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AUDIT  
OF THE PUBLIC LAW 480,  
TITLE II PROGRAM  
IN BOLIVIA - OVERVIEW

Audit Report No. 1-511-87-23-N  
May 18, 1987

AGENCY FOR INTERNATIONAL DEVELOPMENT

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May 18, 1987

MEMORANDUM

TO : Acting Director, USAID/Bolivia, George A. Wachtenheim  
FROM : RIG/A/T, *George N. Gothard* Coinage N. Gothard, Jr.  
SUBJECT: Audit Report No. 1-511-87-23-N, "Audit of the Public Law 480,  
Title II Program in Bolivia - Overview

This report presents an overview of the results of non-Federal audits of the Public Law 480, Title II Programs in Bolivia operated by Catholic Relief Services (CRS), Adventist Development and Relief Agency (ADRA), Food for the Hungry International (FHI), and the National Community Development Service (SNDC). The certified public accounting firm of Horwath & Horwath in Bolivia prepared the report, which is dated May 7, 1987.

The purpose of these audits was to report on (1) the fairness of the commodity statements for the year ended September 30, 1986, (2) the system of internal controls established for administering and supervising the projects, (3) compliance with the laws, regulations and agreement provisions to which they are subject in relation to the programs, and (4) the adequacy of resources of the organizations. This overview report of the audits of the four organizations has been prepared as a separate report at your Mission's request.

In the opinion of Horwath & Horwath only SNDC's commodity statements do not fairly present the position of the agency as of September 30, 1986. However, they could not satisfy themselves as to the quantity of inventories for CRS, ADRA, and SNDC due to inadequate records. Also they could not satisfy themselves as to the quantity of commodities loaned to and returned from other cooperating sponsors for CRS, FHI, and SNDC. Their study and evaluation of the internal control systems disclosed various magnitudes of deficiencies in the systems of the four agencies related to inadequate inventory records, inadequate storage facilities, and inadequate supervision. Their review of the adequacy of resources revealed that only FHI's resources, in their opinion, were adequate for proper administration of the program. They also determined that the four agencies were not in compliance with certain regulations applicable to the PL480, Title II Program. For items not tested, nothing came to their attention that caused them to believe that untested items were not in compliance.

The Horwath & Horwath reports contain 45 recommendations to improve the four agencies' systems of internal controls, 29 recommendations to achieve compliance with laws, regulations and agreement terms, and 10 recommendations to improve the situation with respect to available resources. We are not including an Office of the Inspector General recommendation in this report because we have made recommendations in the individual reports on the four agencies.

AUDIT OF THE PL 480, TITLE II

PROGRAM - BOLIVIA

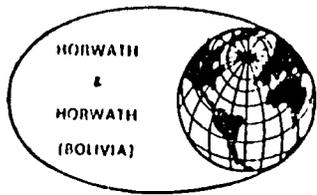
OVERVIEW

AUDIT OF THE PL 480, TITLE II PROGRAM - BOLIVIA

OVERVIEW

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HORWATH & HORWATH (BOLIVIA) LTDA.

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LA PAZ - BOLIVIA

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras, C.A.

Dear Mr. Gothard:

This report presents an overview of our audit of the PL 480, Title II Program Bolivia for the period October 1, 1985 to September 30, 1986.

BACKGROUND

The PL 480 Title II Program in Bolivia is implemented through four voluntary agencies, which are: Catholic Relief Services (CRS), the Adventist Development and Relief Agency (ADRA), the National Community Development Service (SNDC), and Food for the Hungry International (FHI).

1. Catholic Relief Services

Catholic Relief Services (CRS) is an institution that was created by the United States Catholic conference with a humanitarian purpose. Its main objective is to help the world's poor and needy people. CRS's counterpart agency in Bolivia is CARITAS-BOLIVIA, an agency of the Bolivian Catholic Episcopal Conference. The prime aim of the CRS/CARITAS PL 480, Title II Supplemental Feeding Program in Bolivia is directed toward two groups: (1) children under six years of age that are likely to be suffering from PEM (Protein Energetic Malnutrition) and (2) troubled persons, primarily women of child bearing age, in poor communities throughout Bolivia.

2. The Adventist Development and Relief Agency (ADRA)

The Adventist Development and Relief Agency (ADRA) is a relief agency of the Seventh-day Adventist Church, fully accredited by the Government of the United States. In Bolivia, ADRA works under the name of OFASA ("Obra Filantropica y Asistencia Social Adventista"). ADRA/OFASA has been working for many years in various forms in Bolivia, but it was not until 1983 that it initiated its program of distribution of Title II commodities. The prime aim of the PL 480, Title II Program is to distribute in Bolivia more than six thousand tons of food to more than 78,000 needy persons through (1) improvement of the nutritional levels of young children, (2) creation of more jobs, (3) better education in rural areas and (4) general health and dietary instruction.

### 3. The National Community Development Service (SNDC)

The National Community Development Service (SNDC) is an organization under the Ministry of Peasants and Agropecuarian Affairs of the Bolivian Government. Since 1983, SNDC has been in charge of the Food for Work Program in the rural zones of La Paz, Cochabamba, Santa Cruz and Beni.

The long range objective of this project is to improve the income of the rural population. The immediate objectives consist of increasing agriculture production.

