

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL

USAID/TANZANIA
NEEDS TO CLOSELY MONITOR THE PROGRAM
AND INVENTORY CONTROL CHANGES BEING MADE
BY CRS/TANZANIA

AUDIT REPORT NO.3-621-82-15
May 26, 1982



Regional Inspector General for Audit
NAIROBI

USAID/TANZANIA
NEEDS TO CLOSELY MONITOR THE PROGRAM
AND INVENTORY CONTROL CHANGES BEING MADE
BY CRS/TANZANIA

TABLE OF CONTENTS

	<u>PAGE NO.</u>
EXECUTIVE SUMMARY	i
BACKGROUND AND SCOPE	1
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	2
Program Was Being Reorganized to Establish Better Controls	2
Several Problems Identified in Prior Audit Reports Still Existed	3
The 1962 Agreement Between the GOT and CRS/Tanzania was Being Revised	3
CRS/Tanzania Did Not Have An Adequate Inventory Control System	4
End Use Checks Continued To Be Insufficient	6
An Internal Audit Had Not Been Made	7
Recipient Status and Commodity Status Reports Were Still Inaccurate	7
Potential Exists To Improve CRS Program in Africa	9
Uniform Management/Inventory Control System Would Improve Program Effectiveness	9
Use Of Improved Containers Would Facilitate Commodity Handling and Reduce Losses	11
EXHIBIT A - Summary of Prior Recommendations	
APPENDIX A - List of Recommendations	
APPENDIX B - List of Report Recipients	

EXECUTIVE SUMMARY

The purpose of this review was to follow up on prior audit recommendations contained in Audit Report No. 3-621-80-24, dated September 18, 1980; and to address the operational and program objectives. At the time of our review CRS/Tanzania had cancelled the first quarter call forward for CY 1982 to allow time to (a) develop an effective inventory control system, (b) reduce the number of distribution Centers so they can be properly administered, and (c) locate distribution centers in areas where there is more identified need. This report is therefore being published as an interim report on the follow up of the prior recommendations with some additional observations. Another review will be scheduled in the latter part of fiscal year 1982 to follow up on this report and to review the effectiveness of the new system and distribution centers.

The new CRS director, who appears competent, was working diligently to correct weaknesses which have been pointed out in audit reports since 1978. In our opinion CRS/New York has been at fault for allowing the program to go this long with such major control and program implementation weaknesses. CRS/New York contributed to the delays in correcting reported deficiencies because the prior CRS/Tanzania director was instructed not to take action on the prior recommendations of A.R. 3-621-80-24.

Although delayed by CRS/New York, effective action is now being taken by CRS/Tanzania to implement the prior report's recommendations. Five of the 13 recommendations included in the prior report were not adequately or completely implemented. One of these has been taken care of since the review and the recommendation has been deleted. Four remaining areas being acted on which require additional follow up are as follows:

- The inventory control system being designed by CRS/Tanzania was not yet operational. We recommend that USAID/Tanzania monitor implementation and assure itself that the system is adequate (pages 4 to 6).
- End use checking was planned and additional end use checkers were being hired. We recommend that the USAID/Tanzania monitor end use checks to ensure that adequate visits are scheduled and meaningful inspections made (pages 6 to 7).
- An internal audit had not been made as yet. We recommend the USAID/Tanzania follow up to see that it is made (page 7).

- Compliance with the recently distributed operating manual has not yet been determined. This will be determined as part of our follow-up review and USAID/Tanzania's monitoring of CRS/Tanzania end-use checks (page 3).

We also recommend that USAID/Tanzania follow up to see that recent informal agreements made between the Government of Tanzania and CRS/Tanzania are incorporated into a new written agreement.

We found two new areas where we believe potential exists for improving the program. We believe CRS/New York should design and implement a uniform management/inventory control system in its overseas food distribution programs (pages 9 to 11). Secondly, we believe losses of oil and other commodities can be reduced by improved containers (pages 11 to 12). A prior report on another African country recommended that FVA/FFP pursue the use of stronger containers for oil shipments. We were not satisfied with their response to the recommendation, therefore we are having our IG/PPP staff follow up on this matter.

