

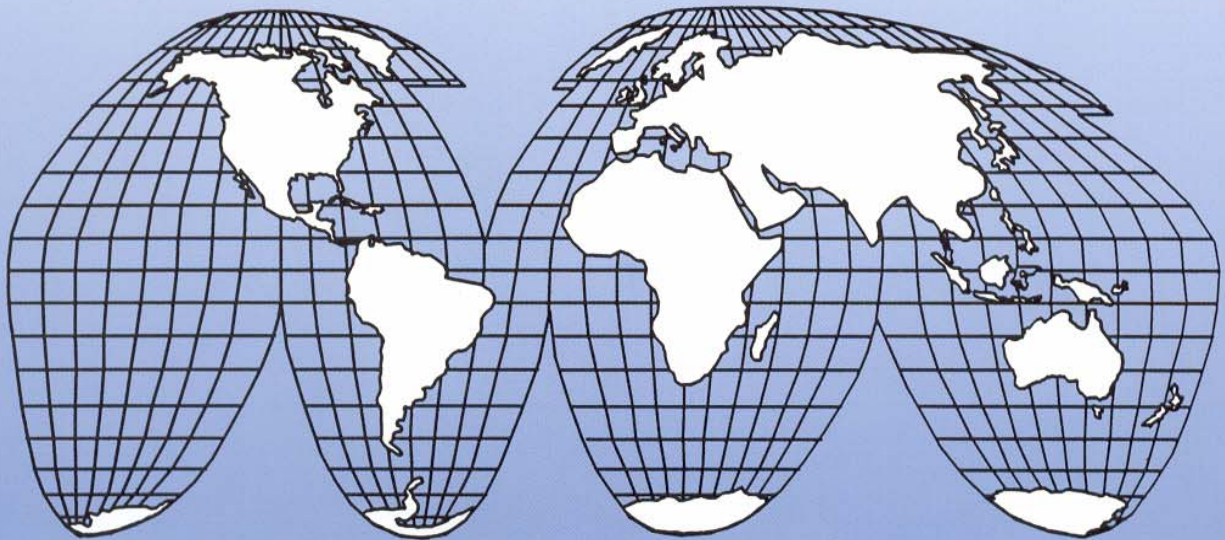
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Ghana's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribution Program

7-641-04-001-P

October 15, 2003



Dakar, Senegal



October 15, 2003

MEMORANDUM

FOR: USAID/Ghana Director, Sharon Cromer

FROM: RIG/Dakar, Lee Jewell III /s/

SUBJECT: Audit of USAID/Ghana's Distribution of P.L. 480 Title II Non-Emergency Assistance in Support of Its Direct Food Aid Distribution Program (Report No. 7-641-04-001-P)

This is our report on the subject audit. In finalizing this report, we considered your comments on our draft report and have included the entire management comments as Appendix II of this report.

The report contains five recommendations including cost recovery of \$224,439 to which you concurred in your response to the draft report. Based on your plans and actions in response to the audit findings, management decisions have been reached on all five recommendations. Please coordinate final actions on these recommendations with the USAID's Office of Management Planning and Innovation (M/MPI).

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

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Table of Contents

Summary of Results	5
Background	5
Audit Objective	6
Audit Findings	6
Did USAID/Ghana, through its monitoring and oversight activities, ensure that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended beneficiaries in accordance with existing agreements?	
More Consistent Site Visit Monitoring Is Needed	8
Data Quality Assessments Needed For Annual Report Information	9
Outstanding Loss Claims Need Follow-Up	11
Management Comments and Our Evaluation	13
Appendix I – Scope and Methodology	14
Appendix II – Management Comments	16

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Summary of Results

The objective of this audit was to determine if USAID/Ghana, through its monitoring and oversight activities, ensured that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended beneficiaries in accordance with existing agreements. (See page 6.)