### 4. Food for the Hungry International (FHI)

Food for the Hungry International (FHI) is a non-profit relief and development organization that has its international headquarters in Geneva, Switzerland and the main administrative office in Scottsdale, Arizona. FHI became involved in Bolivia in 1977 in small scale development operations. In September of 1983, FHI began working with USAID in response to the emergency situation caused by a prolonged drought. FHI's involvement in distributing Title II commodities presently constitutes the largest part of its overall program. FHI's general objective for the entire program in Bolivia is to assist peasants to improve their standard of living.

### AUDIT OBJECTIVES AND SCOPE

The objective of our audit was to perform a financial and compliance audit of the PL 480, Title II Program for the period October 1, 1985 to September 30, 1986. Our main task was to determine if funds and/or commodities were being properly accounted for in the commodity statements and used as directed by the agreements or other applicable program documents. Our examination included a study and evaluation of internal controls over commodities and compliance with AID regulations and the Food for Peace Agreements. Our review also included a determination of the adequacy of resources of the PL 480, Title II Programs managed by CRS, ADRA/OFASA, SNDC, and FHI Bolivia.

Our examination was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

### RESULTS OF AUDIT

The four voluntary agencies CRS/CARITAS, FHI, ADRA/OFASA, and SNDC distributed 27,577 metric tons of commodities to beneficiaries of the program in Bolivia during the fiscal year ended September 30, 1986. The audits of the four agencies disclosed many common deficiencies in their internal control systems, compliance with agreement terms, and adequacy of resources, although some had deficiencies of a greater magnitude than others. Also, some duplication of effort was found between

CRS/CARITAS and ADRA/OFASA. For example, some beneficiaries were receiving commodities from both CRS/CARITAS and ADRA/OFASA in one regional zone, and Food for Work Projects were carried out in the same regional zone by both CRS/CARITAS and ADRA/OFASA.

### 1. Commodity Statements

Our examination of the commodity statements revealed that of the four agencies, only SNDC's commodity statements, in our opinion, do not fairly present the position of the Agency for FY 1986. Also, in our opinion, CRS/CARITAS's Statement of Income and Expenses does not fairly present its cash position as of September 30, 1986 due to inadequate accounting records.

For three of the agencies (CRS/CARITAS, ADRA/OFASA, and SNDC) we could not satisfy ourselves as to the quantity of inventories as of September 30, 1986 due to inadequate inventory records. Also, for three of the agencies (CRS/CARITAS, FHI, and SNDC) we could not satisfy ourselves as to the quantity of commodities loaned to and returned from the other cooperating sponsors during the year.

### 2. Internal Controls

Our study and evaluation of the internal control systems revealed various magnitudes of deficiencies in the systems of all four agencies related to inadequate inventory records, inadequate storage facilities, and inadequate supervision over the program. The deficiencies of CRS/CARITAS and SNDC, in our opinion, were of such magnitude to result in more than a relatively low risk that errors or irregularities in quantities that would be material in relation to the commodity statements may occur and not be detected within a timely period. However, the deficiencies of FHI and ADRA/OFASA, in our opinion, were not of such magnitude to result in significant errors and irregularities, except for the matter of ADRA/OFASA's inadequate inventory records.

### 3. Adequacy of Resources

Our review of the adequacy of resources revealed that of the four agencies, only FHI's resources, in our opinion, were adequate for proper administration of the program, although FHI had some problems related to improvements needed in warehouse facilities and insufficient supervisory personnel. The other three agencies had inadequate funding, lack of responsible and capable personnel to properly administer and supervise the program, and inadequate warehouse facilities and vehicles. However, in our opinion, some of CRS/CARITAS's problems could be solved with proper use of large amounts of available funds in savings accounts and foreign currency reserves which were collected from sales of empty containers and contributions by recipients. These funds could not be used to support program costs without authorization by CRS and AID. ADRA/OFASA also had available funds collected from sales of empty containers and contributions which were not being used to support its program costs.

4. Compliance with Agreement Terms

Our examination revealed that, in our opinion, all four agencies have not complied with at least part of the AID regulations applicable to the PL 480, Title II Program. Non-compliance was related to the use and distribution of commodities, eligibility of recipients, general reporting requirements, publicity as an AID program and disposal of damaged commodities.

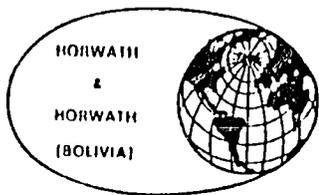
5. Management Comments

Relevant comments by CRS/CARITAS, ADRA/OFASA, SNDC, and FHI are incorporated in this report.

May 7, 1987



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## AUDIT OF THE PL 480, TITLE II PROGRAM BOLIVIA - OVERVIEW

### CATHOLIC RELIEF SERVICES

#### AUDITOR'S OVERALL OPINION

CRS/CARITAS distributed 18,064 metric tons of commodities to beneficiaries of the program during the fiscal year ended September 30, 1986. In our opinion, the commodity statements fairly present the commodities received and distributed during the year, even though we could not satisfy ourselves as to the quantity of inventories of commodities on-hand as of September 30, 1986 due to inadequate inventory records. Also we could not satisfy ourselves as to the quantity of commodities loaned to and returned from other cooperating sponsors during the year. However, in our opinion, the Statement of Cash Income and Expenses does not fairly present the cash position as of September 30, 1986 because of inadequate accounting records of currency balances in savings accounts and foreign currency reserves.

