UNITED STATES OF AMERICA

Auditor General

AUDIT REPORT

ON

CHURCH WORLD SERVICE/LUTHERAN WORLD RELIEF

PL 480 TITLE II PROGRAM

IN INDIA

Audit Report Number 5-386-81-1

Issue Date October 9, 1980

Area Auditor General Near East
Agency for International Development

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EXECUTIVE SUMMARY

Introduction

Church World Service (CWS) and Lutheran World Relief (LWR) are U.S. registered non-profit charitable organizations authorized to distribute PL 480, Title II commodities in India. They operate in India through their Indian counterpart agency, Church's Auxiliary for Social Action (CASA).

CASA's Title II program was terminated by AID in June 1974 because of continuing management deficiencies. AID later authorized resumption of the program from January 1, 1976 based on CASA's assurance and USAID/India's concurrence that the deficiencies were substantially remedied. Since fiscal year 1977 the program has been approved annually for a total of 150,000 recipients in the Food for Work (FFW) and Maternal Child Health (MCH) categories.

CASA received 31,828 MT of Title II commodities valued at about $8.4 million during the audit period from October 1, 1977 to December 31, 1979. The commodities were channeled to the recipients through a net work of consignees and distributors in various parts of India. The purpose of our audit was to determine if CASA's program was implemented in compliance with AID regulations and assess the effectiveness of their program management. We also reviewed actions taken to correct deficiencies reported in our prior Audit Report and evaluated USAID/India's monitoring of the CASA program.

Audit Conclusions

We again found CASA's program planning, management and monitoring to be deficient. CASA's program was terminated after our 1974 audit because of continuing deficiencies but was resumed in 1976 when USAID determined satisfactory program improvements had been made. However, in our 1977 audit we found many of the same problems persisted and again made recommendations for corrective actions.

In our current audit we found some management improvement but significant problems remained in overall program administration. We viewed these long-term and persistent deficiencies to be sufficiently serious to warrant program termination but neither USAID, CWS/LWR or CASA agreed with our position. Instead, they initiated a series of highly significant actions to promote improved program performance which they felt could reasonably be expected to improve their performance to an acceptable level. USAID stated that if the required improvement is not demonstrated within the next year, they would concur in terminating the program. Considering the magnitude of corrective action planned, we concur with USAID's position.

The problem areas pointed out in abbreviated form in this report were presented to USAID and CASA in far more detail in our draft audit report. The key areas in need of management attention are:

-- CASA's planned programming levels have been unrealistic. As a result they have consistently failed to achieve targeted performance levels and commodities available have been excess to their needs. As a solution to some of their management difficulties, CASA has agreed to reduce their FY 1981 program by 30 percent and to forego their first quarter FY 1981 call - forward. We recommended that CASA's revised AER be closely reviewed. (See pp. 4 - 6).

-- CASA's administration of the FFW program, which represented 93 percent of the total commodity distributions, was not satisfactory and commodity utilization was questionable. We noted indiscriminate project approvals, the absence of or failure to follow established procedures, and a lack of monitoring and project evaluation. Our recommendations called for corrective action in nine specific areas plus a comprehensive report on actions taken to improve program administration. (See pp. 6 - 11).

-- We noted prolonged feeding interruptions in the MCH program due to inadequate commodity allocation procedures, an inadequate nutrition education phase, failure to maintain program data records, and deficient procedures to account for funds collected from recipients. Two recommendations for corrective action were made. (See pp. 11 - 13).

-- CASA had made progress in their internal review efforts but their review activities did not meet the requirements of AID regulations. This has precluded a realistic assessment of CASA's ability to administer their Title II program. CASA's program surveillance also continues to be inadequate. Consequently, many deficiencies in program administration have persisted. CASA now plans to expand their internal review section to include four auditors to monitor all Title II activities and they have also established five new positions to intensify program surveillance. In addition, we recommended that CASA establish internal review guidelines and review their surveillance efforts to ensure compliance with AID regulations. (See pp. 16 - 18).

-- CASA has not processed claims for all cases involving improper use or missing Title II commodities and claim proceeds have not been remitted. We recommended that complete information and refunds be obtained. (See pp. 18 - 19).

-- Internal losses and damages have not been reported as required and arbitrary procedures have been followed to dispose of related claims. We recommended that established procedures be complied with. (See pp. 20-21).

-- USAID/India's program monitoring has not been effective. As a result, many of the program deficiencies described in this report have persisted over several years. USAID has reported that several corrective actions are underway to improve their monitoring thus we have not made a recommendation for further action. (See pp. 23 - 25).

In sum, this report includes 13 recommendations requiring specific corrective action. We believe these recommendations, plus the planned action by CASA and USAID, form an adequate basis to promote an acceptable level of program improvement. Accordingly, we have agreed with USAID to schedule another review of CASA's program approximately one year from now.

BACKGROUND

Church World Service (CWS) and Lutharan World Relief (LWR) are U.S. registered non-profit charitable organizations authorized to distribute PL 480, Title II commodities in India. They operate in India through their Indian counterpart agency, Church's Auxiliary for Social Action (CASA).

CASA's Title II program was terminated by AID in June 1974, because of continuing management deficiencies. However, based on CASA's assurance that these deficiencies were substantially remedied, AID authorized resumption of the program effective January 1, 1976. Since that time CASA's Title II program has been directed toward two areas: (1) a Food for Work (FFW) program whereby recipients receive Title II commodities for work done on community development projects and (2) a Maternal Child Health (MCH) program designed to provide food to poor women of child-bearing age and their children under the age of six.