USAID/Ghana ensured that the direct food aid distribution programs delivered the food to the intended beneficiaries in accordance with existing agreements. The Mission conducted numerous site visits to project activities and documented the results in trip reports. During site visits, we verified that the Cooperating Sponsors (CSs) and partners distributed food to the intended beneficiaries in accordance with agreement provisions. During interviews with beneficiaries, they confirmed that they had received food in the past from the CSs. Another aspect of the monitoring includes the Mission receiving the required reports as appropriate from the CSs for review. In addition, the CSs have taken steps to improve their monitoring of the program, which include providing training, implementing a new tracking software, and creating a compliance unit to monitor the program. (See pages 6 and 7.)

However, several areas in the monitoring of the P.L. 480 program need to be improved in order to monitor the program's activities more effectively. The Mission needs to perform consistent site visits by developing a systematic plan to monitor program activities as well as to perform data quality assessments on information included in the Mission's annual report. In addition, the Mission needs to follow up on \$224,439 in outstanding loss claims. (See pages 8 through 11.)

Background

The Agricultural Trade Development and Assistance Act of 1954 (also known as P.L. 480), as amended many times, is the statutory authority for the Title II Food for Peace (FFP) Program. The intent of the legislation is to promote food security in the developing world through humanitarian and developmental uses of food assistance. Food security is satisfied when a nation's people have sufficient food to meet their dietary needs for a productive and healthy life.

USAID/Ghana's Title II program is administered by the FFP office. The Adventist Development and Relief Agency (ADRA) and Catholic Relief Services (CRS) participate as cooperating sponsors in the implementation of USAID/Ghana's Title II direct food aid distribution program activities. ADRA has a food for work program, and CRS has programs in the following areas: school feeding, general relief, and maternal child health. The day-to-day operations of the program, including receiving and distributing the

commodities, is performed by staff (referred to as partners in this report) at the various project sites.

Per USAID records, the Mission's actual disbursements were \$18.6 million in fiscal year 2002 and planned disbursements of \$17.1 million in fiscal year 2003 for the P.L. 480 Title II program.

Audit Objective

This audit is one of a series to be conducted worldwide of USAID's P.L. 480 Title II program. The Performance Audits Division of USAID's Office of Inspector General is leading the audit. In accordance with its fiscal year 2003 audit plan, the Regional Inspector General, Dakar performed this audit to answer the following audit objective:

Did USAID/Ghana, through its monitoring and oversight activities, ensure that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended beneficiaries in accordance with existing agreements?

The audit specifically did not address other food aid programs such as emergency food aid or monetized food assistance. Appendix I contains a complete discussion of the scope and methodology of the audit.

Audit Findings

Did USAID/Ghana, through its monitoring and oversight activities, ensure that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended beneficiaries in accordance with existing agreements?

USAID/Ghana ensured that the direct food aid distribution programs were delivering the food to the intended beneficiaries in accordance with existing agreements, but the Mission could have conducted more effective monitoring and oversight. Evidence from audit field visits as well as mission documentation supported food being distributed to the intended beneficiaries. However, problems regarding the monitoring of the program included lack of a systematic and consistent approach to site visits, lack of data quality assessments performed, and lack of follow-up on outstanding loss claims.

Photo 1



Photo of Langbinsi preschool children receiving their school lunch through the Catholic Relief Services school-feeding program. (Photograph taken July 22, 2003)

To ensure that the food reached the intended beneficiaries, the USAID/Ghana Food for Peace (FFP) office conducted and documented in trip reports numerous site visits to Cooperating Sponsor (CS) activities and projects. Per discussion with an USAID official, the Mission and the CSs are in contact at least weekly to discuss the various aspects of the program. In addition, we noted during site visits that the CSs and their partners were distributing food to the intended beneficiaries. During interviews with various beneficiaries, they confirmed that they had received food in the past from the CSs and partners. As a part of the monitoring of the program, the Mission received required reports as appropriate: project proposals, commodity call forwards, commodity status and recipient status reports, commodity loss status reports, and cooperating sponsors' results reports. In addition, the CSs have recently taken steps to improve documentation and monitoring of the program. The Adventist Development and Relief Agency (ADRA) headquarters in Accra provided training to field offices on documentation requirements. In addition, ADRA will be implementing new software, which will track field projects; this software will facilitate quarterly reporting as well. Catholic Relief Services (CRS) created a compliance unit in fiscal year 2003 that is to monitor the projects and to ensure the integrity of the programs. As a part of this monitoring, the staff in the compliance unit examine project documentation during site visits.