A draft report was discussed with USAID/Tanzania and CRS/Tanzania, and a final draft was provided to USAID/Tanzania and FVA/FFP for written comments. Inputs from these offices have been included in our report as considered necessary.

BACKGROUND AND SCOPE

Tanzania is a large country (one third larger than Texas) with a population of approximately 18 million people. Approximately 90 percent of the people are engaged in small subsistence farming. Tanzania is one of the 25 poorest nations in the world, and approximately 25 percent of its children under 5 years of age are malnourished.

The United States attempts to assist these malnourished children by donating food under the Public Law 480 Title II Program. The primary objective of this program is to improve the nutrition of children under age five. The program in Tanzania has been administered by Catholic Relief Services (CRS) since April 1962.

Commodities (milk, oil, corn soya meal, bulgar) are distributed through a network of distribution centers located in various regions of the country. The size of the program planned for 1982 was 5,700 metric tons valued at approximately \$2.6 million. This food was to be distributed to (a) 75,000 children and 35,000 mothers in maternal child health programs, (b) 14,500 children in day care centers, (c) 1,000 workers and 4,000 dependents in a food for work program, and (d) 1,000 children in various institutions. If properly administered, a program of this size can make a valuable contribution to assisting Tanzania's undernourished children.

At the time of our last audit of the CRS sponsored PL 480 Title II program in Tanzania (A.R. 3-621-80-24, 9/18/80), we found numerous program deficiencies attributable to CRS. These deficiencies were virtually identical to previous deficiencies reported in prior AID audits, a GAO audit, and in CRS internal audits -- dating back to 1975. Over \$1 million of Title II commodities which arrived in CYS 1978 and 1979 could not be accounted for as having arrived at intended destinations. A pertinent summary of the situation existing at the time of our last audit could also be found in a CRS internal audit report issued in 1978, which stated that CRS/Tanzania had never had adequate controls over the movement of PL 480 commodities from the ports to final recipient centers.

It was our opinion at the time of our last audit that unless corrective actions on the constantly recurring deficiencies took place in the near future, it would be necessary to recommend either a substantial reduction in program size, or a change in program sponsor.

Our prior report was brought to the attention of the AID Administrator, who wrote to the Assistant Administrator in charge of PL 480 programs, and stated:

"I do not think this situation can be allowed to continue without damage to the Title II program and, ultimately, to our relations with Tanzania ... it is essential that we have quick action on these problems."

Although AID management in Washington and USAID/Tanzania were very interested in obtaining prompt corrective action on the noted deficiencies, CRS/New York was very slow to initiate action. It was not until March 1982 (17 months after issuance of the report), that sufficient documentation was submitted to close all the recommendations of A.R. 3-621-80-24.

Several times during this 17 month period, RIG/A/Nairobi scheduled follow-up work. Each time our follow-up work was deferred because insufficient action had been taken on the recommendations. Eventually it appeared from documentation submitted to the IG, that CRS/Tanzania had corrected the deficiencies and implemented the recommendations. Thus, a follow-up audit was initiated in March 1982 to verify if actions reported as taken (a) actually had been implemented, and (b) were effective in correcting the prior deficiencies. This report is the result of that review.

FINDINGS CONCLUSIONS AND RECOMMENDATIONS

Program Was Being Reorganized to Establish Better Controls

At the time of our audit CRS/Tanzania was reorganizing the program in an attempt to establish better controls. This reorganization restricted the scope of work we could do at this time. We commend CRS/Tanzania for their effort and, as discussed below, feel these changes can go a long way towards making long overdue improvements in the administration of the program.

CRS/Tanzania was attempting to make the program more manageable by reducing the number of Maternal Child Health (MCH) centers from 130 to around 50, and day care centers from 88 to about 30. We feel this reduction is prudent as a widespread organization was obviously beyond the management span of the small CRS staff. As experience is gained with a smaller scale operation, it may become evident that further constriction of the centers is necessary, or that improved controls can be further achieved by utilizing only one port facility. We feel that CRS/Tanzania is moving in the right direction by limiting the program to a level they can properly manage.