The approved program levels for the three fiscal years covered by our audit are as follows:

Recipients	FY 1978	FY 1979	FY 1980
Food For Work (FFW)	100,000	110,000	110,000
Maternal Child Health (MCH)	50,000	40,000	40,000
	150,000	150,000	150,000
Commodities (In Metric Tons)	14,391	13,842	21,103 1/

1/ Based on increased number of recipients for corn where the daily ration is 5 kgs. compared to 3 kgs. for bulgur wheat.

Of the approved levels, CASA received 31,828 MT of Title II commodities valued at approximately $8.4 million during the period of our audit.

The commodities are distributed through a network of voluntary social workers and institutions known as consignees and distributors. The consignees, who are the primary recipients of commodities at the field level, issue the food to the distributors who in turn distribute it to the beneficiaries.

The consignees and distributors provide partial funding for other costs such as transportation, storage, fuel, and cooking expenses. Revenue from the sale of empty containers and bags is also used for this purpose.

This was our second audit of CASA's program since resumption in 1976. The purpose of this interim audit was to determine whether the program was effectively carried out in compliance with AID regulations, to assess CASA's management of the program, and to review USAID/India's monitoring actions. We also reviewed the actions taken by CASA to correct the deficiencies reported in our prior Audit Report, No. 5-386-77-22 dated August 24, 1977. We reviewed CASA's program plans and their annual estimates of requirements of Title II commodities for fiscal years 1978, 1979 and 1980. On a test basis, we reviewed CASA's records and controls over the receipt, storage and distribution of commodities; the procedures relating to project approvals; the accountability and disposition of proceeds from the sale of empty containers; actions taken in cases of marine and interior losses; and the accuracy of CASA's reporting. We visited CASA's headquarters in New Delhi and two of its area offices in Bombay and in Madras. We also visited selected consignees and distributors to review program operations in the field.

Our audit was made in accordance with generally accepted auditing standards and included such tests of records and documents, and discussions with responsible officials of USAID/India and CWS/LWR/CASA as were considered necessary. The audit covered the period from October 1, 1977 through December 31, 1979 and was performed intermittently during January to May 1980. Copies of our draft report were provided to USAID/India and CWS/LWR/CASA for comments and their responses were considered in the preparation of this final report.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

A. PROGRAM STATUS

CASA has a long-term history of inadequate program planning which has resulted in failure to reach targeted objectives, uncontrolled and inefficient commodity utilization and excess inventory levels of PL 480 Title II commodities. In 1974, similar management deficiencies (see Audit Report No. 8-386-74-47) led to termination of CASA's program until January 1976 when the program was again resumed based on CASA's assurance, and USAID/India's concurrence, that the deficiencies were substantially remedied. However, in August 1977 (Report No. 5-386-77-22) we found many of the problems still persisted and again made recommendations for corrective action.

In our current review we have found some progress in specific areas of program implementation but there still remain serious problems with the adequacy of CASA program planning, control and commodity utilization. To a large degree both USAID/India and CASA officials have accepted that many of these deficiencies do, in fact, exist and they have either taken or agreed to take very significant steps to promote improved program performance. For example, CASA has agreed to forego commodities call forward in the first quarter of FY 1981 and to a 30 percent reduction in their 1981 program levels. They have agreed to intensify program management and monitoring activities through employment of at least nine additional staff; two will be field officers, three will serve as Assistant Program Officers in zonal offices and four will be auditors who will monitor all PL 480 Title II program activities. In addition, all FFW project proposals will be subjected to final approval by central authorities before implementation can be authorized.

On the basis of the above corrective actions, USAID has not agreed with our suggestion that the CASA program be terminated. With these changes, they believe it is reasonable to expect CASA to manage an acceptable Title II program in India. They stated that continuation of this program should be conditional on the demonstrated improvement in the management and implementation of the program within the next year. At that time, if CASA did not succeed in sufficiently correcting the program, USAID would concur in termination of the Title II program of CWS/LWR.

In our opinion, the above described actions by USAID, CWS/LWR and CASA represent a significant first step toward improving the management, efficiency and economy of this program. Thus, we concur with USAID's position relating to future program continuation.

1. Programming Levels

In the past, CASA's Annual Estimates of Requirements (AER's) have not been based on a realistic assessment of programming levels that could be achieved. Rather than prepare AER's on the basis of past experience as required by AID policy, CASA has continuously estimated their requirements on the basis of desired goal levels. This condition has also been pointed out in our prior audit reports. As a result, CASA has constantly failed to achieve targeted levels and they have accumulated commodities excess to their needs. Furthermore, we also believe this excess commodity position has contributed significantly to CASA's lack of control over commodity levels issued for FFW projects as discussed in 2 below.

For example, CASA's AERs for each of the three fiscal years 1978, 1979 and 1980 were approved as requested for 150,000 recipients. However, their actual achievements in these years were considerably lower, although some improvement was made in FY 1979 as compared to FY 1978:

	FY 1978			FY 1979		
MCH	Planned	Actual	%	Planned	Actual	%
Commodities (MT)	1,908	824	43	1,535	790	51
Recipients	50,000	27,817	55	40,000	28,216	71
FFW						
Commodities (MT)	13,943	10,941	78	14,663	11,138	76
Mandays	4,937,529	3,877,157	78	5,085,207	4,099,471	81

CASA's accomplishments also continued to be low during the first quarter of FY 1980. During this latter period they achieved only about 42 and 22 percent (respectively) of the planned distribution in the MCH and FFW programs. According to CASA this low performance level was due to transportation problems resulting from the shortage of railway wagons in south India, floods in the Calcutta area, and staff shortages in the Bombay office. However, we believe that inadequate planning was the primary reason for the shortfall. CASA's commodity status reports showed that they had sufficient inventory to enable them to conduct their feeding programs at the approved level. They were not able to do so because the approved levels were excess to their needs. They also delayed issuance of dispatch instructions and followed inadequate allocation procedures. Notwithstanding these lower achievements, CASA has consistently requested and USAID/India has approved a program for 150,000 recipients. In the last three years, the only change was in program categories, MCH recipients were reduced from 50,000 to 40,000 recipients in FY 1979 and 1980, but the FFW program was increased to 110,000 in both years.

