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BEFORE THE

SUBCOMMITTEE ON LIVESTOCK AND FOREIGN AGRICULTURE OF THE
HOUSE COMMITTEE ON AGRICULTURE

“U.S. INTERNATIONAL FOOD AID PROGRAMS:
OVERSIGHT AND ACCOUNTABILITY”

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Chairman Rouzer, Ranking Member Costa, Members of the Subcommittee, I am pleased to appear before you on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). Today, I will discuss USAID OIG’s role in overseeing

international food aid programs and the work that our office has undertaken to help improve their effectiveness. We appreciate the Committee's interest in ensuring accountability in the provision of United States food assistance and welcome the opportunity to share our perspectives and observations alongside our colleagues from the Government Accountability Office (GAO) and U.S. Department of Agriculture (USDA) OIG.

International food assistance occupies a prominent place among U.S. foreign assistance programs around the world. The U.S. Government's Food for Peace program dates back to 1954 and has served as an enduring vehicle for responding to disasters, crises, and hunger abroad. With more than \$1.4 billion in appropriations in fiscal year 2014, USAID programs and activities implemented under Title II of the Food for Peace Act reflect a major commitment on the part of U.S. taxpayers to help combat world hunger and malnutrition, promote sustainable agricultural development, expand international trade, foster private sector and market development, and prevent conflict.

The majority of Title II assistance is directed toward emergency programs. This assistance, most of which is provided in-kind, has provided life-saving support as a major component of the U.S. Government's response to sudden and urgent crises abroad, such as earthquakes, floods, drought, and famine. In these cases, USAID typically partners with international aid organizations, such as the World Food Programme (WFP), and nongovernmental organizations, to ensure assistance is delivered to those in need. Conflict and instability can also prompt the need for the emergency provision of food assistance, and these settings present even greater challenges, including direct threats to the lives and welfare of the committed individuals working to deliver aid.

Food aid also has important non-emergency applications, and under current law, a minimum of \$350 million must be spent on USAID non-emergency assistance in this area. These funds help provide the basis for development programs around the world that aim to address hunger and malnutrition, bolster agricultural productivity, and increase resilience within target countries.

No humanitarian assistance or development program is without risk, and USAID and other agencies we oversee all face distinct challenges related to the settings in which they operate and how they address both inherent and operational risks. With respect to Food for Peace programs, beneficiaries are often difficult to access due to geography, damage caused by natural disasters, or ongoing conflict and instability. In such settings, infrastructure that may have existed—including roads and other transportation systems, and local and national government response capacity—may not be present or functioning. However Food for Peace programs are ultimately implemented, the ability to effectively manage and respond to these types of risks is a key to program success.

Before I discuss our specific observations about how the Food for Peace program manages these risks, I would like to take a moment to share a little information about our organization. USAID OIG was established in 1980 to combat waste, fraud, and abuse, and to promote economy, efficiency, and effectiveness in USAID programs and activities. Our mandate has subsequently grown to include oversight responsibilities for the Millennium Challenge Corporation, the U.S. African Development Foundation, the Inter-American Foundation, and the Overseas Private Investment Corporation. Our 224 personnel, including U.S. direct hire and Foreign Service

National staff, operate from ten locations overseas and our headquarters in Washington, D.C. More than half of our workforce is comprised of Foreign Service and Foreign Service National auditors and investigators who enable us to operate in regional and country offices overseas and help evaluate and respond to risks on the ground. Meanwhile, our civil service personnel undertake oversight work in Washington, D.C., and abroad on a temporary duty basis, and also provide mission critical support through legal counsel, human capital and information technology assistance, and policy, planning, and budget functions. Together, OIG staff represent a formidable team dedicated to improving the way in which foreign assistance programs are executed.

OIG operates independently from the agencies we oversee. Our oversight portfolio is broad, with agency programs that extend across more than 100 countries, and cover activities relating to disaster assistance and reconstruction, health, finance, education, economic growth, and, of course, food security, to name a few. We issue audit reports and undertake investigations into allegations of fraud, criminal wrongdoing, and other misconduct relating to foreign assistance programs. In addition to improving how these programs operate, every year our work yields a net return for the agencies we oversee.

