Follow-Up on Recommendations No. 2 and 3 from Audit Report No. 1-521-96-005 of USAID's Disaster Assistance to Haiti

Audit Report No. 1-521-99-007-P
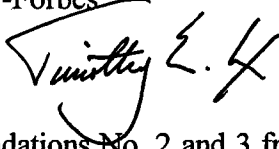September 16, 1999

**Regional Inspector General
San Salvador**

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

September 16, 1999

MEMORANDUM

FOR: USAID/Haiti Director, Phyllis Dichter-Forbes

FROM: RIG/A/San Salvador, Timothy E. Cox

SUBJECT: Audit of the Follow-Up on Recommendations No. 2 and 3 from Audit Report No. 1-521-96-005 of USAID's Disaster Assistance to Haiti (Report No. 1-521-99-007-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments on the draft report are included in Appendix II.

This report contains one recommendation for your action. Based on the information provided by the Mission, a management decision has been reached on this recommendation. A determination of final action for this recommendation will be made by the Office of Management Planning and Innovation (M/MPI/MIC) when planned corrective actions are completed.

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

Background

Poverty in Haiti is the worst in the Western Hemisphere by a wide margin. For example, USAID/Haiti's Strategic Plan for 1999-2004 notes that two thirds of all rural Haitians live below the absolute poverty line, whereby, their yearly income is less than $160, and they can not supply their families with the basic caloric requirement for the strenuous lives they lead. In response, USAID has employed a comprehensive program encompassing democracy, economic growth, education, and health that, in fiscal year 1998, required over $100 million. Twenty million dollars was devoted to a P.L. 480 Title II food program that

provided hot meals to 500,000 school children as well as other activities such as food-for-work programs.

In September 1996, the Office of Inspector General issued an audit report that reviewed disaster assistance (mostly in the form of Title II food) provided to Haiti between 1993 and 1995. The audit concluded that, despite significant constraints, such as the breakdown of civil authority, widespread security problems, and the looting of food aid, USAID with its implementing partners had delivered significant amounts of emergency assistance to beneficiaries throughout Haiti. The audit report included four recommendations including the following two recommendations that are the basis of this audit report:

- 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.

- 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.

Audit Objective

The purpose of this audit is to review continuing Mission actions that justified the closure of two recommendations that are essential to the effective functioning of the Mission's Title II food monitoring unit. Specifically, this audit is intended to answer the following audit objective:

> Has USAID/Haiti continued to take effective corrective actions to justify the closure of Recommendations No. 2 and 3 of Audit Report No. 1-521-96-005, entitled "Audit of USAID's Disaster Assistance to Haiti," issued by RIG/San Salvador on September 20, 1996?

Appendix I describes the audit's scope and methodology.

Audit Findings

Has USAID/Haiti continued to take effective corrective actions to justify the closure of Recommendations No. 2 and 3 of Audit Report No. 1-521-96-005, entitled "Audit of USAID's Disaster Assistance to Haiti," issued by RIG/San Salvador on September 20, 1996?

For Recommendation No. 2, the Mission has continued to take effective corrective actions that justify the closure of this recommendation requiring the Mission to review Title II loss reports, asset claims when appropriate, and assure remittances of amounts due to USAID. However, for Recommendation No. 3, the

Mission still has to take further effective corrective actions that would justify the closure of this recommendation requiring the Mission to revise and enhance procedures for its food monitoring unit. In response to the recommendation, the Mission has enhanced the food monitoring unit's operations through several actions. Nevertheless, we did identify further corrective actions that are both essential and urgent. These items are discussed below along with our recommendation. However, instead of reopening the September 1996 recommendation verbatim, we are rewording the original recommendation and reissuing it as a new recommendation. Thereby, the new recommendation focuses on current necessary corrective actions, taking into account the actions the Mission has already implemented.

