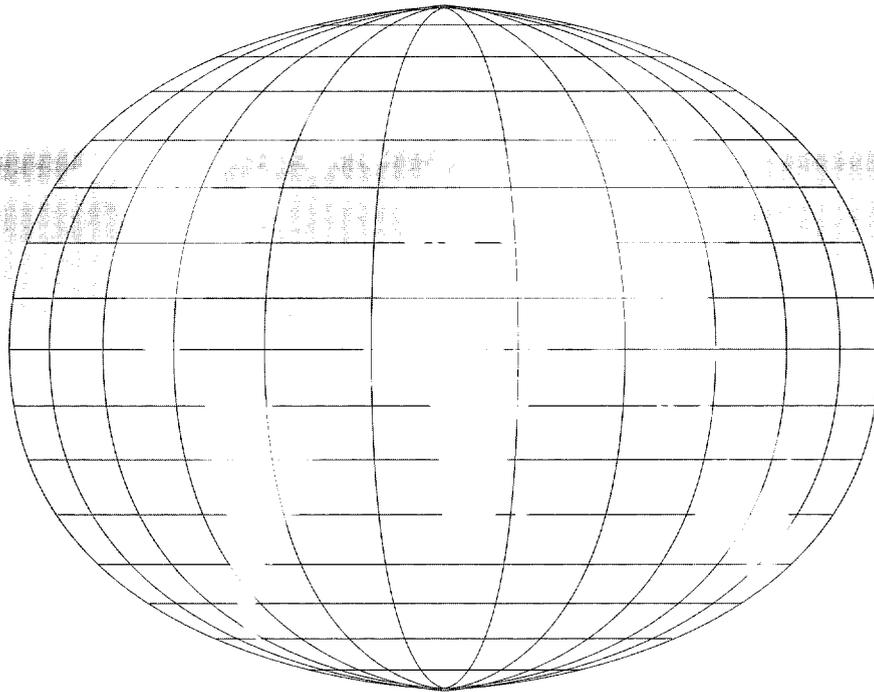


Report of Audit

Regional Inspector General for Audit
San Salvador, El Salvador

Audit of USAID's Disaster Assistance to Haiti

Audit Report No. 1-521-96-005
September 20, 1996



OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



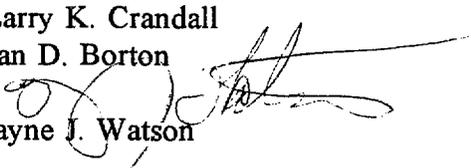
AGENCY FOR INTERNATIONAL DEVELOPMENT
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September 20, 1996

MEMORANDUM

FOR : USAID/Haiti Director, Larry K. Crandall
BHR/OFDA Director, Nan D. Borton

FROM : RIG/A/San Salvador, Wayne J. Watson 

SUBJECT : Audit of USAID's Disaster Assistance to Haiti

Attached is our report on the subject audit. In finalizing the report, we considered your offices' comments on our draft report and have included them in their entirety as Appendix II.

The report contains four recommendations. Recommendation Nos. 1 through 3 are directed to USAID/Haiti. A management decision has been made to implement Recommendation Nos. 1 and 3, and USAID/Haiti expects to complete final action by December 31, 1996. For Recommendation No. 2, management decision will be reached when USAID/Haiti has completed its review of past commodity losses and, as appropriate, assured claims for restitution.

Recommendation No. 4 requests the cognizant grant officer to make a management decision regarding \$130,000 of BHR/OFDA grant disbursements questioned by the audit. Program managers are currently coordinating with the grant officer to reach a management decision on this recommendation.

Please advise me within 30 days of actions planned or taken to implement Recommendation Nos. 2 and 4.

I appreciate the cooperation and courtesy extended to my staff during the audit.

A

**Regional Inspector General for Audit
San Salvador, El Salvador**

Audit of USAID's Disaster Assistance to Haiti

**Audit Report No. 1-521-96-005
September 23, 1996**

EXECUTIVE SUMMARY

The Republic of Haiti has historically been regarded as the poorest country in the Western Hemisphere, suffering from a 20 percent literacy rate, infant mortality of 101 per 1,000 live births and 85 percent of its population living in absolute poverty. Compounding this scenario, a series of natural and manmade disasters have further exacerbated the plight of Haiti's 7 million people. The country's first democratic elections were overturned by a September 1991 military coup. Violations of human rights prompted a series of U.N.-backed sanctions and, with U.N. Security Council authorization, U.S. troops entered Haiti in September 1994. The democratically elected government was restored the following month. However, the economic embargo and transition in governments led to a humanitarian crisis and breakdown in civil authority. Further adding to the distress was Tropical Storm Gordon, which pounded the southern coast of Haiti in November 1994 resulting in over 1,000 deaths and extensive property and environmental damage.

To address these crises, the U.S. Agency for International Development (USAID) through its Mission in Haiti, the Bureau for Humanitarian Response in Washington, D.C., and three non-governmental organizations (NGOs) responded in May 1994 with an expanded emergency program consisting of food aid and other forms of assistance.

As part of a worldwide audit, the Office of the Regional Inspector General in El Salvador audited USAID's provision of disaster assistance to Haiti in fiscal years 1993 through 1995 to answer the following objective:

- Did the Bureau for Humanitarian Response, USAID/Haiti and participating non-governmental organizations ensure that disaster assistance was delivered to the intended beneficiaries in accordance with agreements?

