United States Government Accountability Office

Report to the Chairwoman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

INTERNATIONAL FOOD AID

Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System

INTERNATIONAL FOOD AID

Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System

GAO Highlights

Why GAO Did This Study

USDA and USAID spent about $9.2 billion to provide international emergency food aid during fiscal years 2007-2012. USDA developed WBSCM with USAID's input to manage domestic and international food aid procurements. USDA spent about $187 million to develop and implement the system. GAO was asked to examine the international emergency food aid procurement process.

This report examines (1) the extent to which agencies agree to use WBSCM to manage the process, (2) how the agencies' use of WBSCM and other systems affects USDA's ability to have accurate information, and (3) the extent to which the agencies are collaborating on how to use WBSCM. GAO reviewed the procurement process and observed WBSCM in use. We analyzed inventory spreadsheets used to compile USDA's financial reports. We compared agencies' efforts to collaborate against key elements for effective interagency collaboration.

What GAO Recommends

GAO recommended the agencies work together to ensure USDA receives accurate prepositioned inventory data, improve WBSCM's functionality by testing modified functions, and develop a written agreement that clearly outlines outcomes and roles and responsibilities for using WBSCM. USAID noted its view that prepositioned commodities move off USDA's books and onto those of USAID but agreed in general with our other two recommendations. USDA agreed with our recommendations and stated that the Commodity Credit Corporation retains ownership of prepositioned commodities.

What GAO Found

Although the U.S. Department of Agriculture (USDA) and U.S. Agency for International Development (USAID) jointly manage international emergency food aid procurement, the agencies disagree about the usefulness of the Web Based Supply Chain Management system (WBSCM) to manage the entire process. WBSCM had significant deficiencies when it was implemented in April 2011, which led USAID to discontinue using it to procure ocean freight for bulk commodities, manage prepositioned or stockpiled commodity inventory, and track food aid shipments. For example, WBSCM was slow and time consuming to use and its process to procure ocean freight for bulk commodities was not compatible with USAID's process to negotiate contracts with ocean freight vendors. USDA currently uses WBSCM to procure food aid commodities, while USAID procures ocean freight using other systems not connected to WBSCM. Since March 2012, USDA has made changes to WBSCM, and USDA officials assert that these changes address some of the problems that led to USAID's decision to discontinue use of the system.

Since USAID uses systems outside of WBSCM, USAID and USDA lack information on individual food aid shipments, which, in turn, hinders USDA's ability to use WBSCM to prepare reports and efficiently file claims against ocean carriers to recover U.S. government funds. GAO's *Standards for Internal Control in the Federal Government* state that information should be accurately recorded and communicated to those who need it and in a form that enables them to carry out their internal control and other responsibilities. USAID relies on freight forwarders to track and periodically provide information on shipments. In GAO's work for a recent report, we found that freight forwarders did not collect complete or consistent information on emergency food aid shipments. Without accurate information from its freight forwarders, USAID is limited in its ability to generate accurate information on food aid shipments. In addition, GAO found that USAID and its warehouse contractors did not always accurately record all prepositioned commodity inventory transactions. USAID provides this potentially inaccurate information to USDA officials who enter this information into WBSCM to generate quarterly financial statements. Moreover, USAID's data collection outside WBSCM makes it more difficult for USDA to file claims efficiently against ocean freight vendors and recover U.S. funds because USDA officials must manually enter USAID information. According to USDA officials, USDA filed 131 such claims in fiscal year 2012 valued at $1.2 million.

USDA and USAID are not collaborating effectively to resolve their disagreement on the usefulness of WBSCM. In prior work, GAO identified key elements of effective collaboration that can enhance and sustain collaboration among federal agencies. Although USDA and USAID's collaborative efforts have incorporated some of these elements to develop WBSCM, they have not incorporated others. Specifically, USDA and USAID do not agree on the roles and responsibilities of key participants in the process, do not share a defined outcome for their collaboration, and do not have a written agreement stating how the agencies will collaborate. An upcoming functional upgrade of WBSCM offers an opportunity to make substantial changes that are mutually agreeable.