Prior audits of the PL 480 program in Tanzania continually reported deficiencies which stemmed partly from the wide divergence of operating procedures being employed by the distribution centers. CRS/Tanzania had prepared, and was in the process of disseminating to the centers, an operations manual to help ensure uniform procedures, and to make sure that centers were aware of their responsibilities. (This was in response to our prior Recommendation No. 9.) We feel this action can do a lot to help gain better control of the program at the field level. However, the success of this effort will depend upon whether CRS/Tanzania makes sufficient and meaningful end use checks to ensure centers understand their responsibilities and are complying with the new operating procedures. Our subsequent review will include steps to determine if the new manual proves effective, and if the end use checks are sufficient and meaningful. In the meantime we have recommended on page 7 that USAID/Tanzania follow up on end use checking by CRS/Tanzania.

Conclusion

Reducing the number of centers and disseminating uniform operating procedures are important steps towards improving administration of this program. We feel CRS/Tanzania is moving in the right direction. We will follow up on these areas during our next review to determine whether the potential benefits from these changes were realized.

Several Problems Identified in Prior Audit Reports Still Existed

Our prior Audit Report, dated September 18, 1980, contained 13 recommendations. Eight of the 13 recommendations had been satisfactorily implemented at the time of our review. The remaining five were in various stages of implementation (See Exhibit A for a Summary of Recommendations and their current status). From USAID/Tanzania's response to our draft report, it appeared that one of these recommendations had been subsequently satisfactorily implemented. The following sections of the report discuss the identified weaknesses that still exist, the current status of implementation, and what we feel still needs to be done. In addition we have made some additional observations that are discussed in detail.

The 1962 Agreement Between the GOT and CRS/Tanzania Was Being Revised (Prior Recommendation No. 3, d)

Although the prior recommendation was satisfactorily implemented, we have made a recommendation to negotiate a new agreement because the 1962 Agreement between the GOT and CRS/Tanzania did not include recent agreements that had been reached between CRS/Tanzania and the Government of Tanzania (GOT). For example, the GOT agreed (a) to absorb 90 percent of all port charges, and (b) that posters which show the source of the food as the United States could be displayed at the centers.

CRS/Tanzania and the GOT were currently in the process of negotiating a new agreement. The CRS director estimated this agreement will be signed within the next three months.

Conclusion and Recommendation

It has been determined that a new agreement is needed and CRS/Tanzania was actively engaged in negotiating an agreement. Although action is in process, we feel a recommendation is necessary, pending notification that a new agreement has been finalized, and that it is satisfactory to USAID/Tanzania.

Recommendation No. 1

USAID/Tanzania follow up to see that a new agreement is signed between CRS/Tanzania and the GOT, and that all provisions are acceptable to AID.

CRS/Tanzania Did Not Have An Adequate Inventory Control System (Prior Recommendation No. 4)

The current inventory control system which was being revised did not adequately control the movement of food from port of entry to the distribution centers. There were several major deficiencies in the system.

As pointed out in prior audit reports, CRS did not obtain receiving reports from all of its distribution centers. These reports were needed to verify that the food shipped to the centers was actually received. Our review of the inventory ledger showed this condition still existed, as almost half of the shipments could not be supported by receipts from the centers.

The perpetual inventory records were not reconciled to identify what was actually distributed from the port. A record was established for each commodity by ship which showed how the commodities were to be allocated to the centers. CRS/Tanzania didn't know the exact quantity that would be available to distribute, so an unallocated reserve was recorded in the ledger. In most of the cases this reserve was never distributed, and therefore was not accounted for. For example:

- On one shipment of bulgar wheat, a reserve of 626 bags was established. In addition to the reserve not being distributed, 93 scheduled bags were not shipped to one center, 100 to another, and 63 to another. In total, 882 bags were not distributed to the centers or accounted for.