However, during fieldwork and site visits, several areas in the monitoring of the program were found to be in need of improvement in order for the Mission

to provide more effective and efficient oversight. This includes developing a more consistent and systematic plan to perform site visits, performing data quality assessments, and conducting follow-up on outstanding claims for commodity losses.

Photo 2



Photo of a baby being weighed during a Food-Assisted Child Survival clinic in the Bongbini community. The women participating receive a take-home ration of food when they are pregnant and after the baby is born until the infant reaches six months of age. (Photo taken July 22, 2003)

More Consistent Site Visit Monitoring is Needed

The Mission did not select or perform site visits in a manner that provided consistent procedures to ensure adequate monitoring. This is contrary to USAID guidance that establishing oversight and monitoring procedures is essential to good food aid management. The inconsistent site visits performed was due to a lack of a formal monitoring plan. As a result, the Mission cannot assure that the selection and performance of site visits provide optimal benefit with respect to monitoring.

Although site visits had been conducted, the Mission had not established criteria to select sites for their monitoring visits. This would include criteria

such as the type of food aid being provided, the dollar value of the assistance and the size of the beneficiary population. Instead, the Mission selected the locations for their visits on a haphazard basis. Additionally, the Mission had not developed a checklist or other similar tool that would ensure consistency in the items reviewed at various sites as well as comparability for subsequent visits to the same site.

Chapter 9D of the USAID Handbook for P.L. 480 programs states that establishment of oversight and monitoring procedures by the USAID Mission is essential to good food aid management. This would include, but not be limited to, developing procedures for various aspects of food aid distribution, visits to distribution centers and warehouses, and timetables for submitting required reports.

The lack of consistent site visit procedures is due to the fact that the Mission had not developed a formal monitoring plan. Such a plan would provide systematic procedures to be carried out for the selection and the performance of every site visit. USAID/Ghana officials attributed the lack of more structured program to oversight on their part as well as turnover in the FFP office. In July, the FFP officer transferred to another mission, and the position has not been filled on a permanent basis. Also, last year, the FFP specialist with 24 years of experience left USAID/Ghana.

The lack of a structured approach and specific criteria for monitoring and evaluating program activities prevents the mission from identifying site visits that would provide optimal benefit. Furthermore, without checklists, there may be lack of uniformity with respect to monitoring and documentation of observations.

Therefore, to address the lack of consistent procedures during site visits that would ensure systematic monitoring of program activities, the following recommendation is made:

Recommendation No. 1: We recommend that USAID/Ghana develop a monitoring plan that includes criteria to select sites to be visited and procedures for conducting those site visits including appropriate checklists.

Data Quality Assessments Needed for Annual Report Information

The Mission did not perform required data quality assessments on CS program activity information during the three year period prior to submission to USAID headquarters as part of the annual reporting process. This was due

to an oversight on the part of management, and as a result, the Mission could not guarantee the accuracy of the information included in the annual report.

USAID/Ghana did not perform a data quality assessment on information included in their FY 2003 annual report regarding CRS P.L. 480 Title II activities. The Mission's annual report included data directly extracted from CRS reports on their school feeding program, including the number of students enrolled in the school, the number that received lunch and the number that received a take-home ration. However, according to Mission staff, no specific procedures were in place to review the completeness and accuracy of information reported by CRS or other CSs during the three year period prior to including the data in the annual report.

The Automated Directives System (ADS) Section 203.3.5.2 states that data reported to USAID/Washington must have had a data quality assessment at some time within the three years before submission. When conducting data quality assessments of data from implementing partners, the focus of the assessment should be on the apparent accuracy and consistency of the data.

The lack of data quality assessments performed on P.L. 480 information included in the annual report was due to an oversight on the part of management.

