found that the total quantity of commodities reported as distributed during the second quarter was overstated by 138,493 kilograms. The quantity reported as distributed during the third quarter was understated by 27,611 kilograms. When we discussed the discrepancies with the CRS accountant, he was unable to provide us with a reasonable explanation for the differences. (See Exhibit C for a detailed presentation of the results of our comparison.)

In accordance with AID Handbook 9, Chapter 7, "Cooperating sponsors are required to maintain and make available, records and documents which accurately reflect all transactions pertaining to the receipt, storage, and distribution of commodities. It is evident that CRS had not fulfilled this requirement. In our opinion, complete and accurate reporting is an important management tool which is needed in order to effectively monitor program operations. To this end, adequate internal controls should be instituted to ensure that discrepancies in reporting are detected and corrected.

Recommendation No. 11

USAID/Haiti should ensure that CRS establishes and implements effective internal controls that will ensure that information reported in quarterly commodity status reports is accurate and complete.

Insufficient Publicity Being Given to the Source of P.L. 480, Title II Commodities.

During our review, we noted that insufficient publicity was being given as to the source of P.L. 480, Title II commodities. Generally, the recipients did not know that the P.L. 480, Title II food was donated by the people of the United States. Consequently, the U.S. is not receiving credit or acknowledgment for the commodities given to the people of Haiti.

We found that as a rule, CRS generally did not display banners, posters, or other media at distribution centers to show the information that is prescribed by Section 211.5(g) of Regulation 11, regarding the source and use of the food provided.

We queried students, mothers, and Food-for-Work recipients about the source of the food. We received different responses, but, in most instances, the recipients were not aware that the commodities were furnished by the people of the United States.

CRS needs to strengthen its publicity program to make recipients aware that the food received was donated by the people of the United States of America.

Recommendation No. 12

USAID/Haiti should require the CRS to establish and implement a publicity program that will comply with Section 211.5(9) of AID Regulation II, Handbook 9.

A CRS Internal Audit did not Disclose the Extent or Seriousness of CRS/Haiti Management and Implementation Problems.

A recent CRS headquarters audit of CRS/Haiti operations did not disclose the extent and seriousness of many of the P.L. 480, Title II management and implementation problems in Haiti. As a result, many of the problems discovered in our audit had not been brought to the attention of the local CRS management in Haiti for corrective action.

A regular scheduled internal audit of the CRS program in Haiti was made in March 1982. The scope of examination included the following: (a) an evaluation of the administrative practices and effectiveness of management; (b) a verification of compliance with applicable local laws and USAID/Haiti and CRS regulations; (c) an evaluation of the achievement of goals and objectives including the extent to which CRS/Haiti was monitoring the program; and, (d) an identification and reporting on any significant problem areas. Such a scope of audit, in our opinion, was sufficiently broad to have uncovered many of the problems presented in this report. However, this was not the case.

The CRS audit report mentioned only relatively minor problems, such as rebagging of torn sacks, filing of claims, and controls over commodities which were loaned or borrowed. Also, some of the conclusions drawn in the audit were somewhat questionable. For example, the report concluded that the accounting system and procedures to record and control receipt and distribution of P.L. 480, Title II commodities were adequate. However, as pointed in this report, we found numerous problems with regards to internal controls resulting in substantial quantities of commodities that were not accounted for. In addition, the report stated that physical inventories were taken monthly at warehouse locations; the report did not mention problems or losses found with regards to the inventories. In contrast, we noted significant inventory shortages in one location -- the Jeremie warehouse.

In our opinion, the recent internal audit conducted by CRS/New York was inadequate. Many of the problems noted during our review and discussed in this report should have been uncovered by CRS and included in its report. Accordingly, we believe CRS/New York should substantially improve the internal audits of CRS/Haiti's P.L. 480, Title II program.

Recommendation No. 13

The Office of Food-for-Peace, AID/Washington (FVA/FFP) should (a) discuss with CRS/New York the results of our audit and contrast it with the CRS/New York's internal audit; and, (b) obtain a written assurance from CRS/New York that improvement in audit coverage will be made in the future.

EXHIBIT A

P.L. 480, TITLE II - HAITI

CATHOLIC RELIEF SERVICES

SCHEDULE SHOWING THE VOLUME & VALUE OF COMMODITIES & NUMBER OF RECIPIENTS

	Fiscal Years			Total
	1980	1981	1982	
Quantity of Commodities Received (Metric Tons)	5.8	5.2	5.5	16.5
Value of Food Received (\$000)	\$1,921	\$1,813	\$1,454	\$5,188
Number of Beneficiaries (000)	88	118	126	332

P.L. 480, TITLE II - HAITI
ANALYSIS OF SHORTFALL IN DISTRIBUTION OF
COMMODITIES BY SECOURS CATHOLIQUE/PORT-AU-PRINCE
DURING FY 1982