- On another ship, 2,000 bags of corn soy milk were received-- 1,506 bags were despatched to the centers, 494 were not shipped or accounted for. There were no reports acknowledging receipt from the centers for 1124 bags.

- There was no indication in the records what happened to damaged bags; i.e., whether they were rebagged, what the losses were, etc.

The records (a card for each center) which control the amount of food which was to be supplied to the center to feed the agreed to recipient levels, were not adequate. They showed the amount allocated but not the amount shipped, so it was impossible to determine whether a center was actually shipped the agreed upon quantity of food. Based on a review of the allocations made to the centers, none were supplied the correct amount of food in Fiscal Year 1981. The following chart illustrates:

<u>Commodity</u>	<u>Number of Recipients</u>			
	<u>Center A</u>	<u>Center B</u>	<u>Center C</u>	<u>Center D</u>
Bulgar wheat:				
Planned	480	368	612	388
Allocated	<u>816</u>	<u>499</u>	<u>725</u>	<u>483</u>
Over Allocation	<u>336</u>	<u>131</u>	<u>113</u>	<u>95</u>
Oil:				
Planned	132	200	332	184
Allocated	<u>145</u>	<u>211</u>	<u>269</u>	<u>191</u>
Over (under) Allocation	13	11	(63)	7
Milk:				
Planned	240	368	612	296
Allocated	<u>424</u>	<u>403</u>	<u>314</u>	<u>295</u>
Over (under) Allocation	184	35	(298)	(1)

Note: These centers were selected because the control card did not indicate extra food had been provided to the centers.

The current CRS/Tanzania director indicated he was going to install a system he used in his prior two posts. This system had not yet been designed so we could not examine actual documents; however, based on our discussions with him, it appeared that he knew what he wanted to do--it was just a matter of time getting it done and training his staff to use the new system. We were concerned that he would not have enough time to get the system developed and installed by the time the next shipments of food start arriving in April. The director felt there would be adequate time because food was not going to be shipped to the centers until May.

Conclusion and Recommendation

The inventory control and distribution systems were not adequate. Food was not properly accounted for. Although there were obviously unaccounted for losses, we do not believe the time should be taken to try to go back and reconcile the differences. Such an effort would be impossible and would accomplish little. We feel the time would be better spent on developing and implementing the new system.

The CRS director was aggressively attempting to design and implement a sound inventory control system. We feel his efforts could be enhanced through assistance from USAID/Tanzania's Food for Peace Officer or Controller. Perhaps the Regional Food for Peace advisor's assistance could also be requested.

Pending notification that USAID/Tanzania is satisfied that the system was implemented, is adequate and in place, we think a recommendation is warranted.

Recommendation No. 2

USAID/Tanzania actively monitor the design and implementation of the new CRS inventory control system, assuring itself that the system is adequate.

End Use Checks Continued To Be Insufficient (Prior Recommendation No. 7):

Because Title II food is highly susceptible to misuse, it is essential that frequent and meaningful end use checks be performed at distribution centers. In our prior report we pointed out that end use checks were insufficient due to a shortage of staff. Our review of CRS files indicated that this condition had probably deteriorated further since our last audit. We noted that several centers had not been visited in 2-3 years. However, beginning in January 1982, visits were begun to the centers to be retained in the program. Almost all of the centers to be retained were visited.

CRS personnel recognized the importance of end use checks and were planning to strengthen this area. We were told that one end use checker was hired, and there were plans to hire two more preschool supervisors who would also make end use checks. One checker was to be permanently stationed in the field with a vehicle, so that frequent coverage to remote centers would be possible. Additionally, with the reduction in the number of centers, CRS officials hoped to be able to visit each center about 3-4 times per year.

Conclusion and Recommendation

The above steps will help improve management. However, due to a demonstrated lack of performance in the past, we feel USAID/Tanzania needs to monitor this activity for a period of time until it gets off the ground. Pending USAID/Tanzania's assurance that adequate end use checks are being routinely made at the centers retained in the program, we are making the following recommendation.