As a result of not performing these assessments, the Mission has no assurance as to the quality and accuracy of the data reported to USAID/Washington. Our audit did not test the accuracy of the data furnished by the CS and reported by the Mission. However, an examination of records at 17 sites including the CS's field offices and distribution sites revealed that at 11 of the sites, the records were either incomplete or inaccurate. For example, ADRA field office staff could not provide documentation to support figures reported to USAID/Ghana on the survival of cashew seeds in their food for work program. A similar situation was found at CRS project sites, where figures included in monthly activity reports did not agree with source documents at the project sites. Additionally, the tally cards used to record the receipt and distribution of commodities at the project site did not agree with the physical inventory. In some cases, documentation to support program activities did not exist. For example, partner staff at one project site stated that they periodically visited recipients to ensure the food was being used as intended, but the visits were not documented. Also, the staff did not record the receipt of cash collected for canteen fees to supplement the school feeding program. Furthermore, at another project site, one staff member indicated she periodically verified the inventory levels recorded by another staff member who was solely responsible for receiving and overseeing the storage and distribution of P.L. 480 commodities as well as maintaining the records. While such a review could mitigate the risk associated with the lack of segregation of duties (which could not be avoided due to the small number of

project site staff), the results of her reviews and oversight activities were not documented.

To address data quality assessments not being performed, the following recommendation is made:

Recommendation No. 2: We recommend that USAID/Ghana develop and implement procedures that provide reasonable assurance that data reported to Washington under its non-emergency assistance program have a data quality assessment performed at least once every three years.

Outstanding Loss Claims Need Follow-Up

The Mission did not conduct follow-up activities to pursue the collection of outstanding claims for loss of P.L. 480 commodities as required by USAID Handbook 9. Mission staff was not aware of the steps needed to pursue payment of the claims. As a result, \$254,715 of loss claims was outstanding at the conclusion of our field work in July 2003.

The Mission did not perform follow-up activities on outstanding claims for losses of P.L. 480 commodities.¹ The Mission tracked the reported losses using a spreadsheet that was updated for new claims or when payments on outstanding claims were made, and periodically forwarded the spreadsheet to the Regional FFP Office in Dakar, Senegal. However, the Mission did not conduct any follow-up with the CSs to determine the status of outstanding claims filed against the CS or a third party responsible for the loss.

USAID Handbook 9, Part II, Chapter 10 discusses Commodity Losses, Damage and Claims. Chapter 10D, Section 2b states that the Mission is responsible for tracking reported losses in addition to meeting regularly with the CSs to review the status of outstanding claims. Regulation 11, 22 Code of Federal Regulations (CFR) 211.9 and Handbook 9, Chapter 10D, Section 3a state that when claims against a third party have been made, the CS should make every reasonable effort to collect the claim. This includes sending the initial billing with three progressively stronger demands with not more than a 30-day interval between billings. If these efforts fail, legal actions should be taken unless exempted for reasons such as the costs incurred to pursue the claim would exceed the amount of the claim. Any proposed settlement for less than the full amount of the claim must be approved by the Mission or the Diplomatic Post. When the CS is responsible, the CS should pay the value of

¹ Losses include damage, spoilage and theft that occurs during transportation and storage once the food has reached the intended country.

the commodities unless USAID determines that such loss or damage could not have been prevented by proper exercise of the CS's responsibility.

Mission staff was not aware of the steps needed to conduct the loss claims follow-up. As a result of the loss claims not having follow-up performed, \$254,715 of loss claims dating back to 1998 was outstanding at the conclusion of our field work in July 2003. As shown in Table 1 below, \$208,611 is due from third parties and \$46,104 is due from CRS.

Table 1: Outstanding Loss Claims

Fiscal Year	Amount Due From Third Parties	Amount Due From CRS	Total Due
2003	\$ 51,162	\$ 2,748	\$ 53,910
2002	40,754	4,306	45,060
2001	46,260	4,724	50,984
2000	52,852	2,659	55,511
1999	9,789	31,283	41,072
1998	7,794	384	8,178
Total	\$ 208,611	\$ 46,104²	\$ 254,715²

In order to address the need for conducting follow-up on outstanding loss claims and to better ensure that funds due to the United States government are collected, we make the following recommendations:

Recommendation No. 3: We recommend that USAID/Ghana develop and implement procedures to provide reasonable assurance on the follow-up of all loss claims.