Our study and evaluation of the internal control system detected inadequate inventory records, inadequate storage facilities, and inadequate supervision over the program. These deficiencies, in our opinion, were of such magnitude to result in more than a relatively low risk that errors or irregularities in quantities that would be material in relation to the commodity statements may occur and not be detected within a timely period.

Our review of the adequacy of resources of CRS/CARITAS disclosed inadequate use of financial resources, a lack of responsible and capable personnel to properly administer and supervise the program, and inadequate warehouse facilities and vehicles to properly administer the program. However, in our opinion, some of the problems related to resources could be solved with proper use of available funds in savings accounts and foreign currency reserves which are collected from sales of empty containers and contributions by recipients. Large amounts of these funds were maintained but could not be used by the Regional Offices to support program costs without authorization by CRS and AID (as stated above, the Statement of Cash Income and Expenses does not fairly present the cash position because of inadequate records). These funds should be used to support program costs in accordance with AID Regulation 11, Paragraph 211.5(1).

We found some duplication of effort in the La Paz Region where it was determined that some recipients in one distribution center were receiving commodities from both CRS/CARITAS and ADRA/OFASA (see separate Report on the PL 480, Title II Program managed by CRS/CARITAS - Report on Compliance with Agreement Terms, Use and Distribution of Commodities, Finding No. 2).

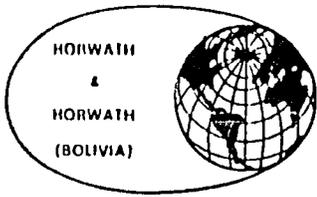
Our examination revealed that, in our opinion, CRS/CARITAS has not complied with AID regulations regarding the use and distribution of commodities, eligibility of recipients, general reporting requirements, publicity as an AID program, use of proceeds from sales of containers and contributions, disposal of damaged commodities, and the requirement to provide adequate supervision for efficient operation of the program.

The commodity statements and our findings and recommendations regarding the internal control system and compliance with agreement terms are included in a separate report "Audit of the Public Law 480, Title II Program with Catholic Relief Services in Bolivia". Our findings and recommendations regarding adequacy of resources are included in a separate report "Audit of the Adequacy of Resources of Catholic Relief Services in Bolivia - Public Law 480, Title II". Our audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions " (1981 Revision).

May 7, 1987



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## AUDIT OF THE PL 480, TITLE II PROGRAM BOLIVIA - OVERVIEW

### FOOD FOR THE HUNGRY INTERNATIONAL

#### AUDITOR'S OVERALL OPINION

Food for the Hungry International (FHI) distributed 4,566 metric tons of commodities to beneficiaries of the program during the fiscal year ended September 30, 1986. In our opinion, the commodity statements fairly present the position of FHI for FY 1986, even though we could not satisfy ourselves as to the quantity of commodities loaned to and returned from other cooperating sponsors during the year.

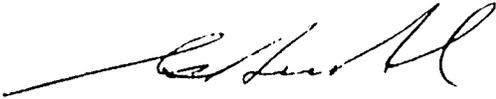
Our study and evaluation of the internal control system detected deficiencies related to the storage and handling facilities, supervision of the program, and inventory records. These deficiencies, in our opinion, were not of such magnitude that would result in significant errors and irregularities in relation to the commodity statements.

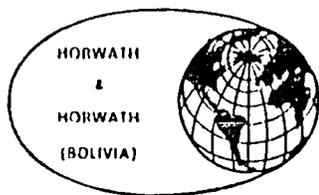
Our review of the adequacy of resources disclosed that, in our opinion, FHI's resources were adequate for proper administration of the program, even though some problems existed. For example, the Oruro Regional Office did not have sufficient funds to improve its warehouse facilities, the Oruro and Potosi Regional Offices did not have sufficient and adequate supervisory personnel, and the Potosi Regional Office lacked office equipment and its warehouse facilities needed improvements.

Our examination revealed that, in our opinion, FHI has not complied with AID regulations regarding the use and distribution of commodities, eligibility of recipients, publicity as an AID program, and disposal of damaged commodities.

The commodity statements and our findings and recommendations regarding the internal control system and compliance with agreement terms are included in a separate report "Audit of the Public Law 480, Title II Program with Food for the Hungry International in Bolivia". Our findings and recommendations regarding adequacy of resources are included in a separate report "Audit of the Adequacy of Resources of Food for the Hungry International in Bolivia - Public Law 480, Title II". Our audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

May 7, 1987

  
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## AUDIT OF THE PL 480, TITLE II PROGRAM BOLIVIA - OVERVIEW

### ADVENTIST DEVELOPMENT AND RELIEF AGENCY

#### AUDITOR'S OVERALL OPINION

ADRA/OFASA distributed 4,269 metric tons of commodities to beneficiaries of the program during the fiscal year ended September 30, 1986. In our opinion, the commodity statements fairly present the position of ADRA/OFASA for FY 1986, even though we could not satisfy ourselves as to the quantity of inventories on-hand as of September 30, 1986 due to inadequate inventory records.

Our study and evaluation of the internal control system detected inadequate inventory records, inadequate storage facilities, and inadequate supervision of the program. These deficiencies, in our opinion, were not of such magnitude to result in significant errors and irregularities, except for the matter of the inadequate inventory records.

Our review of the adequacy of resources disclosed that, in our opinion, ADRA/OFASA's resources were not adequate for proper administration of the program. Funds collected from sales of empty containers and contributions by recipients were sent to the National Office and were not used to support program costs. Also, there were inadequate warehouse facilities and vehicles and a lack of capable and sufficient personnel to properly administer the program.