Despite significant constraints, such as breakdown of civil authority, widespread security problems and looting of food aid, USAID and the implementing NGOs delivered significant amounts of emergency assistance to beneficiaries throughout Haiti. However, the food program fell short of planned beneficiary levels. In addition, USAID and the NGOs needed to improve the following aspects of program implementation:

- During the period under audit, USAID/Haiti and the NGOs did not have adequate systems for tracking food losses and associated claims for restitution;

- One NGO did not maintain an information system sufficient to allow independent verification of reported levels of beneficiaries receiving food aid;
- USAID/Haiti should improve its food monitoring procedures through more systematic planning and analysis; and
- USAID and an NGO needed improved monitoring and implementation procedures for a disaster assistance grant for distribution of medicines and supplies.

The audit report makes four recommendations to improve program delivery systems, management and implementation. Recommendation Nos. 1, 2 and 3 were directed to USAID/Haiti, which has reached a management decision on Recommendation Nos. 1 and 3 to take the recommended corrective actions. Management decision on Recommendation No. 2 is pending while USAID/Haiti completes an ongoing review of past commodity losses. The Bureau for Humanitarian Response's Office of Foreign Disaster Assistance is coordinating with the cognizant USAID grant officer to address Recommendation No. 4, and a management decision is also pending for that recommendation. Management's comments on the draft audit report were considered in finalizing our report and are attached in their entirety as Appendix II.

Office of the Inspector General
Office of the Inspector General
September 20, 1996

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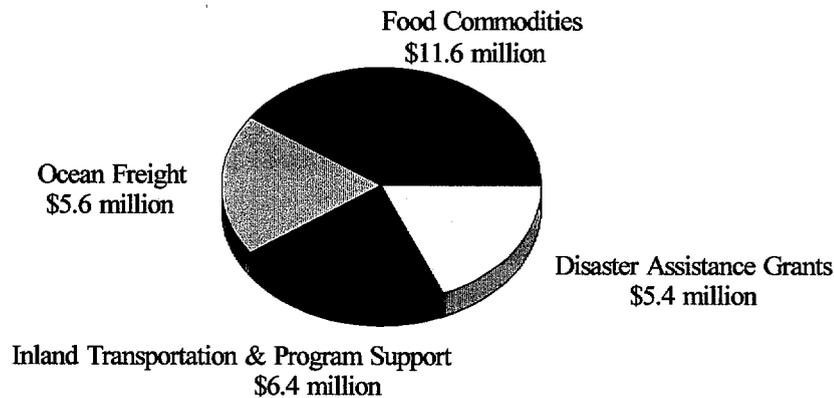
INTRODUCTION

Background

The Republic of Haiti has historically been regarded as the poorest country in the Western Hemisphere, suffering from a 20 percent literacy rate, infant mortality of 101 per 1,000 live births and 85 percent of its population living in absolute poverty. Compounding this scenario, a series of natural and manmade disasters have further exacerbated the plight of Haiti's 7 million people. The country's first democratic elections were held in 1990, only to be overturned by a September 1991 military coup. Subsequent violations of human rights prompted a series of U.N.-backed sanctions and, with U.N. Security Council authorization, U.S. troops entered Haiti in September 1994. The democratically elected government was restored the following month.

However, the economic embargo and transition in governments led to a humanitarian crisis and breakdown in civil authority. Further adding to the distress was Tropical Storm Gordon, which pounded the southern coast of Haiti in November 1994, resulting in over 1,000 deaths and extensive property and environmental damage.

To address these crises, the U.S. Agency for International Development (USAID) through its Mission in Haiti, the Bureau for Humanitarian Response in Washington, D.C., and three non-governmental organizations (Adventist Development and Relief Agency, CARE, and Catholic Relief Services) responded with a \$29 million emergency program. As shown below, the program consisted primarily of food aid and related ocean freight, inland transportation and support costs, but also included grants of agricultural supplies, medicines and other disaster assistance.



Audit Objective

As part of a worldwide audit, the Office of the Regional Inspector General in El Salvador audited USAID's provision of disaster assistance to Haiti in fiscal years 1993 through 1995 to answer the following objective:

- Did the Bureau for Humanitarian Response, USAID/Haiti and participating non-governmental organizations ensure that disaster assistance was delivered to the intended beneficiaries in accordance with agreements?

Appendix I discusses in detail the audit scope and methodology.

REPORT OF AUDIT FINDINGS

Did the Bureau for Humanitarian Response, USAID/Haiti and participating non-governmental organizations ensure that disaster assistance was delivered to the intended beneficiaries in accordance with agreements?

The Bureau for Humanitarian Response, USAID/Haiti and the three participating non-governmental organizations (NGOs) generally ensured that disaster assistance was provided to intended beneficiaries in accordance with agreements, but fell short of planned beneficiary levels in delivery of emergency food aid. The audit also showed that one NGO did not maintain verifiable performance data, and future disaster assistance efforts should be improved through better management of commodity losses and improved monitoring systems for food aid and disaster assistance grants.

From October 1, 1992 through September 30, 1995, the Bureau for Humanitarian Response authorized emergency food deliveries totaling 58,000 metric tons¹ to three participating NGOs in Haiti. In addition, the bureau awarded seven grants totaling \$5.4 million to non-governmental and international organizations for other Haitian disaster assistance.