	<u>Metric Tons</u>	<u>Percent</u>
Requirements per list of beneficiaries	2,351	100
Quantities distributed by Secours Catholique	<u>1,621</u>	<u>69</u>
Shortfall	<u>730</u>	<u>31</u>
 Analysis:		
1. Error made by CRS in ordering program commodities	118	5.0
2. Maritime transportation losses	28	1.2
3. Commodities loaned to other organizations	109	4.6
4. Commodities held at warehouse due to program suspension	211	9.0
5. Commodities held at Port-au-Prince because of delays in clearing customs	174	7.4
6. Warehouse losses	<u>90</u>	<u>3.8</u>
	<u>730</u>	<u>31.0</u>

P.L. 480, TITLE II - HAITI

SCHEDULE SHOWING DISCREPANCIES IN QUANTITIES
OF COMMODITIES REPORTED AS DISTRIBUTED VERSUS ACTUAL DISTRIBUTION

<u>Commodity</u>	<u>Distribution During Period</u> (In Kilograms)		<u>Difference</u>
	<u>Reported</u> <u>In QCSR 1/</u>	<u>Actual</u> <u>Distribution 2/</u>	
<u>Second Quarter FY 82</u>			
Oil	98,980	81,300	17,680
Cornmeal	617,409	541,614	75,795
Flour	96,770	109,567	(12,797)
Bulger	462,977	417,024	45,953
CSM	795	795	-0-
NFDM	320,089	308,227	11,862
Total	<u>1,597,020</u>	<u>1,458,527</u>	<u>138,493</u>
<u>Third Quarter FY 82</u>			
Oil	9,495	9,242	253
Cornmeal	9,204	10,477	(1,273)
Flour	6,478	6,569	(91)
Bulger	109,273	135,500	(26,227)
NFDM	7,250	7,523	(273)
Total	<u>141,700</u>	<u>169,311</u>	<u>(27,611)</u>

1/ QCSR = Quarterly Commodity Status Report.

2/ Actual distribution figures are based on a summary of the monthly reports of distributions reported by the Regional Distribution Centers which was the same source data for the QCSRs.

LIST OF RECOMMENDATIONS

Recommendation No. 1

Page 4

USAID/Haiti should (a) establish a realistic time frame for correcting of the deficiencies noted in this report; and (b) within that time period, obtain evidence to show that the deficiencies have been corrected. If the deficiencies are not corrected, the CRS Title II program in Haiti should be terminated.

Recommendation No. 2

Page 6

USAID/Haiti should obtain from CRS documents supporting the distribution of all commodities shipped to Jeremie and issue a bill for collection for any commodities not fully accounted for.

Recommendation No. 3

Page 8

USAID/Haiti should ensure that CRS and Secours Catholique of Port-au-Prince establish a smooth working relationship. If unable to do so, control of the P.L. 480, Title II program in Port-au-Prince should be transferred to another voluntary agency operating in Port-au-Prince.

Recommendation No. 4

Page 9

USAID/Haiti, in conjunction with CRS, make arrangements with the Ministry of Finance to expedite the entry of P.L. 480, Title II commodities into Haiti.

Recommendation No. 5

Page 10

USAID/Haiti should obtain from CRS explanations and justifications for the commodity losses that occurred at the Secours Catholique warehouse during FY 1982. A bill for collection should be issued for the commodities lost, which are not adequately explained or justified.

Recommendation No. 6

Page 11

USAID/Haiti should obtain from CRS, in collaboration with Secours Catholique, its plan to establish and implement an adequate distribution and control system to ensure that priorities are set for issuances of commodities from the warehouse and that distribution is made in accordance with the center's requirements.

Recommendation No. 7

Page 11

USAID/Haiti should obtain from CRS, in collaboration with Secours Catholique/Port-au-Prince, a plan to establish and implement procedures to guarantee that inventory issuance receipts are only signed by authorized and identified distribution center representatives after the receipt of commodities.

Recommendation No. 8

Page 13

USAID/Haiti should require CRS to acquire adequate warehouse facilities at Jeremie.

Recommendation No. 9

Page 14

USAID/Haiti should obtain from CRS a plan to establish and implement procedures to strengthen its supervision and monitoring of distribution center activities to ensure that adequate records and controls are maintained to account for all commodities received and issued by the distribution centers.

Recommendation No. 10

Page 15

USAID/Haiti should ensure that CRS establishes and implements a formal system for controlling and documenting Food-for-Work projects.

Recommendation No. 11

Page 16

USAID/Haiti should ensure that CRS establishes and implements effective internal controls that will ensure that information reported in quarterly commodity status reports is accurate and complete.

Recommendation No. 12

Page 16

USAID/Haiti should require the CRS to establish and implement a publicity program that will comply with Section 211.5(9) of AID Regulation II, Handbook 9.

Recommendation No. 13

Page 17

The Office of Food-for-Peace, AID/Washington (FVA/FFP) should (a) discuss with CRS/New York the results of our audit and contrast it with the CRS/New York's internal audit; and, (b) obtain a written assurance from CRS/New York that improvement in audit coverage will be made in the future.

APPENDIX B

LIST OF REPORT RECIPIENTS

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