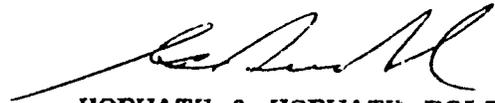
We found some duplication of effort in the Beni Region where it was determined that some beneficiaries were receiving commodities from both ADRA/OFASA and CRS/CARITAS. Also, Food for Work projects were carried out in the same regional zone by both ADRA/OFASA and CRS/CARITAS. (See separate report on the PL 480, Title II Program managed by ADRA/OFASA - Report on Internal Control System, Supervision and Promotion of Program, Finding No. 4).

Our examination revealed that, in our opinion, ADRA/OFASA has not complied with AID regulations regarding general reporting requirements, publicity as an AID program, and the maintenance of adequate records and documents and necessary reports.

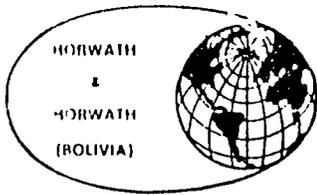
The commodity statements and our findings and recommendations regarding the internal control system and compliance with agreement terms are included in a separate report "Audit of the Public Law 480, Title II Program with the Adventist Development and Relief Agency in Bolivia". Our findings and recommendations regarding adequacy of resources are included in a separate report "Audit of the Adequacy of Resources of the Adventist Development and Relief Agency in Bolivia - Public Law 480, Title II". Our audit was performed in accordance with generally accepted

auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

May 7, 1987

A handwritten signature in black ink, appearing to be a stylized name, possibly 'R. Horwath', written over a horizontal line.

HORWATH & HORWATH BOLIVIA



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## AUDIT OF THE PL 480, TITLE II PROGRAM BOLIVIA - OVERVIEW

### NATIONAL COMMUNITY DEVELOPMENT SERVICE

#### AUDITOR'S OVERALL OPINION

SNDC distributed 678 metric tons of commodities to beneficiaries of the program during the fiscal year ended September 30, 1986. In our opinion, the commodity statements do not fairly present the position of SNDC for FY 1986 due to inadequate inventory records, lack of records of commodities loaned to and returned from other cooperating sponsors, lack of information regarding the loss in transit of 41 metric tons of food, and the omission of a Statement of Income and Expenses.

Our study and evaluation of the internal control system detected inadequate inventory records, inadequate supervision over the program, and inadequate storage facilities. These deficiencies, in our opinion, were of such magnitude to result in more than a relatively low risk that errors or irregularities in quantities that would be material in relation to the commodity statements may occur and not be detected within a timely period.

Our review of the adequacy of resources disclosed that, in our opinion, SNDC's resources were not adequate for proper administration of the program. Deficiencies were related to insufficient operational funds; lack of qualified, responsible and capable personnel; and lack of vehicles to properly administer the program.

Our examination revealed that, in our opinion, SNDC has not complied with AID regulations regarding distribution of commodities, eligibility of recipients, general reporting requirements, and publicity as an AID program.

The commodity statements and our findings and recommendations regarding the internal control system and compliance with agreement terms are included in a separate report "Audit of the Public Law 480, Title II Program with the National Community Development Service in Bolivia". Our findings and recommendations regarding adequacy of resources are included in a separate report "Audit of the Adequacy of Resources of the National Community Development Service in Bolivia - Public Law 480, Title II". Our audit was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

May 7, 1987

HORWATH & HORWATH BOLIVIA

LIST OF RECOMMENDATIONS  
CATHOLIC RELIEF SERVICES

ACCOUNTING AND ADMINISTRATIVE SYSTEM

Undeposited Cash Receipts

USAID/Bolivia should require CRS/CARITAS to increase the petty cash fund for urgent purchases. All daily cash receipts should be deposited in full in the bank account by the day following collection.

Inaccurate Account Balances of Foreign Currency Funds

USAID/Bolivia should require the CRS/CARITAS Regional Offices to convert foreign cash on hand and in bank balances at the exchange rate in effect at the close of business. Also interest income should be recorded when accrued.

Foreign Currency Funds not Properly Utilized

USAID/Bolivia should require CRS/CARITAS Headquarters to require the Regional Offices to utilize foreign currency funds for payment of program costs. Also all available funds should be deposited in a special bank account.

Organizational and Functional Weaknesses

USAID/Bolivia should require the National Office of CRS/CARITAS in conjunction with the regional representatives to establish an administrative manual describing the functions and operations for the entire organization, since information coming from different Regional Offices is consolidated in the National Office.

Accounting Records and Reports

USAID/Bolivia should require:

- A. The CRS/CARITAS National Office to implement a system at the national level to have better control over the movement of commodities. Such system should be independent from the Regional Offices.
- B. The National Office to carry out more detailed reviews of documents and to demand from the Regional Offices compliance with instructions regarding delivery of documents in a timely manner. Periodic evaluations must be carried out for better control of rations assigned and over the number of beneficiaries programmed by each Regional Office.

- C. CRS/CARITAS to require the Regional Offices to keep their kardex records in manual form and in a parallel manner until the information provided by the computer system is reliable.
- D. CRS/CARITAS to issue instructions to all Regional Offices to comply with AID Regulation 11, 211.10. All necessary documents and records should be maintained for a period of 3 years.
- E. The CRS/CARITAS National Office to carry out detailed and careful reviews of reports and documents submitted by the Regional Offices before issuing the consolidated financial statements.