OIG has examined food assistance activities, including those implemented under the Food for Peace Act, as a regular part of its oversight program. In recent years, we have looked at related activities in conflict- and disaster-affected areas as well as those in traditional development settings where assistance is provided under more secure, stable conditions. To help counter risks in both types of settings, OIG has conducted audits and investigations that enabled USAID to

improve food aid programs and address conditions that hamper effective delivery of food aid or in which fraud and waste can flourish. In the last 5 years, USAID OIG has issued 12 performance audits and reviews with almost 100 recommendations to promote effective management of food aid programs and activities. Together with our investigative efforts, this work has produced more than \$18 million in savings and recoveries for the U.S. Government.

As the bulk of Title II Food for Peace programming involves the provision of in-kind assistance, much of our related work has addressed controls and performance surrounding the effort to transport, store, monetize, or distribute food aid commodities. All points along the supply and distribution chains for food aid are vulnerable to waste and inefficiency, and may also be subject to fraudulent activity. In fact, just last month, the U.S. Department of Justice reached a \$836,630 civil settlement with a shipping company used by USAID for food aid transport after an OIG investigation concluded that the company had billed USAID at a higher rate than it should have for more than 4 years.

The application of appropriate internal controls is critical to keeping commodities safe and preventing spoilage over the full course of the logistical chain that links goods to beneficiaries. Our audit work has focused on such controls over Food for Peace program commodities and identified related weaknesses on a number of occasions. During the course of one audit, we found weaknesses such as poor documentation of the delivery of goods to beneficiaries, inadequate supervisory controls, and a lack of segregation of duties. In another, we found discrepancies in records of incoming and outgoing commodities in one of several warehouses we visited. The same audit also noted that USAID did not have an adequate system in place to

reconcile these records or identify and resolve discrepancies in a consistent manner, and that USAID had also not tracked losses for the period audited. These audits also identified the substandard storage of commodities, including indications of termite and rodent infestation and conditions that risked mold growth. In one report, auditors noted that USAID appeared ill-prepared to evaluate the usability of commodities or to authorize and effect their disposal. OIG, in turn, recommended measures to improve management and handling of commodities to address these types of issues.

With food commodities delivered and sometimes stored in areas of extreme need, it is also important to guard against theft. We have observed this vulnerability at different levels in our investigative work. In Pakistan, we worked with WFP and provincial education authorities to identify and remove three school employees who had diverted cooking oil and high-energy biscuits from school children and sold them on the local market. By contrast, in East Africa, we found theft on an industrial scale. In that case, U.S. food commodities intended for beneficiaries had been siphoned off to a local milling operation that had converted U.S. wheat into flour for international resale over what appeared to have been an extended period. This, in turn, prompted USAID to terminate funding for the more than \$100 million program that had been the source of the stolen commodities.

The effective delivery of food aid also hinges on sound implementation of program plans, such that USAID and its network of implementers execute on a properly considered strategy and achieve overall objectives of providing food assistance to those who need it most. We have, nonetheless, seen indications of weaknesses in Food for Peace program management and

coordination over the years. Recent audit work, for example, noted inconsistencies in the delivery of assistance by partners with the effect that, in some cases, beneficiaries lacked access to rations during times of greatest need. In Uganda, OIG found that poor program management contributed to the distribution of some food aid to recipients outside the targeted population. In another case in Somalia, OIG found inconsistencies in how USAID partners vetted vendors and subrecipients, reducing assurance that best practices had been used in fully examining whether these groups had ties to armed or terrorist groups, or other prohibited parties. Meanwhile, in another country, OIG investigators concluded that food aid had been provided to a group registered with the Department of Treasury's Office of Foreign Assets Control, which enforces sanctions against foreign parties that represent a national security, foreign policy, or economic threats to the United States.

OIG work has also identified other program management limitations in Food for Peace programs. Past OIG work on USAID's approach for pre-positioning food aid found that USAID had not performed a cost-benefit analysis comparing pre-positioning food in international ports against shipping it from the United States, despite an earlier analysis that showed pre-positioning overseas was seven times more expensive than doing so in the United States. More recently, OIG auditors observed that USAID had not implemented recommendations from an evaluation of its Food for Peace activities in Madagascar and failed to follow-up on warehouse fumigation requirements. In Haiti, cooperating sponsors failed to pick up on a demonstrated best practice in implementing their assistance programming with the result that those with the greatest nutritional needs received incomplete coverage for a time. We also found duplication across Food for Peace activities in Haiti, where Title II programs were overlapping with other USAID activities.