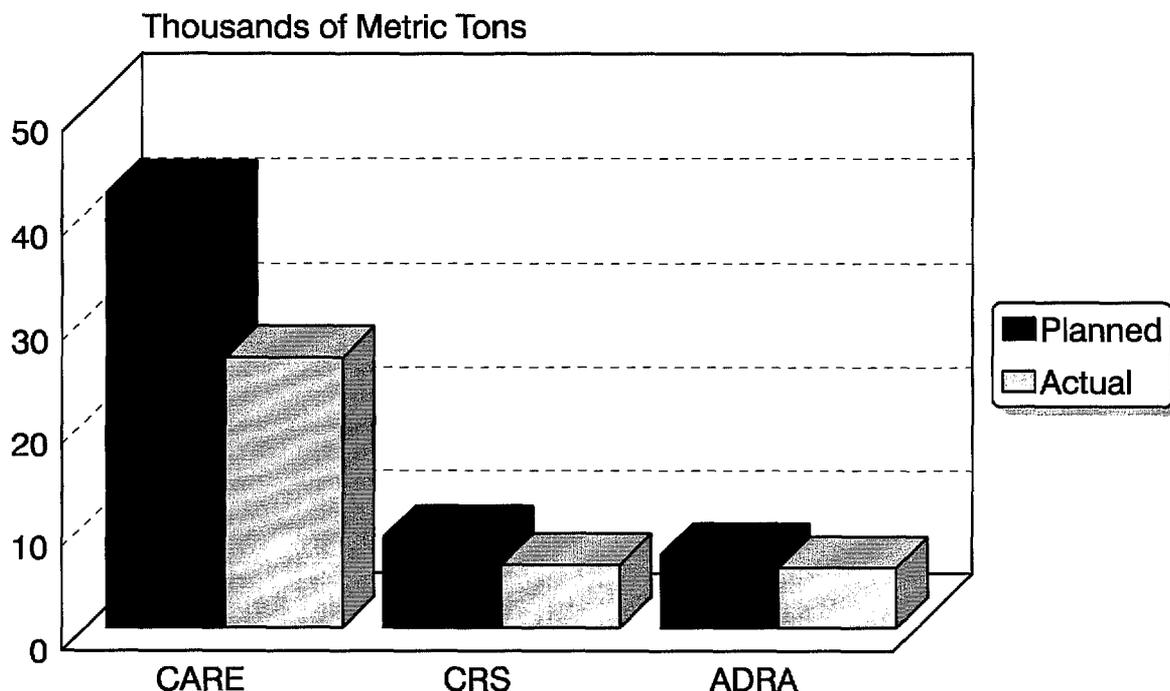
Emergency Food Assistance

The emergency food distribution was intended to reach a total of 584,500 beneficiaries through three NGOs -- CARE, Catholic Relief Services (CRS) and the Adventist Development and Relief Agency (ADRA). Beneficiaries were identified on the basis of need and risk. For example, CRS targeted poor urban children, their families and victims of Tropical Storm Gordon. ADRA directed its emergency food assistance to maternal and child health and food-for-work activities, and CARE emergency commodities were provided to isolated regions of northwestern Haiti not reached by regular food assistance, as well as families of poor children, pregnant and lactating women.

¹ Additional U.S.-donated food commodities distributed through the United Nations' World Food Program were not included in the scope of this audit.

The table below summarizes planned and actual food commodities provided by USAID for distribution by these relief organizations.

Emergency Food Deliveries to Haiti²

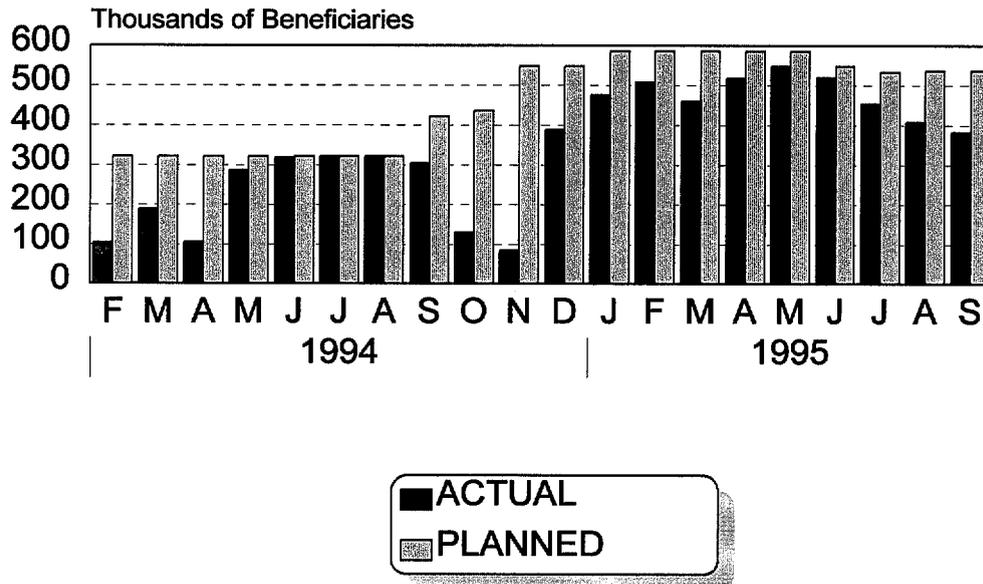


Fiscal Years 1994 & 1995

Despite significant shortfalls in reaching planned food deliveries and corresponding beneficiary levels, USAID's disaster assistance provided relief within a short timeframe to hundreds of thousands of targeted beneficiaries throughout Haiti. Following is a summary of planned and actual emergency food beneficiaries.