#### STORAGE AND HANDLING SYSTEM

##### Incomplete Records of Commodity Arrivals

USAID/Bolivia should require CRS/CARITAS Regional Offices to maintain a commodity shipping file of all documents pertaining to each shipment. CRS/CARITAS Headquarters should establish an adequate filing system to keep complete records of commodity shipments for their Regional Offices.

##### Deficiencies in the Inventory Records and Physical Counts

USAID/Bolivia should require the CRS/CARITAS National Office to establish adequate accounting procedures in order to improve inventory records for the entire organization.

##### Inadequate Storage Conditions

USAID/Bolivia should require the CRS/CARITAS National Office to establish adequate procedures for the maintenance of commodities to assure distribution in good condition in accordance with AID Regulation 11, 211.7 (c).

#### SUPERVISION OF PROGRAM

##### Supervision of the Program

USAID/Bolivia should require the CRS/CARITAS National Office to comply with AID Regulation 11, 211.5 (b) by providing their Regional Offices with sufficient funding resources, capable and trained supervisory personnel and necessary facilities to carry out the supervision function. The CRS/CARITAS National Office should require all of their Regional Offices to submit written reports for each one of their supervisory visits to the distribution centers, including details of all of their findings, recommendations and actions taken to correct abnormal situations. The quarterly inspection reports should be prepared based on actual visits carried out during the period.

## GENERAL REPORTING REQUIREMENTS

### Comprehensive Internal Reviews

USAID/Bolivia should require the CRS/CARITAS National Office to arrange for comprehensive internal reviews of the PL 480, Title II Program, to be conducted once a year as stated in AID Regulation 11, 211.10 (b).4 and 211.5 (c).

### Governmental Clearance of Fiscal Year 1986 Imports

USAID/Bolivia should require CRS/CARITAS to ask the Bolivian Government to advise its Regional Custom authorities to give clearance to all PL 480, Title II imports in a reasonable period of time.

## USE AND DISTRIBUTION OF COMMODITIES

### Lack of Adequate Supporting Records and Documents in the Distribution Process

USAID/Bolivia should require the CRS/CARITAS National Office to issue instructions to all Regional Offices to comply with AID Regulation 11, 211.10. Capable and sufficient personnel should be hired in order to prepare adequate supporting records and documents.

### Deficiencies in the Distribution of Commodities

USAID/Bolivia should require:

- A. The CRS/CARITAS National Office to provide its Regional Offices with adequate supervisory personnel to improve efficiency in the distribution of commodities.
- B. Adequate control to be exercised by the Regional Offices to avoid distribution of commodities without a careful examination of the supporting documents, and previous deliveries of commodities.
- C. Regional Offices to evaluate the adequacy of the distribution centers' warehouses before making deliveries of commodities.
- D. The Regional Office of Cochabamba to improve the preparation and distribution of commodities in the Rural School Feeding program by obtaining the participation of parents and by adhering to the rations established.
- E. The CRS/CARITAS National Office in conjunction with the other Cooperating Sponsors to examine possible duplication of efforts, as in the Mother-Child Program in La Paz where recipients of the distribution center received commodities from both CRS and ADRA/OFASA.

### Religious Discrimination

USAID/Bolivia should require the CRS/CARITAS Sucre Regional Office to take the necessary measures to avoid religious discrimination.

### PL 480, Title II Commodities Offered for Sale

USAID/Bolivia should require the CRS/CARITAS National Office, in conjunction with the other Cooperating Sponsors, to evaluate and follow up on sales of PL 480, Title II commodities in the local markets to identify origins and to take the necessary actions to avoid such sales.

### PROGRAM PUBLICITY AND PUBLIC RECOGNITION AS AID PROGRAM

#### Unknown Origin of Commodities by Recipients

USAID/Bolivia should require the CRS/Caritas Regional Offices of Tarija, Sucre and Cochabamba to provide the necessary means for publicity of the origin of the commodities distributed in order to comply with AID Regulation 11, Paragraph 211.5 (g).

### USE OF PROCEEDS FROM SALES OF CONTAINERS AND CONTRIBUTIONS OF RECIPIENTS

#### Foreign Currency Reserve Funds

USAID/Bolivia should require the CRS/CARITAS National Office to include in its regular budget provision for the use of all funds collected by the Regional Offices for operation of the program.

### ELIGIBILITY OF RECIPIENTS

#### Distribution of Commodities to Ineligible Recipients

USAID/Bolivia should require the CRS/CARITAS National Office to require its Regional Offices to improve control over the determination of eligibility of recipients of commodities in accordance with the " Food for Peace Agreement" and AID Regulations.

### DISPOSAL OF DAMAGED COMMODITIES

#### Disposal of Damaged Commodities

USAID/Bolivia should require the CRS/Caritas National Office to strictly enforce the application of AID Regulations concerning the disposition of commodities unfit for their intended use.

## REPORT ON LOSSES AND MISUSES OF COMMODITIES

### Reporting Damaged Commodities

USAID/Bolivia should require CRS/CARITAS, with the concurrence of USAID, to instruct its Regional Offices to dispose of the commodities determined to be unfit for authorized use.

## ORGANIZATION'S FUNDING RESOURCES

### Use of Available Funds

USAID/Bolivia should require the CRS/CARITAS National Office to include, in its regular budget, provision for the use of funds collected by the Regional Offices for operational costs of the program. The foreign Currency Reserve should be reduced to an amount to cover only unexpected conditions.