Recommendation No. 3

USAID/Tanzania monitor CRS/Tanzania end use checks to ensure that adequate visits are scheduled and meaningful inspections made.

An Internal Audit Had Not Been Made (Prior Recommendation No. 8)

The internal audit agreed to by CRS/New York had still not been made. It is currently planned but no firm date has been set.

Conclusion and Recommendation

CRS/New York has not made the agreed upon audit; therefore, a recommendation is considered necessary until the audit has been completed.

Recommendation No. 4

USAID/Tanzania follow up to ensure that an internal audit by CRS/Headquarters staff is promptly completed.

Recipient Status and Commodity Status Reports Were Still Inaccurate (Prior Recommendation No. 10)

We tried to verify figures CRS/Tanzania used on the Recipient Status (RSR) and Commodity Status (CSR) reports for the period July to December 1981. We were unable to do so. CRS/Tanzania kept no working papers to support how the figures were developed. We also could not reconcile individual loss status figures with the stock records.

One of the more significant discrepancies in the reports was as follows: Commodities received in Tanzania during March 1981 were not included in the prior CSR covering the quarter April to June 1981. If the commodities had been included, CRS/Tanzania would have had to account for the following food:

<u>Commodity</u>	<u>Amount in Kilos</u>
Milk	244,300
Bulgar Wheat	405,600
Oil	130,900*
Corn Soy Milk	111,000

* This is net of a shipment discharged on July 1, 1981 included in the June report in error.

Instead the above amounts were included in the July to December CSR, which made it impossible for CRS/Tanzania to account for that volume of food distribution. Since it was known that the prior CSR ending inventory figures were wrong, they were not carried forward as the beginning balances of the June to December report. The CRS director knew what the proper December 31, 1981 figures were because a physical inventory was made. To make the December 31, 1981 report balance, it was worked backwards from the ending inventory to the beginning inventory. Since the food missed in the prior report was being picked up in the current report, it was impossible to get it to balance. It appeared to us that the amounts shown as distributed were entered in the report to make it balance.

The net effect of the two reports was that 19,900 kilos of milk, 120,200 kilos of bulgar wheat, 158,600 kilos of oil, and 42,700 kilos of corn soy milk were not accounted for in the Commodity Status Report. How much of this represents actual shortages would be impossible to determine.

The figure shown as recipients fed in the RSR were also not correct because not all the centers reported this information; however, CRS/Tanzania was trying to report actual levels rather than planned levels. If a center didn't report, nothing was reported for that center.

Conclusion and USAID/Tanzania Comments

The RSR and CSR did not provide accurate data. Based on the reports a significant amount of food was unaccounted for. It is unknown whether the food not accounted for was the result of poor record keeping or shortages. Based on our review of the reports and records, we doubt that it would be possible to reconcile the differences; therefore, we do not believe it should be attempted.

USAID/Tanzania Comments

"End-use check forms have been revised and appear adequate for the job and the new Center Report Forms now provide for daily rather than monthly control of commodity use. Except for centers which have been cut from the program and are at best marginally cooperative, the reports have been adjusted to pick up actual inventories and CRS now considers them to be

accurate. Operational Centers know that they will be cut from the program if reporting and inventory control are found to be inadequate during end-use and other checks of their operations. The data contained in the center reports is spot checked and now assembled on and traceable to supporting workpapers which form the basis for preparation of the RSR's and CSR's. As an additional improvement, the reports are now being prepared on a monthly rather than quarterly basis. We agree with the draft reports observation that reconciliation of old balances should not be attempted particularly in view of lack of cooperation from centers which, for this very reason, have been cut from the program. Since this reorganizational effort is now operational, this recommendation should not be restated."

Since USAID/Tanzania is satisfied that the new system is effective and operational we have deleted the recommendation which appeared in our draft report.

Potential Exists To Improve CRS Program In Africa

Based upon this, and other PL 480 Title II reviews we have made in Africa, we feel the opportunity exists to improve the program by making changes in certain areas. In our opinion, the program could be improved by establishing a uniform management/inventory control system and selecting improved containers for food. These areas are discussed below.