² These are audited data derived from authorization documents and shipping records. USAID's large-scale emergency efforts did not begin until fiscal year 1994, and emergency food distributions for fiscal year 1993 were minimal.

Beneficiary Levels of Emergency Food Assistance in Haiti³



As shown above, shortfalls occurred primarily in the early months of the program and during the period of Haiti's October 1994 change in government. At the outset, the program was confronted with the logistical challenges of initiating a large distribution program, including a lack of fuel resulting from the economic embargo. Later, the transition in governments led to widespread security problems, looting and port delays in delivering emergency food commodities.⁴ USAID addressed these problems by, among other actions, initiating humanitarian fuel importation and arranging military security for vulnerable food convoys.

³ Data for actual beneficiary levels achieved were derived from implementation reports of the NGOs. We limited our review of beneficiary levels to assessing the NGOs' systems and procedures for quantifying and reporting levels achieved. Other than systemic weaknesses at one NGO discussed on page 8 of this report, nothing came to our attention to indicate that these figures were not materially accurate.

⁴ During this period of civil unrest, P.L. 480 Title II commodity losses from both the emergency and regular food aid programs totalled \$1.1 million. The Office of Inspector General's *Survey Report on Losses of Public Law 480 Title II Commodities in Haiti During the Political Transition Period September 15, 1994 to January 13, 1995* (Audit Report No. 1-521-95-008 dated June 23, 1995) provides a detailed review of these losses.

As the situation stabilized, the emergency program reached an average reported beneficiary level of 474,000 for 1995, amounting to 84 percent of planned levels. In accounting for the shortfall, USAID/Haiti and the participating NGOs felt that targeted beneficiary levels established in Washington were overly ambitious given the short timeframe and considerable logistical challenges. USAID/Haiti officials also cited concerns about control risks when attempting to undertake such a large program and believed that higher volumes of food distribution would have exposed the program to significant managerial problems.



CARE emergency food distribution in northwestern Haiti (May 1996)

Disaster Assistance Grants

USAID's Bureau for Humanitarian Response also awarded seven grants totaling \$5.4 million to non-governmental and international organizations for disaster relief, including emergency fuel importation, vaccinations and humanitarian supplies.

The principal grant, a \$2.3 million award to CRS in September 1994, was to mitigate further deterioration of conditions for small farmers and poor urban dwellers due to the United Nations' economic embargo imposed on Haiti in May 1994. The premise of the grant was that essential agricultural inputs would become increasingly scarce and expensive, potentially forcing small farmers to sell their few assets. Indeed, according

to the project evaluation, the prices of tools and fertilizers rose between 140 and 200 percent as a result of the embargo, and reserve stocks of seeds and grains were depleted. Medical care, like agricultural inputs, was expected to become increasingly expensive during the embargo. To address these conditions, the grant called for CRS to distribute (i) \$1.2 million of agricultural supplies, such as seeds and tools, to 60,000 farming families in 46 peasant associations and (ii) \$360,000 of medicines for 120,000 patients of 68 health care institutions. The balance of grant funding was for salaries, overhead and related costs.

The grant resulted in distribution of 518 metric tons of seeds, 455 metric tons of fertilizer and 65,000 tools to 47 peasant associations, reaching an estimated 65,000 farming families. However, as discussed on page 12, the medical component failed to achieve planned outputs and, at the end of the grant period, CRS had distributed only 25 percent of the planned medicines.

Program Management

USAID's disaster assistance programs are to be implemented in accordance with Agency regulations, procedures and guidance. These include USAID's Regulation 11, entitled *Transfer of Food Commodities for Use in Disaster Relief, Economic Development and Other Assistance*; procedures set forth in Handbooks 8, 9 and superseding directives; and supplemental guidance issued by the Office of Foreign Disaster Assistance (OFDA). Key provisions of these requirements cover program authorization; receipt, storage and distribution of food commodities; and grant implementation.

The audit showed that USAID/Haiti, the Bureau for Humanitarian Response and participating NGOs generally followed applicable requirements. A Disaster Assistance Response Team (DART) was on-site at the outset of the humanitarian crisis and during Tropical Storm Gordon. In addition, USAID/Haiti has a disaster plan in place and recently undertook a simulation exercise with the OFDA to heighten preparedness for potential future disasters. NGOs submitted proposals for emergency food distribution and other disaster assistance activities, which the Bureau for Humanitarian Response approved with USAID/Haiti concurrence.

The implementing NGOs generally maintained adequate systems and procedures for the receipt, storage and distribution of food commodities in accordance with USAID Regulation 11; and USAID/Haiti effectively coordinated NGO activities. In addition, program implementation by the three NGOs was generally subject to comprehensive monitoring procedures, including periodic evaluations, audits and on-site inspections. However, as discussed below, one NGO failed to maintain verifiable performance data, and future disaster assistance efforts should be improved through better management of commodity losses and improved monitoring systems for food aid and disaster assistance grants.