## ORGANIZATION'S WAREHOUSING, VEHICLES AND EQUIPMENT

### Lack of Storage Facilities

USAID/Bolivia should require the CRS/CARITAS National Office in conjunction with its Regional Offices to comply with AID Regulation 11.211.7 (c) in providing adequate warehousing facilities including sanitary and security measures.

### Lack of Vehicles and Office Equipment

USAID/Bolivia should require CRS/CARITAS to improve the transportation facilities system to enable its Regional Offices to comply with supervisory and promotional activities, as required by Aid Regulation 11 and Handbook 9 provisions.

## ORGANIZATION'S STAFFING LEVELS AND INDIVIDUAL QUALIFICATIONS AND COMPENSATION

### Deficiencies in the Supervisory Function

USAID/Bolivia should require CRS/CARITAS to improve its supervisory and promotional activities in the rural areas of the Regional Offices by providing capable and sufficient personnel.

## FOOD FOR THE HUNGRY INTERNATIONAL

### ACCOUNTING AND ADMINISTRATIVE SYSTEM

#### Transfers of Commodities among Agencies

We recommend that USAID/Bolivia require FHI to comply with Regulation 11, and establish adequate controls of transfers of commodities with the proper authorization.

### STORAGE AND HANDLING SYSTEM

#### Deficiencies in the Storage and Handling System

USAID/BOLIVIA should require The National Office of Food for the Hungry to provide the necessary funds to improve warehousing facilities. FHI/Oruro should up-date its records, make physical inventories of commodities and reconcile the physical inventories with the inventory records.

#### Deficiencies in the Storage and Distribution System

USAID/BOLIVIA should require the FHI-National Office to perform a general evaluation in order to improve the present storage facilities at Potosi and to work with the Regional Office at Potosi to correct the situation of possibly distributing commodities unfit for human consumption.

#### Inventory Records

USAID/BOLIVIA should require FHI/La Paz to maintain its kardex control of inventories of commodities in a more accurate manner. There should be administrative follow-up of any changes made in the registers.

#### Receipt and Delivery of Commodities

USAID/BOLIVIA should require FHI - La Paz to assign more than one person to the warehouse for purposes of proper control over the receipt, distribution and control of commodities.

#### Physical Counting of Commodities

USAID/BOLIVIA should require FHI-La Paz to establish supervisory control over monthly physical inventories by an employee not connected with the warehouse.

#### Inventory Control of Empty Containers

USAID/BOLIVIA should require FHI to establish necessary physical controls over containers to avoid any future problems such as unaccounted for losses.

## SUPERVISION OF PROGRAM

### Administrative Structure

USAID/Bolivia should require FHI/Oruro to have separate supervisory and promotional personnel for good administration of the program and segregation of duties.

### Supervision of the Program

USAID/Bolivia should require:

- A. FHI-Potosi to carry out a general evaluation of the human resources required to improve supervision in the region and to implement the results of the evaluation.
- B. FHI-Potosi to require the supervisors to prepare written reports of their supervisory visits.

### Reports on the Arrival of Commodities

USAID/Bolivia should require the FHI National Office to review the computer system and correct the problems causing errors in the arrival of commodities reports. Procedures manuals should be followed and reports should be reviewed for reliability.

### Recording of Contributions of Beneficiaries

USAID/Bolivia should require FHI - Bolivia to instruct the personnel in-charge of beneficiaries' contributions to make monthly reconciliations, which should be supervised by personnel not working in that section.

## USE AND DISTRIBUTION OF COMMODITIES

### Commodities Distributed to Unapproved Program

USAID/Bolivia should require FHI - Oruro to operate in accordance with the approved assignment of rations programmed for the fiscal year to avoid transfers to unapproved programs and recipients.

### Delay in Deliveries of Commodities

USAID/Bolivia should take the necessary measures to prevent delays in the shipments of commodities requested in accordance with AID Regulation 11.

### Commodities Unfit for Human Consumption

USAID/Bolivia should require FHI to:

- A. Establish control over the condition of commodities being distributed.

- B. Determine the reasons why adulterated food was being found and, in order to prevent future occurrences, assure that proper procedures are followed when there are commodities unfit for human consumption.
- C. Establish control over the rations assigned and their final use in order to comply with the objectives of the program.

#### PUBLICITY AS AID PROGRAM

##### Publicity and Documentation

USAID/Bolivia should require FHI - Oruro to strengthen promotion activities at the distribution centers to improve publicity as an AID program and control of the distribution process.

##### Lack of Publicity

USAID/Bolivia should require FHI to promote public recognition that the commodities are furnished by the people of the United States by providing the necessary means to the Regional Offices for publicity of the origin of the commodities.

#### ELIGIBILITY OF RECIPIENTS

##### Documents on the Eligibility of the Beneficiaries

USAID/Bolivia should require FHI/Oruro to:

- A. Maintain adequate beneficiary files containing all records and documents of eligibility.
- B. Verify the list of beneficiaries during the distribution of commodities. The supervisor should be present at that time.
- C. Apply proper internal control procedures.

#### DISPOSAL OF DAMAGED COMMODITIES

##### Damaged commodities

USAID/Bolivia should require FHI - Potosi to make periodic inspections of the distribution centers to evaluate the distribution process and to determine the condition of the commodities distributed. The distribution centers should be advised concerning the proper procedures for disposal or destruction of damaged commodities.