Our 1977 audit report also pointed out substantial differences between planned and actual performance. As now, the report further noted that CASA did not have adequate back-up data to support their AER. The number of recipients and man-months were not established on the basis of specific projects, but represented a program goal which CASA felt it could responsibly handle.

In terms of inventory management, CASA has now started considering inventories on hand in preparing their quarterly calls forward. However, they have continued to request commodities for the approved level rather than the actual number of recipients and, because of lower accomplishments, the stock available has generally exceeded their program needs. As mentioned, we believe this condition has contributed to the inefficient utilization of commodities. In addition, we found one instance where USAID/India approved utilization of 2,400 MT of commodities for payment of back wages to avoid deterioration of the commodities. Although CASA has not agreed with our conclusions concerning their inventory requirements, we believe the conditions that currently exist clearly dictate that USAID should more closely scrutinize future AER's and related calls forward.

Recommendation No. 1

The Director, USAID/India should require close review of CASA's revised FY 1981 AER to ensure that it reflects actual program needs and is supported by specific project proposals and recipient enrollment data.

2. Commodity Utilization

Food For Work (FFW) Program

Some management improvements have been made since our last audit by one of the two area offices visited by us. However, CASA's overall administration of the FFW program, which represented about 93 percent of the total commodity distributions, has not been satisfactory. The deficiencies found by us were caused by indiscriminate project approvals, the absence of or failure to follow established procedures, inadequate control over project implementation, and a lack of both monitoring and evaluation of ongoing programming. Consequently, we could not determine if the provided Title II commodities were efficiently utilized.

Details of our observations on the above discrepancies were furnished to CASA and USAID/India in our Reports of Audit Findings and in our draft audit report. Accordingly, we are not repeating the details here except to provide a representative sample. For purposes of corrective action this report should be used by Mission and CASA personnel in conjunction with the detailed information provided earlier. Corrective action should be directed to the following major deficiency areas:

(a) Lack of work standards and engineering estimates to establish the accuracy of manday work requirements and related commodity requirements

CASA had not established work standards to evaluate the accuracy of mandays of labor requested for a project. Their consignees had generally not submitted the required engineering estimates for projects, and most of those available were expressed in rupees without indicating a worker's daily output or the number of mandays needed for the projects. Consequently, the accuracy of mandays approved for projects, and the commodities released therefor, could not be established. We found that similar projects involving the same quantity of work were approved for widely different mandays. In the case of well deepening activities, the existing dimensions or extent of work involved were not stated. In a few cases, CASA approved more mandays for a project than those requested by the consignees. For example, two FY 1979 projects, each involving the planting of 1,500 trees, were approved for 8,100 mandays and 16,200 mandays as compared to the 1,620 mandays requested. In effect 21,060 mandays involving 65,602 kgs. of commodities were approved in excess of what was requested. In essence, 5.4 mandays of labor and commodities would be used at one project, and 8.1 mandays at another, <u>for planting just one tree.</u> In our opinion, this is a gross excess since it should not require, at most, more than a few hours to plant a tree. In FY 1980, this same consignee requested commodities for 5,400 mandays of labor for each of 8 projects involving the planting of 1,000 trees. This rate of 5.4 mandays per tree again grossly exceeded the actual requirement and the consignee's earlier estimates of the related labor requirement. Yet, CASA approved the 8 projects for the requested 43,200 mandays involving 134,568 kgs. of bulgur wheat and oil.

(b) <u>Incomplete project applications and project approvals contrary to established procedures</u>

The FFW applications and Project Site Data Sheets (PSDS) required under CASA's procedures for project approval were generally incomplete. Important information was missing or incomplete as to whether the project was on public or private land, whether benefit sharing agreements were obtained, or what other resources were required for the project's successful completion. In addition, we noted instances where projects were approved contrary to CASA's established procedures. For example, we found that Plans of Distribution (PODs) for some FY 1980 programs had not been issued but CASA still proceeded to dispatch commodities to the consignees. We also found cases where revised PODs were issued in March 1980 to regularize some FY 1978 and FY 1979 projects which were either not approved earlier or were subsequently cancelled by the consignees without CASA's knowledge. In some instances projects were approved verbally without the required prior approval of the CASA Zonal Committee. In effect, we have concluded that there has been very little control.

(c) Lack of beneficiary lists and ineligible beneficiaries

CASA had not obtained beneficiary lists in all cases. Thus, they could not effectively monitor the consignees programs. This condition existed even though most of the consignees had operated FFW programs for several years. Furthermore, it was difficult to identify whether there was any duplication of beneficiaries. For example, we found 15 persons with the same name, some of them having the same land survey number, on whose land projects were approved for several years. In addition, CASA/Madras also approved projects for 8 persons considered ineligible by field representatives and for one person who did not appear on the consignee's list.

CASA was not aware of these conditions but stated that the cases would be investigated. They later told us that they reviewed one particular case but found no duplication. However, we do not consider this response adequate since it covered only one of the 15 specific instances pointed out by us.

In addition, we also noted that projects were approved for many farmers who owned from 10 to 30 acres of land and thus could not be termed as marginal or small farmers. CASA stated that farmers in dry land areas holding up to 15 acres of land come under this category, but this is not supported by the Government of India's definition which states that such farmers are those having a land holding of up to 5 acres of dry land or 2.5 acres of irrigated lands.