Recommendation No. 4: We recommend that USAID/Ghana, make a determination and collect, as appropriate, the value of loss claims totaling \$208,611 reported by third parties.

Recommendation No. 5: We recommend that USAID/Ghana make a determination and collect, as appropriate, the value of loss claims totaling \$15,828 reported by Catholic Relief Services.

² In its response to the draft report, USAID/Ghana provided evidence that it has already collected \$30,276.47 from CRS. Therefore, only \$15,827.53 of the \$46,104 from CRS is due. The total loss claims due is now \$224,439.

**Management
Comments and
Our Evaluation**

In its response to the draft report, USAID/Ghana agrees with four of the five recommendations, and has provided justification why it does not agree with the fifth recommendation. Based on the Mission's plans and actions, management decisions have been reached on all recommendations. The status of each recommendation follows.

Recommendation No. 1 recommends that USAID/Ghana develop a monitoring plan that includes criteria to select sites to be visited and procedures for conducting those site visits including appropriate checklists. The Mission concurs with this recommendation and plans to develop a Monitoring Plan by November 1, 2003. The plan will include selection criteria as well as a checklist.

Recommendation No. 2 asks USAID/Ghana to develop and implement procedures that provide reasonable assurance that data reported to Washington under its non-emergency assistance program have a data quality assessment performed at least once every three years. USAID/Ghana concurs with the recommendation. The Mission plans to contract for a Data Quality Assessment of the PL480 program by January 2004. Mission management will ensure that subsequent assessments are conducted at least once every three years.

Recommendation No. 3 suggests that USAID/Ghana develop and implement procedures to provide reasonable assurance on the follow-up of all loss claims. USAID/Ghana agrees with the recommendation. By November 30, 2003, the Mission will develop and implement procedures to ensure that bills for collection are immediately issued whenever losses of PL480 commodities are discovered.

Recommendation No. 4 requests USAID/Ghana to make a determination and collect, as appropriate, the value of loss claims totaling \$208,611 reported by third parties. The Mission concurs with the recommendation. By October 15, 2003, the Mission plans to issue bills of collection to the cognizant cooperating sponsors.

Recommendation No. 5 recommends that USAID/Ghana make a determination and collect, as appropriate, the value of loss claims totaling \$46,104 reported by Catholic Relief Services. USAID/Ghana does not concur with the amount. The Mission has provided evidence that \$30,276.47 of the \$46,104 outstanding loss claims has already been collected. Therefore, the outstanding amount is \$15,827.53 for which the Mission plans to issue a bill of collection by October 15, 2003. Recommendation No. 5 has been revised accordingly.

Scope and Methodology

Scope

The Regional Inspector General, Dakar conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if USAID/Ghana, through its monitoring and oversight activities, ensured that P.L. 480 Title II non-emergency assistance programmed for direct food aid distribution programs was delivered to the intended beneficiaries in accordance with existing agreements. The audit was conducted at USAID/Ghana in Accra from July 11 - 25, 2003. Site visits were performed in six of the ten regions of the country: Northern, Central, Eastern, Greater Accra, Ashanti, and Brong Ahafo. The audit examined the two Cooperating Sponsors (CSs) that have direct food distribution activities in Ghana: Catholic Relief Services (CRS) and Adventist Development and Relief Agency (ADRA).

Photo 3



Photo of auditor Ragip Saritabak performing a physical verification of commodities stored in an ADRA warehouse. (Photo taken on July 15, 2003)

The main focus of the audit was on program "mechanics" or tracing the movement of Food For Peace commodities from the port of entry to

warehouses and distribution centers and finally to program beneficiaries. The scope of this audit included an examination of management controls associated with the systems used by the Mission and its cooperating sponsor to monitor the distribution of food aid under the program. The areas examined included the review of commodity requests (i.e., call forwards), reporting of distribution data or results, review and tracking of commodity losses, field visits to storage facilities and distribution sites, and the systems in place for tracking the receipt, storage and distribution of Title II commodities.