Uniform Management/Inventory Control System Would Improve Program Effectiveness

CRS has no standard system of inventory and program control for use in its worldwide distribution programs. Consequently, a multiplicity of inventory and program control systems exist. Throughout the years, we have continuously reported that many of these individual systems contain control weaknesses which are cumbersome and difficult to maintain.

Systems move from one country to the next as directors are reassigned. The directors become familiar with a system and quite naturally try to replicate it at their next assignment. Thus, systems are in constant change.

This causes several problems. The director spends considerable time on instituting systems at the expense of managing and controlling food distribution, normally the weakest part of the program. The staff and centers personnel must be trained to use the new system. Tanzania is a good example where frequent changes in CRS directors resulted in constant changes in operating procedures, and the system was still unacceptable.

Most of the systems we have reviewed, in addition to not providing adequate control, are unwieldy, inefficient and difficult to maintain. Simple monthly reports from centers vary from good to poor to non-existent. The inventory control system often tries to serve more than one purpose--making it a cumbersome and unreliable record. For example, the system in Tanzania in addition to showing current inventory balances by ship, also tries to control receipt of commodities at the center, and record and control inland losses. All these are important control elements, but, not for a warehouse inventory record which is to control the food in the warehouse. The container sales and recipient fees records are also cumbersome and could be better designed.

Based on this review and others in Africa, we conclude there is a need for CRS to design a system that will provide standardization and adequate control. This would result in uniform controls; standardized forms, record keeping procedures, and reporting practices; and would significantly reduce the time currently spent changing systems as directors move about. Most countries have some good forms and control features which could be combined into an effective system. At the present time, there is little likelihood that most, if any, of the individual country systems in operation provide the desired level of control in the most efficient and cost effective manner.

Areas that need attention are warehouse inventory records, allocation records, records reporting receipt of food, center reporting, recipient fee and container sales records, recording of damaged goods and related rebagging, loss reporting by the centers, standardization in preparing recipient status and commodity status reports. These are the most important elements of an effective management/inventory control system which we think could be readily standardized on a worldwide basis.

Conclusion, Recommendation, FVA/FFP and RIG/A/Nairobi
Comments

Our reviews of CRS inventory control and reporting systems indicates a need to develop a uniform management/inventory control system. Such a system would result in program stability, a uniform standard of control and savings in time now spent in the constant changes in systems design, implementation and form preparation. It would also improve the control and distribution of food, probably saving food now lost through poor control.

Recommendation No. 5

FVA/FFP work with CRS/New York to design and implement a uniform management/inventory control system that can be used in the CRS worldwide food distribution programs.

FVA/FFP Comments

"CRS and FFP are continually concerned with the improvement of overall management and accountability for Title II commodities. Basic responsibility and reporting for such commodities are covered by A.I.D. Regulation 11 and are further explained in Handbook 9. Within this framework voluntary agencies are given latitude to develop management control systems which fit specific country environments and to adopt these systems to fit individual country needs.

CRS and FFP feel that a uniform worldwide system is not feasible. There is no way a system could be designed which would fit the needs of some 40 different countries with varying degrees of sophistication in delivery and infrastructure. However CRS and FFP do feel there are certain procedures and reports that could be so standardized and we will be working on these areas."

RIG/A/Nairobi Comments

We do not agree that a worldwide system is not feasible. Inventory control records are basic, as are center reporting, recipient fee records, and container sales records among others. In some countries the records are adequate but could be greatly streamlined--saving time and scarce resources; in other countries they are not adequate. Evidence of the need for an effective standardized system is supported by the frequent system changes being made by CRS/directors as they move about.

We are concerned that CRS has never taken the initiative in this area after all the reports that have been issued over the years pointing out basic defects in food control. We therefore, have retained the recommendation until at least a study by an independent consultant has been made to determine if an effective worldwide inventory/management control system is practical.