(d) Indiscriminate project approvals

Identical projects under the same consignees were approved for the same villages several years running and, under present project approval procedures, it would be impossible for CASA to detect any duplication. For example, we found that CASA had approved one consignee's request to change the location of four current projects. They then proceeded to authorize commodities for both locations which apparently resulted in undetected duplication which has not yet been adequately explained. In another instance, CASA/Madras approved four wells for a consignee when only one was recommended by their field representative and they offered no explanation for this.

(e) Approval of new projects when earlier ones were not completed, and incomplete records

Both area offices continued to approve projects and issue commodities to consignees even though their prior projects had not been completed. This further complicated project administration and control. For example, CASA/Bombay approved 174 projects for their consignees in FY 1980 although 100 previous projects relating to FY 1978 and FY 1979 were either incomplete or the status was unknown because of reporting deficiencies and poor monitoring.

CASA's procedures require the submission of monthly reports showing inputs of mandays, commodity utilization, and project accomplishments. This information is supposed to be recorded for project monitoring purposes. CASA/Madras had satisfactorily maintained such records but we found deficiencies at CASA/Bombay. We noted instances where monthly reports were not complete and consolidated reports were submitted for several projects. In general we found that records on individual consignees were incomplete and that FFW mandays were incorrectly recorded. Thus our review of actual versus approved mandays, commodity utilization, and physical accomplishments was not possible.

(f) Deficient commodity allocation procedure

Commodity allocations and dispatches at CASA/Bombay were made without following established procedures or considering the current status of the projects. This has resulted in commodity shortage and work suspension at some projects and in accumulation of unneeded commodities at others.

(g) Approval of questionable and ineligible projects

Projects were approved that did not comply with AID requirements or where the projects were ineligible and the benefits questionable. A majority of the approved projects were on private land with the benefit accruing to the individuals rather than the community. Applicable AID regulations require that projects emphasize public rather than private benefit. Development on private lands may be considered if it will result in significant corrollary public benefits, and such benefits are fully explained. However, CASA's projects approved on private land were not supported with such explanations.

Ineligible projects were approved for three consignees involving 202 MT of commodities where the projects were on institutional land.

In addition, our selective review disclosed several projects that were of an unending nature, questionable usefulness and were not susceptible to adequate monitoring. For example, such activities included weeding projects requiring 903 MT of commodities and land leveling projects involving 3,236 MT of commodities. In commenting on our draft report, CASA stated that such projects are related to the total land development undertaken and without them expected benefits would not be realized.

(h) Lack of evaluation of project results

CASA was not evaluating or requiring information on the results of completed projects. As a result, there was no information as to whether or not the expected benefits were realized from the projects. CASA later stated that they do evaluate some projects, but not all, because of inadequate staffing for this purpose.

(i) Commodities not transferred when programs are terminated

Records showed that four consignees whose programs were terminated by CASA/Bombay during 1976-78 still had balances of wheat on hand. CASA/Bombay could not explain why no action had been taken to transfer or dispose of the wheat totaling 54 MT.

In sum, on the basis of our review we have concluded that CASA's overall administration of the FFW program has not been satisfactory. Information was generally lacking about how the need for a project was established or how CASA ensured themselves that the same projects or beneficiaries were not previously supported. CASA's emphasis appeared to be on approving sufficient projects to utilize the available commodities and their monitoring and control over implementation of the approved projects was seriously lacking. As a result, the efficient utilization of Title II commodities was, in our opinion, questionable. Furthermore, our 1977 audit report also commented on similar deficiencies in CASA's FFW program. The related recommendation was cleared on the basis of USAID/India's assurance that CASA had taken adequate corrective actions. Given this background, we recommended in our draft report that USAID/India withhold approval of CASA's FY 1981 FFW program until they demonstrate substantial improvement in project approval, review and evaluation. However, we agreed to modify our recommendation because CASA, with USAID concurrence, has indicated significant improvements will be made within the next year and we then again review their progress.

Recommendation No. 2

The Director, USAID/India should require CASA to take corrective action on the specific deficiencies noted above and as detailed in our draft audit report.

Recommendation No. 3

The Director, USAID/India require CASA to furnish, within 60 days of the issuance of this report, a comprehensive report on actions taken to improve their administration, monitoring and evaluation of FFW program and determine if those actions are adequate to ensure compliance with AID regulations and the efficient utilization of Title II commodities.

MCH Program

The MCH program has some similar problems as those observed in the FFW program. Some of these deficiencies are noted below:

(a) Lack of timely allocation and issuance of commodities to the centers to ensure continuity of the feeding program

Delays occurred in allocation of commodities and issuance of dispatch instructions at both area offices. The delays resulted in feeding interruptions for considerable periods of time, sometimes 6 months or more, although commodities were available centrally. These interruptions effected the program continuity that is essential to the maintenance of an effective education and basic nutrition feeding program.

(b) Lack of efforts to integrate Title II feeding with nutrition education and health care

CASA/Bombay's efforts in this area were inadequate. They had no trained staff for this purpose and therefore were unable to develop even a rudimentary program. However, at CASA/Madras we found that they had made significant efforts to integrate health/nutrition education with the Title II feeding program. Prior to enrolling a consignee in their FY 1980 program, CASA/Madras determined that the consignees had the required facilities and would integrate the feeding program with health care and nutrition education. However, even at Madras, we found some exceptions which indicated that follow-up is needed to ensure that all consignees were taking required actions. CASA/Madras assured us that these centers would be closed if appropriate corrective action was not taken by them.