Port-au-Prince warehouse used by Catholic Relief Services and Adventist Development and Relief Agency as primary storage facility for emergency food commodities (May 1996)

**One NGO Needs to Improve Management
Controls over Program Monitoring**

USAID Regulation 11 requires NGOs distributing food commodities provided under Title II of Public Law 480 to maintain accurate records and documentation reflecting program operations, and to periodically report to USAID on progress and problems related to program implementation.

One participating NGO, the Adventist Development and Relief Agency (ADRA), did not maintain sufficient records to allow independent verification of program performance data. At the time of our audit, ADRA's information system was not subject to management controls that would provide reasonable assurance that computer-generated data were complete, valid and reliable. Specifically, we were unable to recompute, trace to supporting documentation or otherwise verify reported beneficiary levels of their \$5.1 million emergency food program.

This monitoring deficiency was caused by managerial and administrative problems associated with the 50 percent planned increase in ADRA's food distributions under the emergency feeding program. Problems included the recruitment, training and supervision of 20 additional staff to implement the expanded program. According to ADRA, weekly beneficiary levels reported to USAID were generated from a computer program and were based on input of beneficiary data shown on outgoing trucking waybills. This data was input to ADRA's computer system and beneficiary levels were then generated through a series of automated computations. However, ADRA personnel could not determine what assumptions were used in the computation and were unable to provide us with system documentation.

Although ADRA's emergency food program was recently completed, this deficiency continues to impact its ongoing non-emergency food program. ADRA is currently attempting to develop new information systems intended to provide accurate and objectively verifiable performance reporting. Until that system is in place and effectively operating, ADRA's reported achievements of beneficiaries reached by its food aid program remain unsupported and unreliable.

Recommendation No. 1: We recommend that USAID/Haiti require the Adventist Development and Relief Agency to provide a plan, including timeframes and milestones, for implementing an information system meeting the standards of USAID Regulation 11.

Management Systems for Tracking Commodity Losses Needed Improvement

USAID Regulation 11 requires participating NGOs to (i) file notice of marine losses of food commodities with the ocean carrier immediately upon discovery of any such losses, (ii) promptly initiate claims against the ocean carrier for losses, and (iii) take all necessary actions to obtain restitution. In addition, the regulation requires NGOs to pursue appropriate claims against third parties for other losses, such as inland losses while commodities are in the custody of commercial truckers, and to remit amounts recovered to USAID. All such losses are to be reported to USAID in quarterly reports within 30 days of the end of each quarter.

The audit showed that, for most of the period under audit, the NGOs frequently did not file loss claims in accordance with the above provisions. For example, analysis of shipping documentation for CRS identified seven shipping containers of food commodities overdue for delivery by more than one year. Although CRS officials were aware that the containers were overdue and had evidently been lost or stolen while in custody of the maritime company, no loss claims had been filed because CRS was awaiting confirmation of the loss from the shipper or marine surveyor. Of six containers overdue by more than a year for CARE, claims were not filed for five until an average of 11 months after the loss, and no claim had been filed for the sixth container. Again, CARE was aware that

these commodities were lost or stolen and had been awaiting confirmation of the loss from the shipper or surveyor. For ADRA, shipping records identified two containers overdue for delivery by a year. However, ADRA officials were unaware that the containers were lost, had closed the bills of lading with the maritime company and took no action on the loss until we brought the matter to their attention. Moreover, while the NGOs collected compensation from commercial truckers for inland losses, one NGO (CARE) routinely retained these funds, totalling \$18,000, rather than remit them to USAID as required under Regulation 11.

This occurred because neither the NGOs nor USAID/Haiti maintained effective management controls for monitoring and following up on commodity losses. The NGOs' lack of timeliness and, in some cases, failure to file claims for maritime losses shows that their management controls were not adequate to reasonably assure compliance with Regulation 11 loss provisions. USAID's principal control for monitoring losses is the quarterly commodity status report submitted by the NGOs. However, the Mission did not systematically review reported losses during much of the period under audit. For inland losses, such as theft and looting, Handbook 9 requires Mission food offices to review reported losses to (i) ensure that the information presented is adequate and (ii) determine whether a claim is justified. However, USAID/Haiti did not effectively assess loss reports, assure completeness and monitor claims.

Consequently, USAID lacked assurance that restitution claims for commodity losses were properly filed and that amounts collected for inland losses were remitted to USAID. We noted that, beginning with the fourth quarter of 1995, USAID/Haiti took steps to significantly improve management controls for commodity loss reporting and claim remittance, including (i) issuing formal guidance to the NGOs, (ii) improving USAID review of commodity status and loss reports and (iii) establishing a system to track remittance of inland losses. In addition, Mission personnel completed an in-depth study of commodity losses, including the cost-effectiveness of several options to reduce losses during shipping and port clearance. We therefore consider corrective actions for the systemic weakness to be underway. Nevertheless, USAID/Haiti should assure that appropriate claims are asserted for losses occurring prior to implementation of these improved procedures.

Recommendation No. 2: We recommend that USAID/Haiti, in conjunction with CARE, Catholic Relief Services and Adventist Development and Relief Agency, review FYs 1994 and 1995 loss reports, assert claims when deemed appropriate and assure remittance of amounts due to USAID.