USAID and its implementers frequently gather large volumes of data on program performance and results to support policy-making on food aid programs. Accurate and reliable information is critical to program managers and policymakers alike as they rely on reported data to drive decisions. However, recent OIG performance audits have frequently identified data quality weaknesses, something that has been a challenge for USAID as a whole, and a problem in food assistance programs dating back many years. An earlier report on programs in Niger found that the subject program also had too many indicators and noted that many were too loosely defined to produce meaningful results. Changes to indicators, such as their definitions and the number of indicators, have also presented data quality problems, as we found in a recent audit in Madagascar, where such changes had been made annually, making it difficult or impossible to compare performance across years or identify trends.

Collecting data has also been a source of difficulty in some cases. Sometimes reported data have been found to be unreliable due to under- or over-reporting, the latter of which was revealed in a recent audit in Madagascar. OIG audit work has also identified problems with the accuracy of program data in Syria, Malawi, Mauritania, and Zambia, and inconsistencies in how this data was collected in Haiti.

Finally, ensuring quality across the full scope of Food for Peace activities requires effective monitoring. Yet, OIG has found problems with the frequency or effectiveness of site visits associated with the Food for Peace programs in the past. Audit work has linked insufficient monitoring to several of the issues described earlier, such as problems with data quality and ineffective storage of commodities. Our work has also identified insufficient monitoring as a

contributing factor to problems related to branding and marketing and overseeing finances associated with monetization activities. In one instance, weaknesses in program oversight resulted in a failure to ensure that local subrecipients implementing program activities received required audits. Such audits provide an important measure of assurance that the many implementers and sub-implementers that play a part in food aid delivery can properly manage and account for the resources with which they have been entrusted.

Monitoring deficiencies are of particular concern in conflict-affected settings. USAID provides a substantial amount of food assistance in insecure environments, where U. S. Government and implementer personnel face constraints on their ability to properly oversee activities. Monitoring difficulties in these settings affect the full complement of assistance programs, and our work has confirmed that these weaknesses also apply to Food for Peace programs in these areas. For this reason, OIG closely follows and aggressively investigates reports of loss and theft in conflict zones.

Although OIG has noted several significant challenges facing Food for Peace programs, we have also observed program successes in a number of settings. Our auditors have credited program implementers with leveraging technology, networks of volunteers, and community feedback mechanisms to help meet monitoring needs in challenging security environments. Our work has also confirmed that Food for Peace programs have made a number of significant contributions in targeted areas. People affected by chronic health conditions have described how the receipt of program commodities helped improve their health. Farmers have noted increased productivity and pointed to increased incomes as a result of new agricultural techniques they learned through

Food for Peace programs. We have also seen the effectiveness of programs in helping ameliorate conditions in crises around the world through the delivery of food aid to those in desperate need. In addition, OIG audits have noted that Food for Peace programs have improved nutrition and produced health gains for families and communities where they have operated.

To help the U.S. Government's food assistance programs achieve their full potential, USAID OIG will continue its work to assess their performance and help identify and respond to corresponding risks. In line with this commitment, OIG recently initiated an audit of related activities as part of USAID's response to the Ebola crisis in West Africa. Also, as a follow up to concerns raised in past audit work, we plan a review of the use of Food for Peace consortiums in Southern and East Africa and their effect on competition for Agency awards. In the coming fiscal year, OIG plans to assess the performance of Food for Peace programs in Haiti, as well as food assistance in Syria delivered through WFP. As we execute these oversight plans, we will also continue to examine the U.S. Government's broader effort to address food insecurity by auditing USAID's role in the Feed the Future initiative as well as activities to improve nutrition and strengthen agricultural value chains.

Thank you for the opportunity to address the Subcommittee on this very important component of U.S. foreign assistance. We appreciate the Subcommittee's interest in and support of our oversight efforts and welcome the opportunity to learn more about your interests and concerns as we continue to work to help ensure that foreign assistance programs operate as effectively and efficiently as possible. I would be happy to answer any questions you may have at this time.