Use of Improved Containers Would Facilitate Commodity Handling And Reduce Losses

Our prior report on the PL 480 Title II program in Ghana (Audit Report No.3-641-82-06, dated January 14, 1982) recommended that "Aid/Washington, FVA/FFP investigate the use of stronger containers . . . for oil shipments." We were informed by FVA/FFP that "for a variety of reasons plastic would not provide the solution to the vegetable oil packaging problem." We were also told that FVA/FFP and USDA would be meeting with voluntary agencies to discuss this issue as well as other packaging matters.

The same problems reported in Ghana also existed in Tanzania; i.e., vegetable oil cans were leaking or crushed, as well as bulgar wheat being lost due to broken seams in bags. CRS/Tanzania and USAID/Tanzania officials felt losses from poor packaging were probably increasing because of poorer quality metal containers and bags currently being used. Another problem is that oil losses are significantly understated because it is impossible to determine the losses when ships are unloaded; therefore, the losses go unreported.

Although we have raised this issue before, we are still somewhat perplexed as to why the problem has not or cannot be addressed. Plastic containers are used for shipping a myraid of products in the U.S. including vegetable oil--apparently without the same breakage problem being experienced in shipments to Africa. Additionally, if plastic containers are feasible for use in the U.S., what circumstances or conditions make them unsuitable for use in shipments to Africa? Plastic containers also have the added features of being lighter, easier to handle, and have a resale value which could generate increased revenue for the program. The CRS director indicated the plastic containers will be worth 3 or 4 times more than the metal tins.

When bags containing bulgar wheat break, CRS/Tanzania has them repacked into bags they purchased in Kenya. They consider these bags to be far superior to the ones in which the wheat was originally packaged. An upgrading of the shipping bags would reduce this problem.

Conclusion

The losses of Title II commodities from breakage of shipping containers appears to be widespread and increasing. FVA/FFP personnel indicated they are looking into ways to reduce losses of oil and other commodities; thus we are not making a recommendation at this time. We have, however, referred this matter to the IG/PPP staff to (a) review the action being taken by FVA/FFP to improve containers and reduce losses, and (b) determine why plastic containers are not feasible for shipping oil overseas.

PL 480 TITLE II ACTIVITIES
IN TANZANIA

Summary of Prior Recommendations
(Report No. 3-621-80-24 dated September 18, 1980)

Status As Of 3/22/82

Recommendation No. 1

USAID/Tanzania (a) require CRS/Tanzania to establish adequate controls to ensure that adequate and complete documentation is submitted to CRS/New York on ocean losses, and (b) monitor actions to ensure that claims for ocean losses are initiated promptly by CRS/New York.

1(a) Adequate control established.

(b) Not practical for USAID/Tanzania to do this.

Recommendation No. 2

USAID/Tanzania strongly encourage CRS/Tanzania to obtain adequate central warehousing facilities at three major ports of entry as soon as possible.

2. Improved warehousing facilities have been obtained.

Recommendation No. 3

USAID/Tanzania encourage CRS/Tanzania to promptly explore with the Tanzania Government (a) the extent they can comply with their agreement regarding the payment of in-country transportation, storage and handling charges, (b) their endorsement in principle of recipient contributions to help defray inland handling and transport costs to be collected in an appropriate manner, (c) ways of reaching those people too poor to contribute to the program, and (d) if necessary, the modification or renegotiation of the 1962 agreement modification.

3(a) GOT contribution has increased and CRS/Tanzania sees no additional need to further explore this at present.

(b) Recipient fees are currently in accordance with AID Regulations.

(c) Funds are currently set aside to cover the cost of recipients who cannot pay.

(d) Agreement not yet modified but was in process of modification.

Status As of 3/22/82

Recommendation No. 4

USAID/Tanzania require CRS/Tanzania to promptly establish a system of accounts and procedures that will ensure adequate controls over the movement of PL 480 commodities from the U.S. port of shipment to the final destination.