(c) Failure to maintain adequate distributor and recipient records

CASA/Bombay had not updated the distributor and recipient records for the ongoing programs approved in FY 1976 and FY 1977 although there had been a considerable number of program changes. This lack of current records contributed to their unrealistic programming and made progress evaluation impossible. CASA/Bombay has since informed us that corrective action is underway.

(d) Deficient commodity allocation procedures

CASA/Bombay's commodity allocation procedures were deficient. They were not considering inventory levels or actual feeding levels achieved at the time of allocating commodities. As a result, consignees were generally issued commodities that may or may not have met their requirements. For example, we found commodity stock-piling of about a 6 to 19 months supply at two of the three consignees visited by us. We also noted instances where commodities were damaged due to prolonged storage.

(e) Incomplete records

Stock management records maintained by CASA/Bombay for MCH consignees were found to be incomplete and only posted up to June 1979 at the time of our visit in March 1980. We noted that four consignees still had stocks of 1,747 kgs. of bulgur and 669 kgs. of oil although their programs were terminated in FY 1978 or FY 1979.

(f) Charges to recipients

CASA/Bombay did not have information on whether or not its consignees were collecting fees from recipients. AID regulations permit levying of such charges on the basis of the recipient's ability to pay, and require that such funds be used for program costs. However, in the case of CASA/Bombay we were unable to determine if any funds were collected and used for project purposes.

At CASA/Madras we were informed that almost all the consignees were collecting a nominal fee from beneficiaries for the Title II program and for other services, such as medical care. However, reports thereon were not required and we found that two of the four consignees we visited were not maintaining records of collections.

In conclusion, we found problems with CASA's MCH program, but they were not as serious as those noted in the FFW program. The problems were caused by unrealistic programming and the lack of sufficient attention to normal program administrative details. We believe the establishment of realistic programming levels and improved program surveillance as recommended by us should prevent such problems in the future.

Recommendation No. 4

The Director, USAID/India should require CASA to establish and implement procedures to comply with the requirements of AID Regulation 11, Section 211.5(i) regarding collection, use, and accountability of funds collected from recipients; and reemphasize the need to integrate Title II feeding programs with nutrition education and health care programs.

Recommendation No. 5

The Director, USAID/India should require CASA to recover or transfer the Title II commodities remaining with consignees whose programs have been terminated.

3. Program Results

FFW Program

According to CASA's annual program plans, the purpose of FFW projects is to improve farming infrastructures which result in increased food production capacity in the target areas. Activities to be implemented to achieve this purpose include irrigation wells, irrigation and percolation tanks, embankments for irrigation, primary and secondary canals, land leveling and bunding, afforestation and road construction.

Secondary activities contributing to improved welfare within the target areas included the digging of drinking water wells. Short-term assistance is provided through employment opportunities arising from the project activities themselves.

The program plans further state that beneficiaries are the poorest of poor, landless laborers, small, and marginal farmers. AID Handbook 9, Section 8F, defines the goal of FFW projects as the achievement of needed agricultural/economic and community development by providing commodities to support the labor of unemployed and under employed local workers. The Handbook states that development projects should emphasize public rather than private benefit and are designed to alleviate the causes of the need for assistance. Development on private lands may be considered if it will result in significant corollary public benefits. However, such public benefits are to be fully explained in the proposals.

We found that the projects approved by CASA were generally of the type specified in their program plans and would have generated employment opportunities and resulted in some positive effects. However, since CASA was generally not evaluating the results of completed activities, information about their actual impact in relation to the overall program goal was lacking. Moreover, we found that a majority of the approved projects were on private land with the related benefit accruing to individuals rather than the community. In such cases, the required explanation of corollary public benefits was not available. Similarly, our selective review disclosed ineligible projects on institutional land, and projects on lands of farmers who could not be considered small or marginal. In addition, there were several projects (weeding and land leveling) involving significant commodity inputs which were of an unending nature, questionable usefulness and not susceptible to adequate monitoring.

We made field visits to the project sites of 6 of the 70 consignees who had FFW programs in the two areas reviewed by us. We found evidence of work done and distribution of commodities. However, we also found instances of unauthorized substitution of beneficiaries; physical inventory differences and unsatisfactory storage practices; the presence of less than the employed number of workers on the date of our visit; and projects which were not maintained or were reported as completed although they did not achieve the desired results. We also noted instances of inaccurate or incomplete records; non-availability of empty bulgur wheat bags which could not be satisfactorily explained by the consignee although the related commodities were reported to have been distributed only three days prior to our visit; and the non-distribution of oil even though stock was available. Because of these exceptions and the nature of the deficiencies previously noted in this report, we were unable to determine if (1) the claimed mandays and commodities were actually used, (2) whether or not a project was approved and implemented in earlier years and (3) whether all the projects were implemented as intended. Details of our field visits have been provided separately to USAID/India and CASA for corrective action.

MCH Program

CASA's purpose for the MCH program is to improve nutrition and contribute to the higher level goal of improved health among the target population. According to AID Handbook 9 the target groups in this program are the high-risk category of women of child bearing age and their children under the age of six with emphasis on children up to the age of three. The Handbook further emphasizes that it is important to attempt to reach these groups in terms of poverty and/or nutritional status, and that foods should be provided alongwith education in nutrition, child care and related subjects.

We found that CASA's instructions to its consignees and distributors emphasize an appropriate target group for the feeding program. However, we do not know the extent to which this was adhered to or whether the recipients were enrolled on the basis of their economic and nutritional status because CASA did not have any supporting data. In FY 1980, one of the two area offices visited by us had attempted to obtain recipient details from consignees to review their eligibility but their effort was only partially successful. Data was obtained for only 39 per cent of the total number of recipients in the Madras program.