USAID/Haiti Can Improve Its Food Monitoring System

Standards for Internal Controls in the Federal Government, issued by the General Accounting Office, require that management control systems be established and

documented to ensure that assets are safeguarded against waste, loss, unauthorized use and misappropriation. To assure management control of food aid programs under P.L. 480 Title II, USAID requires overseas Missions to establish formal management plans. Food monitors are an integral part of USAID/Haiti's management plan; the monitors are to inspect NGO project sites to determine whether food commodities are received, stored and distributed in accordance with USAID Regulation 11 and implementing agreements.

USAID/Haiti employs three full-time food monitors, who are the principal "eyes and ears" of the Mission in monitoring food distribution for over 3,400 centers throughout Haiti. For fiscal year 1995, these monitors inspected 432 centers. Following a monthly schedule, they visit both regular and emergency food centers, including school programs, food-for-work and dry distribution sites. During visits, food monitors inspect all aspects of the program, provide guidance to local managers and complete a standard report to document their findings, conclusions and recommendations. This information is input to an automated database, and a copy of the monitor's report is submitted to the NGO for its information and for corrective action if deficiencies were identified.

The above procedures provide USAID with considerable assurance that its food aid program in Haiti is functioning as intended. However, the overall objectives, responsibilities and specific procedures of the food monitoring unit are undocumented, and there are several opportunities to improve this system. A significant amount of data is gathered on program implementation at the recipient level, yet there is no analysis to identify which aspects of the program are particularly successful and which are suffering systemic or recurring problems. Such information would be useful in refining program implementation and focussing oversight on specific vulnerabilities. Also, while USAID instructs NGOs to take corrective actions when deficiencies are found at a particular food center, it has no assurance that the NGOs have acted. We noted that one NGO, the Adventist Development and Relief Agency, had collected USAID's food monitoring reports in a file for over eight months -- but took no action on reported deficiencies. NGO officials explained that an administrative reorganization was underway and a new department would be responsible for follow-up on USAID's monitoring reports.

To increase the effectiveness of its food monitoring unit, USAID/Haiti should re-examine its current systems and procedures, enhance data analysis and establish a cost-effective follow-up mechanism to increase assurance that corrective actions are taken by NGOs. In addition, these systems and procedures should be documented to assure consistent implementation. Program managers recognized the need for better data analysis and USAID/Haiti recently engaged a specialist to improve its information systems.

Recommendation No. 3: We recommend that USAID/Haiti review current procedures for its food monitoring unit, revise and enhance procedures where appropriate, and document goals, responsibilities and specific procedures to assure consistent implementation.

Emergency Medicines were Significantly Delayed and only Partially Delivered

As part of USAID's disaster assistance to Haiti, the Bureau for Humanitarian Response's Office of Foreign Disaster Assistance (OFDA) awarded a \$2.3 million grant to Catholic Relief Services (CRS) with two objectives: (i) the delivery of \$1.2 million of agricultural inputs (seeds, fertilizer and tools) to peasant associations in southern Haiti and (ii) the provision of \$360,000 of essential medicines and medical supplies to health institutions in the same region. The grant was to be implemented from August 1994 through May 1995, and was later extended to September 1995 at no additional cost. CRS successfully completed delivery of the agricultural inputs; however, as discussed below, the medical component suffered delays and implementation problems.

As of the end of the grant period in September 1995, only \$90,000 of medicines (25 percent of planned amounts) had been distributed. Delays had occurred in hiring personnel and training health care workers, and CRS' initial procurement of medicines did not take place until April 1995 -- eight months after the grant was awarded. The medical supplier then could not deliver as quickly as expected, averaging four weeks to fulfill CRS' orders for medicines. After the end of the grant in September, CRS obtained separate local currency funding to distribute the remaining medicines. However, delays continued and, by February 1996, CRS decided to scale back the program and distribute only \$230,000 of the planned \$360,000 of medicines. As of July 1996, the distribution still was not completed.

Monitoring of this grant component was not effective and USAID was not fully aware of implementation problems encountered. In our opinion, this was largely due to unclear guidance and procedures regarding monitoring responsibilities for disaster assistance grants. For example, USAID's *Guidelines for Foreign Disaster Assistance* state that "the success of U.S. Government-sponsored disaster relief and rehabilitation programs is dependent on the U.S. Missions' readiness and ability to oversee events on the ground;" and, according to USAID Handbook 8, "the Mission is responsible for monitoring distribution and use of disaster materials to ensure that they reach disaster victims." Yet the grant was awarded and monitored by the OFDA in Washington, and USAID/Haiti was not provided with periodic progress reports or other project data by OFDA or CRS. In fact, USAID/Haiti's population, health and nutrition manager was unaware that CRS was experiencing implementation problems and felt that USAID/Haiti intervention could have facilitated procurement of the medicines. OFDA officials also pointed out that CRS should have brought implementation problems to USAID's attention and sought assistance where needed.

We noted that CRS received full funding from USAID for the medical component, notwithstanding its decision to reduce the program by \$130,000. CRS advised us that it intended to return these funds but, as of May 1996, had not yet done so. In addition,

CRS stated that the OFDA waived audit requirements for this \$2.3 million grant and did not plan an audit of these expenditures. The OFDA grant manager assured us that there was no waiver, oral or written, and that funds were specifically included in the grant budget for a cost-incurred audit of all grant expenditures.