United States Government Accountability Office

Contents

Abbreviations

CCC   Commodity Credit Corporation
FSA   Farm Service Agency
OMB   Office of Management and Budget
USAID   U.S. Agency for International Development
USDA   U.S. Department of Agriculture
WBSCM   Web Based Supply Chain Management system

March 26, 2014

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition, and Forestry
United States Senate

Dear Chairwoman Stabenow:

The U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) spent about $9.2 billion to procure and deliver international emergency food aid during fiscal years 2007 through 2012 as authorized by Title II of the Food for Peace Act.[1] USDA and USAID have joint responsibility for the U.S. government response to emergency food crises, such as the 2013 typhoon in the Philippines and the persistent droughts in East Africa. In addition, USAID relies on cooperating sponsors, such as the World Food Program, and their contractors, to deliver food aid. Congress appropriates funds for the Food for Peace program to USDA, which it uses to procure commodities. USDA also allocates a portion of these funds to USAID to implement the program and arrange ocean freight transportation.[2] Although USDA is responsible for adhering to financial reporting requirements with respect to funds transferred to USAID, it is USAID's responsibility to make every effort within reason to track and account for these funds and to report this information to USDA.[3]

Between 2003 and 2011, USDA planned, designed, and implemented a Web Based Supply Chain Management system (WBSCM, referred to as

---

[1]Section 3001 of Pub. L. No. 110-246, the Food, Conservation, and Energy Act of 2008, changed the title of P.L. 480, originally named the Agricultural Trade Development Aid Act of 1954, to the Food for Peace Act. Title II of the Food for Peace Act, administered by USAID, addresses donation of agricultural commodities for humanitarian purposes. Other U.S. food aid programs are administered through the U.S. Department of Agriculture, including Food for Peace Title I, Food for Progress, and the McGovern-Dole International Food for Education and Child Nutrition programs.

[2]Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. GAO, *A Glossary of Terms Used in the Federal Budget Process,* GAO-05-734SP (Washington, D.C.: Sept. 2005).

[3]Office of Management and Budget, Circular A-136, *Financial Reporting Requirements.*

"Web S-C-M") with input from USAID to replace what it considered to be an outdated food aid procurement system. USDA intended WBSCM to be the procurement and supply chain management system for both the U.S. government's domestic and international food aid programs. As of the end of fiscal year 2013, USDA had spent more than $187 million to design, implement, operate, and maintain WBSCM.

The Senate Committee on Agriculture, Nutrition, and Forestry asked us to examine USDA's international food aid procurement process. This report examines (1) the extent to which agencies agree to use WBSCM to manage the international emergency food aid procurement process; (2) how the agencies' use of WBSCM and other systems affects USDA's ability to have accurate information about emergency international food aid shipments; and (3) the extent to which the agencies are collaborating on how to use WBSCM.

To examine the extent to which agencies agree to use WBSCM and other systems to manage the international food aid procurement process for the Food for Peace, Title II program, we collected information about how WBSCM is used to procure commodities and ocean freight transportation.[4] We observed how USDA's Farm Service Agency's (FSA) Commodity Operations Office and the USAID's Office of Food for Peace use WBSCM, and we observed how USAID uses its Food for Peace Management Information System. We examined agency documents to determine the roles and responsibilities of agency officials and their international stakeholders. Stakeholders include cooperating sponsors that implement emergency food aid programs on behalf of USAID; freight forwarders that manage ocean freight logistics, commodity vendors, ocean freight vendors, and contractors that manage the warehouses where USAID prepositions or stockpiles commodities for emergencies overseas.

To examine how the agencies use of WBSCM and other systems affects USDA's ability to have accurate information about food aid shipments, we analyzed how Congress appropriates funds for this program to USDA's Commodity Credit Corporation (CCC). We also reviewed the Office of Management and Budget's Circular A-136 and USDA and USAID's

---

[4]We did not assess the extent to which USDA uses WBSCM for its domestic and international food aid programs or whether WBSCM performs these functions effectively.

Offices of Inspector General reports. We used this information to determine the funding relationship between the agencies and the financial responsibilities each has in accounting for U.S. government resources and funds for this program. We also drew on work conducted for a separate report to describe the systems that USAID relies upon to track emergency food aid shipments.[5] In that report, we also looked at how USAID collects data on emergency food aid shipments and we determined the data to be sufficiently reliable for our analysis. We compared GAO's *Standards for Internal Control in the Federal Government* to USDA and USAID actions in the procurement process.[6]

To examine the extent to which the agencies are collaborating on how to use WBSCM, we compared U.S. agencies' efforts to resolve their disagreement on how to use WBSCM against key considerations that we identified in 2012 for implementing effective interagency collaboration with practices for enhancing and sustaining collaboration that we identified in 2005.[7] Based on our analysis of the agencies' actions, we found that clearly defining roles and responsibilities, defining a common outcome, and having a written formal agreement to collaborate were the most relevant practices to assess their efforts.