The audit specifically did not cover emergency food aid, food provided through the World Food Program, or monetized food assistance. The audit was directed at fiscal year 2002 and 2003 programs. Total program funding was equal to \$18.6 million in fiscal year 2002 and \$17.1 million in fiscal year 2003; this information was not verified.

Methodology

USAID/Ghana works with four CSs in the PL 480 program. Only two of these 4 CSs have direct food aid distribution: CRS and ADRA. As such, CRS and ADRA were selected for review as a part of this audit. We randomly selected CRS and ADRA projects to visit in regions with significant concentrations of projects.

The methodology for the audit included reviewing appropriate documentation and interviewing Mission and CS personnel. More specifically, we reviewed criteria including applicable laws, regulations, Agency policy and guidance, and mission policy related to the audit objective. In addition, we reviewed approved CS program documents for the proposed controls over the movement and distribution of commodities. We interviewed responsible USAID Mission and CS personnel—both at the headquarters and field level—concerning the organization and control systems for the areas of: planning; commodity movement and distribution; review and approval of direct food aid distribution projects; and accumulating and reporting statistical information on program results. Site visits were performed to selected food aid storage sites and distribution sites during which time CS personnel and beneficiaries were interviewed. Finally, we reviewed results for Title II for both the Mission and the CSs and verified the accuracy of reported results.

A materiality threshold was not established for this audit since it was not considered to be applicable given the qualitative nature of the audit objective, which focused on assessing the level of monitoring over the program.

**Management
Comments**

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Date: September 30, 2003
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From: Sharon Cromer, Mission Director, USAID/Ghana /s/
Subject: **Audit of USAID/Ghana's distribution of P.L. 480 Title II Non-Emergency Assistance in support of Its Direct Food Aid Distribution Program (Report No. 7-641-03-00X-P)**

The purpose of this memo is to provide Mission's written comments on the subject audit report.

Recommendation No. 1: We recommend that USAID/Ghana develop a monitoring plan that includes criteria to select sites to be visited and procedures for conducting those site visits including appropriate checklists.

Mission's Comments: Mission concurs with the audit recommendation.

Action to be taken: USAID/Ghana will develop a formalized Monitoring Plan by November 1, 2003. This Monitoring Plan will include selection criteria (type of food provided, dollar value of assistance, and the size of the beneficiary population) for visiting specific project sites. In addition, the monitoring plan will include a checklist to ensure consistency in the items reviewed at various sites as well as comparability for subsequent visits.

Recommendation No. 2: We recommend that USAID/Ghana develop and implement procedures that provide reasonable assurance that data reported to Washington under its non-emergency assistance program have a data quality assessment performed at least once every three years.

Mission's comments: Mission concurs with the audit recommendation.

Action to be taken: USAID/Ghana will contract for a Data Quality Assessment of the PL-480 program by January 2004. Mission management will ensure that subsequent assessments are conducted at least once every three years.

Recommendation No. 3 We recommend that USAID/Ghana develop and implement procedures to provide reasonable assurance on the follow-up of all loss claims.

Mission's comments: Mission concurs with the audit recommendation.

Action to be taken: By November 30, 2003, USAID/Ghana will develop and implement procedures to ensure that Bills for collection are immediately issued whenever losses of PL 480 commodities are discovered.

Recommendation No. 4: We recommend that USAID/Ghana, make a determination and collect, as appropriate, the value of loss claims totaling \$208,611 reported by third parties.

Mission's comments: Mission concurs with the audit recommendation.

Action to be taken: By October 15, 2003, USAID/Ghana will issue bills for collection to the cognizant cooperating sponsors.

Recommendation No. 5: We recommend that USAID/Ghana make a determination and collect, as appropriate, the value of loss claims totaling \$46,104 reported by Catholic Relief Services.

Mission's comments: Mission does not concur with the value of loss claims totaling \$46,104 against CRS/Ghana for the fiscal years 1998 - 2003. In FY 2000, the Mission issued a Bill for collection of \$30,276.47 to CRS/Ghana and received a check in full settlement of the bill. Mission concurs with the recommendation as to the remaining balance.

Action to be taken: By October 15, 2003, the Mission will issue a Bill for Collection to CRS/Ghana for \$15,827.53.