The Madras Area Office had made significant efforts to integrate health/nutrition education with the feeding program but this was not done in Bombay. According to USAID/India's trip reports, the MCH program in the Calcutta zone also lacked integration of feeding activities with nutrition education and other related components. A major reason for this is that unlike Madras, the other two area offices do not have a nutrition officer. Since the feeding program by itself will not have the intended positive impact on the target group, the educational aspects in the other two areas should be emphasized by CASA. (Subsequent to our audit exit conference, CASA informed us that guidelines were being drawn up to ensure that MCH projects are integrated into a nutritional education and health care system.)

We visited 7 of the 70 consignees who operated MCH programs in the two areas reviewed by us. At 21 of the 26 feeding centers we found evidence of distribution and that recipients were generally eligible to participate. Approximately 20 percent of the recipients at the five remaining centers were ineligible (68 of 340). During our field visits we also found instances of feeding interruptions, feeding of less than the approved level of recipients, stock piling, and physical inventory differences. Details of our full observations have been provided separately to both USAID/India and CASA for corrective action.

In sum, CASA's Title II program would undoubtedly have had some positive impact in terms of the objectives specified in the program plans. However, as reported previously, there were many problems under both the programs which will require significant efforts by CASA to correct.

Recommendation No. 6

The Director, USAID/India should require CASA to take corrective action on the problems specifically identified in our field visits. Details of these deficiencies have been provided under separate cover.

B. INTERNAL REVIEWS AND SURVEILLANCE

CASA has made progress in their internal review efforts, but their review activities did not meet the requirements of AID regulations in terms of comprehensiveness. As a result, USAID/India could not use the internal review reports to assess and make recommendations about CASA's ability to effectively administer their Title II program. In addition, CASA's program surveillance continues to be deficient because of an apparent lack of adequately trained staff, insufficient field visits, and ineffective procedures and reporting. Consequently, many of the deficiencies in overall administration of the program have persisted.

Internal Reviews

Section 211.5(c) of AID Regulation 11 requires VolAgs to conduct comprehensive internal reviews of their Title II program. These reviews are to be made at mutually agreed intervals and reports thereon are to be provided to USAID. CASA furnished USAID internal review reports covering its FY 1977 and FY 1978 programs but the report for FY 1979 had not been submitted as of July 1980.

We found that CASA's reports were objectively written and highlighted the problems observed in the program areas covered. The reports also included recommendations for corrective actions but we found that these were not used to effectively improve program operations.

We also found some weaknesses in CASA's internal review procedures. These shortcomings included failure to cover several significant program areas or to comment on whether the program was complying with AID regulations. We also noticed a lack of follow-up on deficiencies found, insufficiently developed findings, recommendations that did not address the problems, and an absence of any review guidelines or workpapers in support of the internal reviews. As previously noted CASA has agreed to hire four auditors to review all PL 480 Title II activities. We believe this additional staff, plus development and use of detailed guidelines and written instructions regarding coverage and reporting should make their internal reviews more responsive to the needs of both CASA and USAID/India. In addition, CASA should maintain complete workpaper files showing the extent of their internal review coverage.

Surveillance

CASA maintains surveillance over its field operations through inspection by its field representatives (FRs). CASA procedures require that every consignee must be visited at least once every quarter and the distributors once every six months. We found that neither of the two area offices had complied with this. For example, we found that only 201 of the 351 MCH centers were visited during FY 1979 by CASA/Madras personnel, and only 70 were visited twice. CASA/Bombay had not visited 8 of the 24 consignees and 73 of 142 distributors in FY 1979.

In our review of CASA's surveillance efforts we found several deficiencies such as stereotyped reports containing insufficient or contradictory information, and inadequate follow-up on problems noted. Our previous audit report also commented on the inadequacy of CASA's program surveillance but actions taken then by USAID and CASA have not been adequate to solve the problem.

CASA had 21 field representatives at the time of our audit, but they had not determined if that was sufficient staff to carry out their monitoring responsibilities. We believe CASA should make such a review to ensure that adequate staff is available for this important function.

Recommendation No. 7

The Director, USAID/India should require CASA to (a) develop adequate written guidelines on their internal review responsibilities that will ensure future review coverage that meets the requirements of AID Regulation 11, and (b) review their surveillance function and determine if adequate trained staff is available to ensure compliance with their procedures regarding field coverage.

C. CLAIMS AGAINST CONSIGNEES AND DISTRIBUTORS

CASA had not made claims against consignees for all cases involving improper use of or missing Title II commodities, and has not refunded claim amounts realized to USAID. CASA's records indicated a number of instances where sufficient reason for filing a claim existed but we found only two cases where claims were filed. Both cases were for unexplained physical inventory shortages of oil and neither was reported to USAID. At the present time, the commodity value involved in both cases is in excess of $15,000, including all stock one consignee had at the time his program was terminated. Thus there is a significant need to greatly improve CASA's claim processing procedures.

In addition to the above, our selective review disclosed other instances where CASA had either received claim proceeds but had not made a refund to USAID/India, or where claims were not filed. For example, at USAID we found a complaint alleging misuse of commodities by one of CASA's consignees for the FFW program. Available data indicated a collection had been made but the amount received by CASA and whether or not it was remitted to USAID/India was not shown. There was also no evidence to show that USAID/India had followed-up on this matter.

In the case of another consignee, CASA discovered a shortage of 19,446 kgs. (209 bags) of wheat at one of the distributors. An inquiry conducted by CASA found the distributor to be dishonest and CASA suspended the consignee's program in July 1978. However, after having thus established the misuse of Title II commodities, CASA did not initiate claim action or pursue the matter. Another case was mentioned in a CASA field representative's report in September 1979. The report stated that there was a strong suspicion of misuse due to a difference of over 700 kgs. of wheat between the book and physical balance. Although the report stated that the matter was under investigation, we did not find any evidence of follow-up or that the matter was satisfactorily resolved. Another field visit report showed a shortage of 3,958 kgs, of wheat and 102 kgs. of oil, but again, CASA files did not show how the matter was settled.