Recommendation No. 2: Systems for Tracking Commodity Losses Are Adequate

The issue of Mission systems for tracking food commodity losses is more widespread than Haiti. One year after our September 1996 audit report, the Office of Inspector General issued an audit report of USAID's disaster assistance activities world-wide. The report noted the same weaknesses in the systems for tracking commodity losses and claims in missions besides Haiti. Consequently, that report recommended that the Bureau for Humanitarian Response's Office of Food for Peace require all USAID missions to establish systems to track food loss reports and claims for losses filed by non-governmental organizations and to systematically review quarterly status reports submitted by these non-governmental organizations to ensure that the information is complete and accurate. Subsequently, the Office for Food for Peace issued several cables emphasizing these Mission responsibilities. Additionally, the Office of Inspector General has just completed an audit at another mission which discovered the same systemic weakness.

Recommendation No. 2 stated that "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." We found that the Mission during fiscal year 1998 (the most recent complete fiscal year) not only took actions to justify the closure of this recommendation but continued to operate an adequate system for tracking food losses. For example, Mission staff reviewed the quarterly loss reports submitted by three non-governmental organizations and entered loss data into a tracking spreadsheet. In addition, the non-governmental organizations asserted claims and systematically and regularly provided remittances to USAID for those claims due to their responsibility. Finally, the Mission adjudicated claims where the non-governmental organizations requested waivers based on circumstances where it was impossible to prove or inappropriate to assign liability.

Recommendation No. 3: Food Monitoring System Can Still Be Improved

The Mission's Title II food aid program is costly - $20 million in fiscal year 1998 alone. Appropriately, the Mission has devoted a considerable amount of resources to protect this investment. For example in fiscal year 1998, the Mission spent about $120,000 in food monitoring operating expenses consisting of three food monitors, two drivers, travel and per diem costs, equipment, office costs, spare parts and supplies, and training. In addition, the Mission spent $50,000 the previous year for two vehicles to reach the many remote food distribution sites. Our September 1996 audit report characterized the food monitors as the principal "eyes and ears" of the Mission in monitoring food distribution to over 3,400 centers throughout Haiti. Their work provided USAID with considerable assurance that its food aid program in Haiti was functioning as intended. Although the number of centers has decreased slightly to about 2,900, we still consider the food monitors' function as essential.

Recommendation No. 3 stated that "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." In response, the Mission implemented a series of actions that revised and enhanced the procedures of the Mission's food monitoring unit. For example, the Mission (1) documented the internal control procedures for its food monitoring unit including responsibilities and operational procedures, (2) revised the supervision forms for field visits to food distribution sites, (3) established scopes of work for its food monitors, (4) entered data into a geographic information system that was able to visually display both the geographic dispersal of food distribution sites and also visits by Mission food monitors throughout the country, and (5) established a system for tracking monitoring reports sent to non-governmental organizations for follow-up.

Nevertheless, one significant area of improvement noted in our original audit report is still lacking – data analysis. Our September 1996 audit report stated:

> "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."

This characterization is still valid. The Mission did try to implement a new software system that would analyze the data. However, according to the Mission's former Food for Peace officer, the Mission stopped the effort after spending a considerable amount of funds and consultant time on developing a

system – but without success. As a result, the Mission has had to continue with its existing systems. However, these systems are now not only old and not Y2K compliant, but are also not compatible with other Mission systems and, for one system, is characterized by the Mission's food monitors as "unstable".

In all, the Mission's food monitors are using four distinct "stand-alone" data systems that are based on software (WordPerfect 5.1, Paradox 4.0, and two systems using Lotus 4.1) from the very early part of this decade – an eternity in software evolution. The chronology of data collection and input from one site visit illustrates the issue. The food monitors take notes during their visits to food distribution sites. Upon returning to the Mission office, they transcribe these notes into a word processing document based on the software, WordPerfect 5.1. After printing out the report, the food monitors or the administrative assistant in the food office use the information from these reports to enter data into three distinct data systems: (1) a list of food sites visited by the monitors, maintained in an "unstable" Paradox 4.0 database, (2) a follow-up system to track non-governmental organizations' efforts to carry out required improvements at specific food distribution sites, maintained in a Lotus 4.1 spreadsheet, and (3) a geographic information system, maintained in a separate Lotus 4.1 spreadsheet.