As part of this review, we obtained commodity and ocean freight funding data for fiscal years 2007 through 2012 from USAID, and we determined that the data were sufficiently reliable for our purposes. We also interviewed agency officials at USAID's Food for Peace and Transportation Offices and at the USDA's Agricultural Marketing Service, the FSA, including the Commodity Operations Office, and the Foreign

---

[5]GAO, *International Food Aid: Prepositioning Speeds Delivery of Emergency Aid, but Additional Monitoring of Time Frames and Costs Is Needed,* GAO-14-277, (Washington, D.C.: Mar. 5, 2014).

[6]GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: September 1999) and *Internal Control: Internal Control Management and Evaluation Tool,* GAO-01-1008G (Washington, D.C.: August 2001).

[7]We developed this list of considerations through a review of interviews with experts on collaboration, and a review of findings from a number of our previous reports on collaboration in the federal government. See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012) and *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

Agriculture Service in Washington, D.C., and Kansas City, Missouri; as well as cooperating sponsors and freight forwarders. For additional details about our scope and methodology, see appendix I.

We conducted this performance audit from March 2013 to March 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

U.S. Title II Emergency Food Aid Program, Cost, and Funding

Under Title II of the Food for Peace Act, the United States provides agricultural commodities to address famine and food crises in foreign countries. Between fiscal years 2007 and 2012, the United States spent about $9.2 billion to provide emergency food aid to 57 countries through its cooperating sponsors, such as the World Food Program, Catholic Relief Services, and Save the Children Federation. The United States annually spent between $1.1 billion and $2.0 billion to purchase and deliver about 1 to 2 million metric tons of emergency food aid to recipients in foreign countries.

U. S. agencies spend the largest percentage of food aid funds to procure and transport commodities within the United States, and second largest on the transport, storage, and handling of commodities in recipient countries. Figure 1 illustrates this distribution of spending for fiscal year 2012. USAID and cooperating sponsors spent the third largest percentage of funds on ocean freight contracts to transport commodities across the ocean. USAID directed the remaining funds to cooperating sponsors to develop and manage programs and deliver commodities from discharge ports to landlocked recipient countries. Of the emergency food aid funds directed to cooperating sponsors, the World Food Program administered over 80 percent, while other cooperating sponsors administered the rest. USAID and cooperating sponsors contracted with seven ocean freight forwarders to act on behalf of USAID and its cooperating sponsors to manage ocean transportation logistics throughout the shipping process.

,

Figure 1: Costs and Percentages of U.S. Title II Emergency Food Aid Components, Fiscal Year 2012

Total $1.17 (in billions)
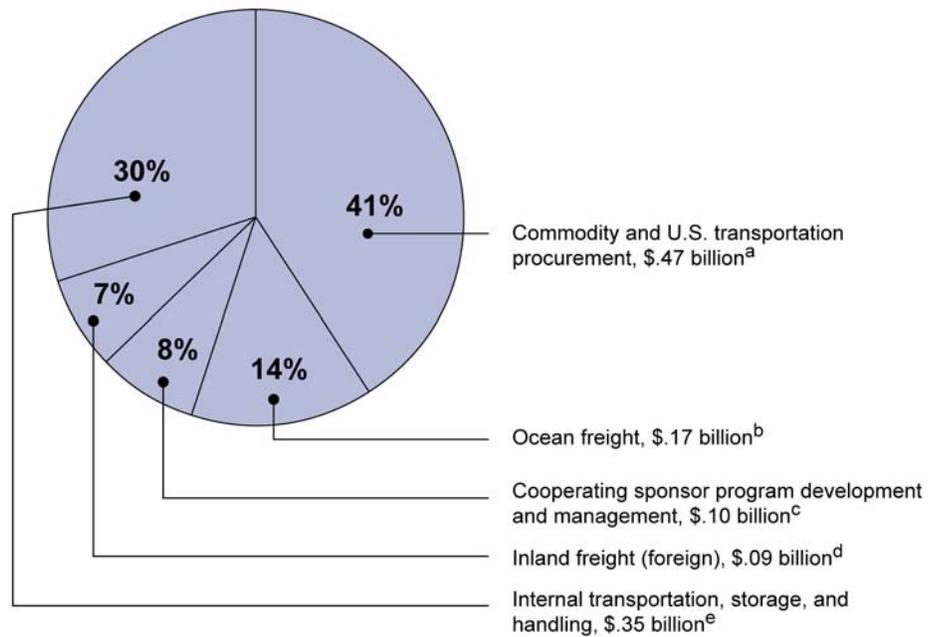
Source: GAO analysis of U.S. Agency for International Development data.