Recommendation No. 8

The Director, USAID/India should require CASA to (a) furnish a detailed report on the above losses and on all other similar instances showing whether claims were filed, the amounts realized or reasons for not filing claims, and (b) develop adequate loss follow-up and reporting procedures that will ensure adequate claim processing in the future.

Recommendation No. 9

The Director, USAID/India should obtain refunds, as appropriate, for claim proceeds realized thus far by CASA and determine if CASA should be held responsible for any losses attributable to their failure to adequately process claims.

D. INTERNAL LOSSES AND DAMAGES

CASA has not reported losses and damages as required and has followed arbitrary procedures in disposing of related claims. These deficiencies were caused by a lack of procedures and ineffective review and monitoring of lossses and damages by USAID/India.

Handbook 9 and AID Regulation 11 require the VolAgs to promptly report any loss, damage, or misuse of commodities. The reports should be submitted to the Mission Food for Peace Officer (FFPO) within 30 days of the discovery of the loss, damage, or misuse and the FFPO is required to maintain a follow-up file for each claim. Any proposed settlement for less than the full amount due must be approved by the Mission Director.

In an audit of another VolAg, we also found that losses were not being reported promptly and that the Mission was not maintaining follow-up claim files. In response to our recommendations, USAID/India obtained AID/Washington approval exempting them from maintaining follow-up claim files but the following reporting procedure, applicable to all VolAgs, was provided for:

(a) Losses of $300 and over were to be reported promptly, and

(b) Losses under $300 were to be reported quarterly.

Our current review showed that USAID/India is not requiring compliance with these revised procedures as indicated by the following examples:

(a) Internal losses, primarily inland transit losses of over $300, have not been reported promptly to USAID/India. In some cases, delays in reporting losses ranged from 10 to 24 months. We also found a few instances where commodity losses were not appropriately handled in accordance with regulations. This delayed reporting results from CASA's inadequate procedures and USAID has not required corrective action.

(b) CASA has accepted settlements for less than the full amount of the claim without the prior approval of USAID. CASA stated that there are no procedures therefor and that USAID/India had not questioned its acceptance of lesser amounts in settlement of claims.

(c) Both CASA and USAID/India have followed arbitrary procedures in disposing of claims for internal losses and damages. Generally, CASA has routinely filed claims for railway and warehouse losses but after three reminders to the parties concerned, they have written off the claims with USAID/India's approval. USAID/India routinely approved the write offs on the basis of information furnished without any apparent review.

Commenting on our observations, USAID/India stated that the revised procedure for reporting losses was not followed for CASA because of the small size of their program. Nevertheless, USAID/India also indicated concern that losses are not reported in a timely manner and sometimes do not include adequate information; and that the VolAgs seldom complete collection of railway claims. USAID further informed us that they had started a review of VolAg losses and that appropriate action would be taken after the review is completed.

Regarding compromise of claim settlements, USAID stated that the matter has already been reviewed in the past and it was decided by the Mission that prior USAID/India approval was not feasible.

Recommendation No. 10

The Director, USAID/India should inform CASA about established procedures regarding reporting of losses and damages, and require CASA to comply accordingly.

E. ACCOUNTABILITY

Shipment accountability records were generally complete and the minor errors we noted were reportedly corrected during our audit. However, considerable delay has occured in the movement of some commodities from the port area. For example, small commodity balances were lying at port warehouses from seven shipments that arrived during March 1978 to September 1979. CASA attributed the delays to difficulty in consigning small quantities, non-availability of wagons, and slow movement by FCI.

Recommendation No. 11

The Director, USAID/India should require CASA to clear the above commodities, details of which were provided separately, without further delay and submit a report when action is completed.

F. CONTAINER DISPOSAL

Adequate records and reporting were not maintained on container fund accountability and markings were not being obliterated from empty containers prior to their sale.

AID Regulation 11 authorizes cooperating sponsors to sell containers and use the funds for payment of certain program costs but our review disclosed that neither of the two area offices had maintained adequate control over this revenue source. At sites visited by us, we found that proper records or procedures were not available. This deficiency was also found during our last audit and CASA then reported it had developed procedures to comply with the AID regulations.

Based on our review of available container reports, we did note that funds were used for authorized purposes. However, in one other incident, we found that costs totalling Rs. 50,725 ($6,341) were improperly paid from container fund revenues. CASA has filed claims with the GOI's agent on this matter and should ensure that the $6,341 is restored to the container funds when collection is effected.

Recommendation No. 12

The Director, USAID/India should require CASA to comply with AID regulations regarding container fund accountability and obliteration of markings from containers prior to their sale.

G. PUBLICITY

Our field visits disclosed that recipients were generally unaware of the source of food, and CASA's efforts to publicize this type of information were inadequate. CASA's program plan states that their publicity policy is to encourage general awareness of their support for projects in the areas where programs are implemented. A secondary concern is to publicize the ultimate source of the commodities. In comparison, Handbook 9 states that the objective of publicity is to assure that recipients know the source of commodities. The handbook requires that publicity be given to all entities involved in the program.

Recommendation No. 13

The Director, USAID/India should require CASA to comply with commodity source publicity regulations as specified in AID Regulation 11 and Handbook 9.