Based on our review of this grant, we believe that opportunities exist for USAID to improve its overall systems and procedures for monitoring disaster assistance grants. A formal recommendation to this effect, directed to the Bureau for Humanitarian Response, may be included in the final consolidated audit report of the Office of Inspector General's worldwide review of USAID's disaster assistance programs.

Recommendation No. 4: We recommend that the Grant Officer for the Bureau for Humanitarian Response's Office of Foreign Disaster Assistance (BHR/OFDA) Grant No. AOT-4008-G-00-4170-00:

- 4.1 determine the allowability of the \$130,000 of questioned costs resulting from funds disbursed to the Catholic Relief Services but not expended for grant purposes; and**
 - 4.2 ensure an audit of costs incurred under this \$2.3 million grant.**
-
-

MANAGEMENT COMMENTS AND OUR EVALUATION

USAID/Haiti and the Office of Foreign Disaster Assistance (OFDA) generally agreed with the conclusions and recommendations contained in the audit report and are currently taking steps to implement the recommendations. A management decision has been made for Recommendation Nos. 1 and 3, and management action is expected to be completed for those recommendations by December 31, 1996. For Recommendation Nos. 2 and 4, a management decision has not yet been reached.

In response to Recommendation No. 1, USAID/Haiti stated that the Adventist Development and Relief Agency is in the final stages of a lengthy effort to update its computer systems to enable recomputation of recipient levels based on improved system documentation and storage. The new information system is expected to be operational in October 1996, at which time USAID will take final management action by reviewing the system to assure that it meets Regulation 11 standards.

For Recommendation No. 2, USAID/Haiti has begun a detailed review of commodity losses for fiscal years 1994 and 1995 to identify and collect amounts due. A management decision will have been reached when the review is completed and amounts to be reimbursed are determined. Final management action will have been taken when appropriate claims are filed and amounts due to USAID are remitted.

For Recommendation No. 3, USAID/Haiti pointed out that significant portions of the recommendation were underway or accomplished during the audit, including updated job descriptions, revised field inspection reports, and enhanced data management capabilities. Final management action will have been taken when USAID/Haiti has completed planned actions to strengthen and document its food monitoring systems and procedures.

In response to Recommendation No. 4, the OFDA is coordinating with the cognizant grant officer to reach a management decision on (i) ensuring an audit of costs incurred under the grant and (ii) determining the allowability of the \$130,000 of grant funding disbursed to the Catholic Relief Services that were questioned by our audit.

The full text of management's comments on our report are attached as Appendix II.

SCOPE AND METHODOLOGY

Scope

The Office of the Regional Inspector General in El Salvador audited USAID's disaster assistance to Haiti for fiscal years 1993 through 1995 in accordance with generally accepted government auditing standards. The audit was conducted at the offices of USAID/Haiti and the three participating non-governmental organizations during the period April 16 through July 19, 1996. Fieldwork included inspections of: food warehouses in Port-au-Prince, Gonaives and Les Cayes; emergency food distribution sites in northwestern Haiti; food-for-work projects in the Port-au-Prince area; regular food distribution sites in Port-au-Prince and southern Haiti; and distribution sites for medicines and agricultural supplies in southern Haiti. The audit covered expenditures of \$29 million for emergency food aid and disaster assistance to Haiti during fiscal years 1993, 1994 and 1995, including P.L. 480 Title II commodities, ocean freight, inland transport, as well as non-food disaster assistance grants. The audit did not cover emergency food assistance provided through the United Nations' World Food Program, which is subject to different monitoring and implementation procedures.

Methodology

Our audit objective was to determine if the Bureau for Humanitarian Response, USAID/Haiti and participating non-governmental organizations ensured that disaster assistance was delivered to the intended beneficiaries in accordance with implementing agreements. In answering this objective, we interviewed officials of USAID/Haiti, OFDA and the three non-governmental organizations (Adventist Development and Relief Agency, CARE, and Catholic Relief Services) to obtain an understanding of their respective emergency programs, implementing procedures and accomplishments. We then reviewed documentation and inspected project sites to assess program management and accomplishments. Documentation reviewed included operating plans, call forwards, commodity status reports, grant agreements, progress and financial reports. We also assessed management control systems of the Mission and each of the non-governmental organizations insofar as necessary to answer our audit objective, including delivery, oversight and reporting on its disaster assistance program. We also considered prior audits related to the program and obtained written representations from program managers on key management assertions related to our audit objective.

AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO HAITI

FOR INTERNATIONAL MAIL:

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Washington, D.C. 20521-3400

September 13, 1996

Mr. Wayne Watson
Regional Inspector General San Salvador
U.S. Embassy, Unit 3110
APO AA 34023-3110

Subject: Audit of USAID's Disaster
Assistance to Haiti

Dear Mr. Watson:

USAID/Haiti appreciates the time and effort that your staff took to perform the audit of USAID's Disaster Assistance to Haiti. After completing its review of the report, the Mission has no comments to make with regard to the substance contained therein. In addition, we found that the recommendations made in the draft report are both appropriate and actionable.

As you read our response below, it is clear that we are taking appropriate action to resolve the deficiencies that were uncovered during the audit. We fully expect to be in a position to request closure of all three recommendations directed to USAID Haiti by December 31, 1996.