##### Disposal of Damaged Commodities

USAID/Bolivia should require FHI - La Paz to keep in their files all of the documents authorizing disposal of commodities unfit for human consumption.

## ORGANIZATION'S WAREHOUSING AND EQUIPMENT

### Inadequate Equipment Resources

USAID/Bolivia should require the National Office of FHI to provide the Potosi Regional Office with all the office equipment necessary to improve the administration of the program.

## ADVENTIST DEVELOPMENT AND RELIEF AGENCY

### ACCOUNTING AND ADMINISTRATIVE SYSTEM

#### Administrative Centralization

USAID/Bolivia should require the ADRA/OFASA National Office to delegate some management authority to their Regional Offices and have them prepare monthly and other periodic reports based on their own records. The Regional Offices should carry out periodic physical inventory counts for reconciliation with the inventory records.

#### Lack of Operational Manuals

USAID/Bolivia should require the National Office and the Cochabamba Regional Office of ADRA-OFASA to prepare, as soon as possible, an administrative and accounting procedures manual, which should include procedures for administration, receipt, distribution and inventory of commodities.

#### Delays in Deposits of Collections

USAID/Bolivia should require the Central Office of ADRA/OFASA to instruct the Regional Offices to deposit the collections and the payments from beneficiaries immediately after collection, and to open a cash book for registering all cash transactions.

### STORAGE AND HANDLING SYSTEM

#### Warehouses - Storage Facilities

USAID/Bolivia should require the ADRA/OFASA Cochabamba Regional Office to take the necessary measures to improve warehouse facilities as soon as possible in order to avoid damage and spoilage of commodities.

#### Inventory Procedures

USAID/Bolivia should require the ADRA/OFASA Cochabamba Regional Office to implement adequate procedures for taking monthly physical inventories.

#### Deficiencies in the Recording, Control and Condition of Commodities

USAID/Bolivia should require the ADRA/OFASA Regional Office of La Paz to:

- A. Post all commodity transactions to the inventory control cards.
- B. Record postings and reports of commodity movement in ink.

- C. Store different types of products, i.e. commodities and clothes, separately.
- D. Improve warehousing facilities for receipt and storage of commodities.

#### Inventory Records and Facilities

USAID/Bolivia should require the ADRA - OFASA Regional Office of Beni to:

- A. Appoint a full time employee to carry out the administrative and storage control functions of the warehouses.
- B. Improve the infrastructure of the warehouses and enlarge the physical space of the building.
- C. Carry out physical inventories and establish better controls over physical and sanitary conditions of commodities.

#### Receipt of Commodities and Documents

USAID/Bolivia should require the ADRA/OFASA Beni Regional Office to establish control over the receipt of commodities and to maintain corresponding documents in order to administer the products in accordance with the regulations of the program.

### SUPERVISION AND PROMOTION OF PROGRAMS

#### Documents Regarding the Eligibility of the Beneficiaries

USAID/Bolivia should require the ADRA/OFASA National Office to provide instructions and regulations, including forms, for implementing an adequate internal control system over documentation of the eligibility of beneficiaries.

#### Visits to Distribution Centers

USAID/Bolivia should require the ADRA/OFASA Cochabamba Regional Office to implement proper supervisory functions and improve its human resources to handle such function adequately.

#### Lack of Supervision and Support Facilities

USAID/Bolivia should require the ADRA/OFASA National Office to evaluate the programs that are carried out by the Beni Regional Office to determine the number of persons needed and how many vehicles are necessary to fulfill its goals.

### Duplication of Efforts Among the Cooperating Sponsors

USAID/Bolivia should require ADRA-OFASA to coordinate the distribution of commodities with the other Cooperating Sponsors and USAID/Bolivia to avoid concentration of programs in the same zones.

### GENERAL REPORTING REQUIREMENTS

#### Documents, Records and Reports

USAID/Bolivia should require the ADRA/OFASA Cochabamba Regional Office to implement adequate procedures relating to records, supporting documents and reports in order to comply with AID regulations.

#### Filing Documents Related to the Programs

USAID/Bolivia should require ADRA/OFASA La Paz to adequately categorize and file the documents of the different projects and centers with an index listing the documents filed in detail. The Agency should determine the number of supervisors needed to handle the program.

#### Noncompliance in the Presentation of Reports

USAID/Bolivia should require the ADRA/OFASA La Paz Regional Office to comply with AID regulations regarding the preparation of required periodic reports.

### PUBLICITY AS AID PROGRAM

#### Insufficient Public Recognition

USAID/Bolivia should require that the La Paz and Beni Regional Offices use banners, posters or other means to show that the commodities were donated by the people of the United States.

### ORGANIZATION'S FUNDING RESOURCES

#### Centralization of Funds

USAID/Bolivia should require the ADRA/OFASA National Office to authorize its Cochabamba Regional Office to use the funds received from contributions and sales of containers for operating costs of the program.

### ORGANIZATION'S WAREHOUSING, VEHICLES AND EQUIPMENT

#### Logistic Resources

USAID/Bolivia should require the ADRA/OFASA National Office to authorize its Cochabamba Regional Office to use the funds received from contributions and sales of containers for vehicle and logistic costs of the program.

## NATIONAL COMMUNITY DEVELOPMENT SERVICE

### ACCOUNTING AND ADMINISTRATIVE SYSTEM

#### Lack of Monthly Reports of Cash Receipts and Expenditure of Funds

USAID/Bolivia should require the National Coordination Office of SNDC to instruct the Regional Offices to prepare monthly reports of receipts and expenditures of funds.