Despite a considerable investment in its food aid program, the Mission's data analysis capabilities are minimal, fragmented, and, with the advent of the millennium, obsolete. The Y2K issue alone will leave the Mission no choice but to upgrade its current "stand-alone" data systems for its food monitors. Even so, while the Mission has no choice in upgrading its obsolete food monitoring software systems, it also has the opportunity to consolidate data input, incorporate new compatible systems into Mission-wide systems, while concurrently building a significant data analysis capability.

> **Recommendation No. 1:** **We recommend that USAID/Haiti revise and enhance the software systems of its food monitoring unit.**

Management Comments and Our Evaluation

USAID/Haiti concurred with the report and has begun implementing the report recommendation. The Mission expects that a new Y2K compliant system will be implemented by March 31, 2000. Based on information provided by the Mission, a management decision has been reached on Recommendation No. 1.

Scope and Methodology

Scope

The Office of the Regional Inspector General/San Salvador conducted an audit, in accordance with generally accepted government auditing standards, of the continuing Mission actions that justified the closure of two recommendations from our September 1996 audit report of USAID's disaster assistance to Haiti. Both recommendations are essential to the effective functioning of the Mission's food monitoring unit. The audit was conducted at USAID/Haiti from June 15, 1999 through June 18, 1999.

Methodology

The purpose of this audit was to review continuing Mission actions that justified the closure of the two recommendations. Specifically, the audit objective was to determine if USAID/Haiti has continued to take effective corrective actions to justify the closure of Recommendations No. 2 and 3 of Audit Report No. 1-521-96-005, entitled "Audit of USAID's Disaster Assistance to Haiti," issued by RIG/San Salvador on September 20, 1996.

In answering the audit objective, we interviewed officials as well as reviewed and tested documentation at USAID/Haiti. Such documentation included Mission staffing and organization, maps, funding data, scopes of work for Mission food monitors, site visitation forms for food monitors, Mission food monitoring data base reports, and quarterly reports (including losses) provided by three non-governmental organizations for fiscal year 1998 – the most recent complete fiscal year. We also reviewed applicable prior Inspector General audit reports and 1997 correspondence documentation associated with the closure of the two recommendations from our September 1996 audit report.

We also reviewed applicable internal controls to obtain a sufficient understanding of the design of relevant internal control policies and procedures. The relevant internal controls were limited to the Mission's systems for tracking food commodity losses and the internal procedures of the Mission's food monitoring unit. The audit did not include an assessment of the risk exposure or the effectiveness of the internal control systems because our review of applicable internal controls determined that relevant internal control policies and procedures were similar except for the changes resulting from our September 1996 audit report.

Management Comments

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        To: Tim Cox@RIG
      From: Carl Lewis@fm@haiti
        Cc: Carol Payne@PHN@haiti,George Deikun@DIR@haiti,Joel
            Laroche@FM@haiti,Marie Carell Laurent@PHN@haiti,Marie Florence
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       Bcc:
   Subject: USAID/Haiti comments on Draft Audit Report (No. 1-521-99-XXX-P)
Attachment:
      Date: 9/10/99 12:15 PM
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Tim,

USAID/Haiti has reviewed RIG's draft audit report of the follow-up audit on recommendations Nos. 2 and 3 from Audit Report No. 1-521-96-005 of USAID's Disaster Assistance to Haiti. The Mission concurs with its content and provides the following management comments:

USAID/Haiti's Contracting Officer is currently negotiating a Purchase Order with an offeror to design a Y2K data base software system that will improve the management of the commodity movement and the monitoring of the food distribution at the centers. Mission expects the design and implementation of this Y2K data base software system to be finalized by March 31, 2000.

A copy of the scope of work for the Y2K data base software system was sent to Lloyd Miller on August 24, 1999, via an e-mail attachment. A copy of the Purchase Order will be faxed to you once finalized.

If you have any questions, please do not hesitate to contact me.

Regards,

(This e-mail has been cleared by Carell Laurent/PHN)