Recommendation No. 1: We recommend that USAID/Haiti require the Adventist Development and Relief Agency to provide a plan, including timeframes and milestones, for implementing an information system meeting the standards of USAID Regulation 11.

At the time of the audit (May and July 1996) modifications to the ADRA computerized information system were not yet complete. During the latter part of 1995 and throughout 1996 ADRA has concentrated on updating its computerized system to enable recomputation of recipient levels based on improved system documentation and storage. We expect that by the end of October, 1996 ADRA will have this work completed. At that time, USAID will review the ADRA information system to make sure it is capable of meeting the standards of USAID Regulation 11. Assuming the system is satisfactory, we will request that this recommendation be closed.

Recommendation No. 2: We recommend that USAID/Haiti, in conjunction with CARE, Catholic Relief Services and Adventist Development and Relief Agency, review FYs 1994 and 1995 loss reports, assert claims when deemed appropriate and assure remittance of amounts due to USAID.

For FY 95 the research is completed, the balance of claims to be paid has been identified and payment is in process. For FY 94, although the paper trail is not fully intact for all PVOs due to destruction of files during civil unrest, we have identified a small CRS balance to be paid. The CARE outstanding balance has been identified and we expect payments to be made. With regard to ADRA, the analysis is incomplete but we expect to resolve the ADRA position for FY 95 and FY 94.

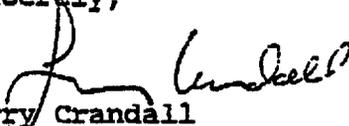
Recommendation No. 3: We recommend that USAID/Haiti review current procedures for its food monitoring unit, revise and enhance procedures where appropriate, and document goals, responsibilities, and specific procedures to assure consistent implementation.

Significant portions of this recommendation were accomplished or were underway at the time of the audit. Monitor job descriptions were recently updated reflecting broader program responsibilities in the Population, Health, Nutrition and Education context; field inspection reports for school feeding programs now include numbers of students taking and passing the final C.E.P. examinations; and, a computer program to store and to manipulate data and to measure common problems and trends has been contracted, the design largely completed and installation not far off. We expect to be in a position to request closure of this recommendation before the end of calendar year 1996.

There was a fourth recommendation contained in the draft report. However, because it was not addressed to USAID/Haiti we have not commented on it.

In closing, USAID/Haiti would again like to express its appreciation for the manner in which the audit was conducted and the usefulness of the final report and the recommendations contained therein.

Sincerely,


Larry Crandall
Director, USAID/Haiti



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 19, 1996

Mr. Wayne Watson
Regional Inspector General
Unit 3110, USAID
APO AA 34023-3110

Dear Mr. Watson:

Subject: Audit of BHR/OFDA Grant AOT-4008-G-00-4170-00 with
Catholic Relief Services (CRS) as part of the Audit of USAID's
Disaster Assistance to Haiti

Thank you for sending me a copy of your draft report on the
subject audit for BHR/OFDA review and comments. We have passed a
copy of the draft report to the Grant Officer, who will take
action on both parts of Recommendation No. 4. For your records,
the address and phone information of the Grant Officer are as
follows:

Michael F. Walsh
M/OP/A/AOT
SA-14, Rm. 1519
Agency for International Development
Department of State
Washington, D.C. 20523

(703) 875-1102

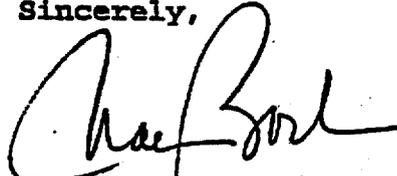
This office has no substantive comments on the report, but offers
the following clarification. The OFDA Project Officer, Ray
Dionne, provided detailed overview comments to Lloyd Miller of
RIG/San Salvador via e-mail on July 24, 1996. Your staff may
wish to again review Mr. Dionne's overview comments before the
audit report is put in final, particularly regarding the first
two paragraphs on page 11 of the draft audit report.

Specifically regarding the first paragraph, a well experienced
organization such as Catholic Relief Services (CRS) should not
have been reluctant to ask for assistance from either the USAID
or OFDA if they felt they were having implementation problems.
In fact, the CRS reports received by OFDA did not highlight
difficult implementation problems that would have invited a USAID
intervention, unless CRS had purposely called problems to the
attention of the USAID. In part, CRS was awarded this grant in
the amount of \$2.3 million because both the USAID and OFDA had
some confidence that the organization would know when to consult
with either party and request advice and assistance, if needed.

Regarding the second paragraph, the audit report should indicate that CRS claimed that Mr. Dionne had "orally" waived audit requirements for this \$2.3 million grant. We all know that oral permissions provide no paper trail and that such a permission would not be given nor would it make any sense without a written request by the grantee for a formal amendment to the grant, since funding was already provided in the grant in the amount of \$40,000 for a project evaluation and audit. The final report should probably say this and properly put this burden on CRS.

Thank you for giving this office an opportunity to comment on the draft audit report. We appreciate the time and effort that your staff has expended to consult with OFDA in developing this draft. Since the other three audit recommendations are being addressed by USAID/Haiti, we will have no further comments.

Sincerely,



Nan Borton
Director
Office of U.S. Foreign
Disaster Assistance

cc: M/OP/A/AOT, MWalsh