#### Administrative Controls

USAID/Bolivia should require SNDC to require the Cochabamba Regional Office to comply with the Personnel Functions Manual in regard to separation of duties in order to have better control of funds received.

#### Income and Expenses

USAID/Bolivia should require SNDC to require the Cochabamba Regional Office to comply with AID Regulation 11, Paragraph 211.10 (a) and also to have better control over the functions of the accountant - cashier. The Accounting Section should have two responsible persons for efficiency and proper internal control over funds.

### STORAGE AND HANDLING SYSTEM

#### Lack of Storage Capacity

USAID/Bolivia should require the National Community Development Service to provide sufficient and adequate storage facilities for commodities received.

#### Monthly Physical Inventories

USAID/Bolivia should require SNDC to carry-out monthly physical inventories and to reconcile differences with their records of inventories.

#### Unaccounted for Physical Inventory Shortage

USAID/Bolivia should require SNDC to investigate and reconcile differences between the perpetual inventory records and the physical inventory in accordance with program requirements.

#### Inadequate Storage Facilities

USAID/Bolivia should require the Cochabamba Regional Office of SNDC to improve its warehouse security and storage facilities.

### Inadequate Inventory Controls and Reporting

USAID/Bolivia should require the SNDC National Office and the Cochabamba Regional Office to comply with proper internal control procedures and AID Regulation 11 related to records and control of inventories and preparation of corresponding reports. The reports should reflect all transactions related to receipt, storage and distribution of commodities.

### Documentation of Commodity Receipts

USAID/Bolivia should require the National Coordination Office of SNDC to provide all the documents and all the information of import lots to the Regional Offices for better control of commodity receipts.

## INLAND TRANSPORTATION SYSTEM

### Delays in Transportation of Commodities

USAID/Bolivia should require that its contract office arrange, in advance, for selection and contracting of transportation companies to promptly deliver commodities from the port of entry to final destination.

## SUPERVISION OF PROGRAM

### Lack of an Adequate Supervision at the Distribution Centers

USAID/Bolivia should require SNDC to (a) comply with all the supervision requirements established by AID Regulations and (b) make the necessary arrangements in order to obtain the financial support offered by the Ministry of Finance of the Government of Bolivia.

### Supervisory Deficiencies at the Distribution Centers

USAID/Bolivia should require the Cochabamba Regional Office of SNDC to comply with AID Regulation 11, Paragraph 211.5 (b) to overcome supervisory deficiencies. They should establish an adequate logistic system in accordance with the requirements of the Agency.

### Lack of Transportation Facilities for Efficient Program Supervision

USAID/Bolivia should require SNDC to request that the Bolivian Government comply with its contractual obligations so that the necessary funds will be provided.

## GENERAL REPORTING REQUIREMENTS

### Lack of Internal Reports

USAID/Bolivia should require SNDC to carry out comprehensive internal reviews and to:

- A. Keep the written reports on file with all documentation concerning the evaluation of the Program.
- B. Reorganize its internal Audit Department and segregate areas of responsibilities.

### Lack of Consolidated Reports

USAID/Bolivia should require SNDC to make an effort to implement, at the national level, the new computerized information system and to update its records in order to be able to prepare consolidated monthly summary reports of receipt, distribution and inventory of products for submission to USAID/Bolivia.

### Lack of Monthly Reports on the Receipt, Distribution, Inventory and Inspection of Commodities

USAID/Bolivia should require SNDC to instruct its Regional Offices to prepare on timely basis monthly summary reports of the receipt, distribution, inventory and inspection of commodities. The Regional Offices should be instructed concerning the proper format for preparation of these reports.

## PUBLICITY AS AID PROGRAM

### Lack of Public Recognition of the Origin of the Commodities

USAID/Bolivia should require SNDC to promote public recognition of the origin of the commodities by providing the necessary means to the Regional Offices for publicity of the origin of the commodities.

## DISTRIBUTION OF COMMODITIES

### Use of Commodities in the Riberalta Regional Office

USAID/Bolivia should follow-up with the National Office of SNDC with the necessary legal action until a complete clarification of the total loss of commodities is established as well as the recuperation of the corresponding amounts.

## ELIGIBILITY OF RECIPIENTS

### Eligibility Documents of the Beneficiaries

USAID/Bolivia should require the Cochabamba Regional Office to comply with the procedures established by AID Regulation 11, regarding rules and controls related to the eligibility of the recipients.

## ORGANIZATION'S FUNDING RESOURCES

### Insufficient Operational Funds

USAID/Bolivia should require SNDC to request that the Bolivian Government comply in a timely manner with its contractual obligations so that the necessary funds will be provided. SNDC should request USAID/Bolivia to authorize for use the funds available from contributions and sales of containers.

## ORGANIZATION'S STAFFING LEVELS AND QUALIFICATIONS

### Lack of Adequate Personnel

USAID/Bolivia should require SNDC to improve its controls over the eligibility documents of the beneficiaries in the Regional Offices and to improve its administrative organization by providing capable and sufficient personnel.

## ORGANIZATION'S VEHICLE AND TRANSPORTATION FACILITIES

### Lack of Vehicles and Transportation Facilities

USAID/Bolivia should require SNDC to improve its transportation facilities to enhance supervisory and promotional activities.

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