4. System of accounts and procedures not adequate.

Recommendation No. 5

USAID/Tanzania file a claim against CRS/Tanzania for the \$50,000 in commodity losses if CRS/Tanzania fails to obtain, or at least seek, legal remedy for its outstanding claims.

5. Approximately \$48,000 was accounted for and the balance of \$2,095 was approved for write off as uncollectible.

Recommendation No. 6

USAID/Tanzania require CRS/Tanzania to review the Empty Containers' Fund account to (a) determine the outstanding balances with the forwarding agents based on total deliveries of PL 480 Title II food containers, and (b) ensure that adequate accounts receivable records are established and reflected in CRS/Tanzania's quarterly reports to the USAID.

6(a) Outstanding balances were determined.

(b) Records are now adequate but cumbersome.

Recommendation No. 7

USAID/Tanzania require a more effective end-use procedure be installed by CRS/Tanzania

7. End use procedures were not effective, but all centers were currently being visited.

Recommendation No. 8

USAID/Tanzania and CRS/Tanzania agree in writing on the scope and timing of the next scheduled internal review of CRS/Tanzania's PL 480 Title II program.

8. Scheduled but exact date not known. Standard CRS audit program to be used.

Status As Of 3/22/82

Recommendation No. 9

USAID/Tanzania require CRS/Tanzania to (a) disseminate the purposes of the PL 480 program and the operational requirement of the distribution centers to all distribution centers in Tanzania, and (b) ensure compliance with these operational requirements.

9(a) An operating manual had been developed and was being distributed.

(b) Although new commodities were not called forward, the program continued to distribute existing stocks. Compliance will be reviewed in follow-up audit.

Recommendation No. 10

USAID/Tanzania require CRS/Tanzania to submit Recipient Status Reports and Commodity Status Reports that accumulate and record actual recipient and ration data as required by AID Handbook 9.

10. Recipient Status and Commodity Status Reports still were not adequate.

Recommendation No. 11

USAID/Tanzania encourage CRS/Tanzania to explore with the Tanzanian Government various methods to communicate to the people of Tanzania the desired PL 480 program publicity information.

11. Posters were prepared for display and had been distributed to the centers.

Recommendation No. 12

USAID/Tanzania develop a Mission plan to institutionalize more frequent end-use checks by its own staff. This plan include sufficient checks to determine that CRS/Tanzania's responsibilities are executed properly and in a timely fashion.

12. A plan was developed and there were increased end-use checks with more planned in the near future.

Recommendation No. 13

USAID/Tanzania and R/FFPO take action to have the CRS/Tanzania PL 480 Title II program reviewed to determine if the stated objectives are being achieved.

13. Reviewed by R/FFPO in September and October of 1981. Report was issued.

List of Recommendations

	<u>Page No.</u>
<u>Recommendation No. 1</u>	4
USAID/Tanzania follow up to see that a new agreement is signed between CRS/Tanzania and the GOT, and that all provisions are acceptable to AID.	
<u>Recommendation No. 2</u>	6
USAID/Tanzania actively monitor the design and implementation of the new CRS inventory control system, assuring itself that the system is adequate.	
<u>Recommendation No. 3</u>	7
USAID/Tanzania monitor CRS/Tanzania end use checks to ensure that adequate visits are scheduled and meaningful inspections made.	
<u>Recommendation No. 4</u>	7
USAID/Tanzania follow up to ensure that an internal audit by CRS/Headquarters staff is promptly completed.	
<u>Recommendation No. 5</u>	10
FVA/FFP work with CRS/New York to design and implement a uniform management/inventory control system that can be used in the CRS worldwide food distribution programs.	

APPENDIX B

List of Report Recipients

	<u>No. of Copies</u>
<u>Field Offices</u>	
USAID/Tanzania	5
RFFPO, REDSO/EA	1
<u>AID/Washington</u>	
Deputy Administrator	1
AA/AFR	5
AA/FVA	2
LEG	1
GC	1
IG	1
AFR/EA	2
FVA/FFP	3
SER/CM	2
FM/ASD	2
PPC/E	1
ST/DIU	4