H. USAID/INDIA MONITORING

Based on our audit findings we have concluded that USAID/India's monitoring of CASA's program has not been effective. USAID/India did not adequately monitor CASA's AERs, internal review reports, or loss and damage reports. In addition, they did not ensure that adequate action was taken to correct known deficiencies. As a result many program deficiencies have persisted over several years and Title II commodities have not been efficiently utilized.

AID Regulation 11 requires that comprehensive internal review reports of VolAgs will be used by USAID's to assess and determine the capability of VolAgs to effectively plan, manage, control and evaluate their programs. As reported earlier, CASA's internal review reports were neither comprehensive or adequate. Furthermore, we found no evidence that USAID/India evaluated CASA's report for FY 1977 and their review of the FY 1978 report was perfunctory. The USAID's review was not specific or thorough and drew no conclusions as to CASA's ability to effectively plan, manage, control and evaluate their program. In addition, USAID did not inform CASA about the areas not covered by the review nor did they follow-up to determine actions taken on the deficiencies reported.

USAID/India made administrative reviews of two of CASA's area offices (Madras and Calcutta) during August and October 1979. However, reports thereon had not been prepared as of May 1980, although over eight months had elapsed since the reviews were made. Obviously, these reviews were of questionable usefulness. In addition, USAID/India made nine field reviews of CASA's program at the consignee/distributor levels during the audit period. Trip reports were prepared and copies of most of them were furnished to CASA. However, no follow-up was made to determine whether any action was taken by CASA on these reports. Some of the findings in the trip reports indicated significant problems such as the lack of muster rolls, inflation of rolls, distribution of double rations, questionable bases for approving mandays for FFW projects, the feeding of ineligible beneficiaries and the non-existence of other MCH components.

USAID's review and monitoring of losses and damages was also inadequate. For example, in September 1979, CASA reported a theft of 559 cases of vegetable oil valued at approximately $9,400 and stated that a claim had been filed. USAID has not followed up since then to determine the status of this claim. We also found several instances where CASA reported that unfit commodities would be disposed of by dumping. Among these were two cases involving 155 MT of unfit bulgur wheat valued at approximately $36,360. AID Regulations require that such commodities be destroyed under proper supervision but USAID/India did not ensure prompt destruction nor did they maintain a follow-up. At the time of our visit, from 9 to 16 months after the commodities had arrived in country, the unfit bulgur wheat had still not been destroyed.

In commenting on our draft report, USAID/India has not agreed that their monitoring has been ineffective or perfunctory. They cited staff shortages and the overall program size as reasons why certain functions had not been performed. They also advised that the following corrective actions are underway:

(a) To strengthen field monitoring, a series of administrative and field reviews have been programmed for the rest of this calendar year.

(b) To have an effective follow-up system, a definite plan of action is being developed.

(c) To improve the scrutiny of internal review reports, additional guidelines have recently been obtained from AID/Washington, albeit in draft form.

(d) To develop the system of reporting on loss and damages, losses for all of FY 1979 are being analyzed to determine where improvements can be made.

(e) To cope with workload, an additional administrative/secretarial local staff has been requested.

USAID/India further stated that during the course of this year, AID/Washington is deputing a number of consultants to evaluate the various categories of Title II program activities in India. In view of the above actions, we have agreed with USAID/India to delete our draft report recommendation on the assurance that the above steps will be adhered to.

LIST OF RECOMMENDATIONS

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Recommendation No. 1

The Director, USAID/India should require close review of CASA's revised FY 1981 AER to ensure that it reflects actual program needs and is supported by specific project proposals and recipient enrollment data. 6

Recommendation No. 2

The Director, USAID/India should require CASA to take corrective action on the specific deficiencies noted above and as detailed in our draft audit report. 11

Recommendation No. 3

The Director, USAID/India require CASA to furnish, within 60 days of the issuance of this report, a comprehensive report on actions taken to improve their administration, monitoring and evaluation of FFW program and determine if those actions are adequate to ensure compliance with AID regulations and the efficient utilization of Title II commodities. 11

Recommendation No. 4

The Director, USAID/India should require CASA to establish and implement procedures to comply with the requirements of AID Regulation 11, Section 211.5(i) regarding collection, use, and accountability of funds collected from recipients; and reemphasize the need to integrate Title II feeding programs with nutrition education and health care programs. 13

Recommendation No. 5

The Director, USAID/India should require CASA to recover or transfer the Title II commodities remaining with consignees whose programs have been terminated. 13

LIST OF RECOMMENDATIONS

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USAID/India	
Director	5
AID/W	
Deputy Administrator (DA/AID)	1
Bureau For Asia	
Assistant Administrator (AA/ASIA)	5
Office of Bangladesh and India Affairs (ASIA/BI)	1
Audit Liaison Officer	1
Bureau for Private and Development Cooperation	
Office of Food For Peace (PDC/FFP)	2
Office of Private and Voluntary Cooperation (PDC/PVC)	2
Bureau For Development Support	
Office of Development Information and Utilization (DS/DIU)	4
Bureau For Program and Policy Coordination	
Office of Evaluation (PPC/E)	1
Office of Legislative Affairs (AA/LEG)	1
Office of General Counsel (GC)	1
Office of Financial Management (FM)	1
IDCA Legislative and Public Affairs Office	1
Office of Auditor General	
Auditor General (AG)	1
Communications and Records Office (AG/EMS/C&R)	12
Policy, Plans and Programs (AG/PPP)	1
Area Auditor General	
Area Auditor General/Washington	1
Area Auditor General/Africa (East)	1
Area Auditor General/East Asia	1
Area Auditor General/Egypt	1
Area Auditor General/Latin America	1
OTHER	
General Accounting Office (GAO/W)	1
Inspection and Investigation Staff (IIS/Washington)	1
New Delhi Residency	3