[a]Commodity and U.S. transportation procurement includes funds paid to commodity vendors that provide commodities and arrange for their domestic transportation to U.S. transfer locations.

[b]Ocean freight includes funds paid to freight vendors that transport emergency food aid from U.S. ports overseas to foreign ports, or to inland points.

[c]Cooperating sponsor program development and management refers to funding provided to assist cooperating sponsors with establishing programs in foreign countries pursuant to Section 202(e) of the Food for Peace Act (7 USC 1722(e)).

[d]Inland freight is the cost associated with transporting commodities from the port of discharge to the border of the foreign destination country if the destination country is landlocked.

[e]Internal transportation, storage, and handling includes costs such as storage, distribution, and oversight of commodities to the final foreign destination, such as storage and distribution sites. USAID provides these funds directly to cooperating sponsors as a cash contribution.

Various Entities Procure and Deliver Emergency Food Aid

USDA and USAID jointly manage Food for Peace emergency food aid procurement. USDA procures commodities for the program and USAID or its cooperating sponsors procure ocean transportation for the commodities. The agencies use a three-phase procurement process: (1) acquisition planning (reviewing and responding to food requests), (2) contract formation (procuring commodities and transportation), and (3) contract administration (delivering commodities and overseeing the

process).[8] See figure 2 for an overview of the process to procure packaged and bulk commodities and ocean freight.[9]

Figure 2: USDA and USAID Standard Title II Emergency Food Aid Procurement Process

Acquisition Planning

1. Cooperating sponsors make food requests to U.S. Agency for International Development (USAID)
2. USAID reviews the food request and, if approved, forwards the request to U.S. Department of Agriculture (USDA) for review and approval

Contract Formation

3. USDA solicits contract bids from food commodity vendors; USDA, USAID, and cooperating sponsors solicit contract offers from ocean freight vendors
4. USDA evaluates commodity bids and freight offers according to lowest landed cost (the cost of the commodity plus transportation charges)
5. USDA procures food commodities
6. USAID assists cooperating sponsors to procure ocean freight for the delivery of food commodities to foreign destinations

Contract Administration

7. Commodity vendors provide food commodities and deliver them from their production facilities to domestic transfer points
8. Stevedores—individuals or firms that contract to load or unload a ship—unload food commodities from rail cars or trucks, document the delivery, and load the food commodities onto ocean vessels that transport them overseas
9. USDA pays commodity vendors
10. Cooperating sponsors pay ocean freight vendors for ocean transportation, and USAID reimburses cooperating sponsors for the ocean freight
11. Surveyors report commodities delivered to cooperating sponsors and USDA
12. If necessary, USDA processes claims against ocean freight vendors

Source: GAO analysis of U.S. Department of Agriculture and U.S. Agency for International Development data.

USAID's standard procurement process for emergency food aid is to procure and ship commodities in response to a request from cooperating sponsors for a specific food emergency. However, USAID may also preposition commodities in domestic and overseas warehouses located near regions of the world with historically high emergency food aid

---

[8]Acquisition planning integrates the efforts of personnel responsible for purchasing to ensure that the government meets its needs in the most effective, economical, and timely manner. Contract formation includes soliciting, evaluating, and awarding contracts. Contract administration includes several functions performed by a government agency in accordance with federal acquisition regulations, agency acquisition policies, and the terms of the contract.

[9]Packaged commodities are those shipped in woven polypropylene bags, multi-walled paper bags, plastic containers, or steel cans and drums. Bulk commodities, such as free-flowing grain and vegetable oil, are those directly loaded and shipped in an ocean vessel's cargo hold.

needs.[10] Using this approach, USAID requests commodities from USDA and ships them to a warehouse before a need for the commodities is identified.[11] For the commodities shipped to warehouses, ocean freight vendors submit invoices directly to USAID for payment, and USDA retains ownership of the commodities until cooperating sponsors pick up the commodities from the warehouses, according to USDA. As a result, commodities in these warehouses remain on USDA's accounting ledger as inventory assets until cooperating sponsors make requests and take possession of the commodities for their programs. Since USAID contracts for the management of its domestic and overseas warehouses, USDA requires USAID to provide it with information on the type, amount, and value of commodities in each warehouse's inventory.

In addition, USAID can divert commodities originally destined for a prepositioned warehouse to respond to a cooperating sponsor's emergency food aid request.[12] When diversion occurs, instead of delivering commodities to a prepositioned warehouse as planned, ocean freight vendors deliver to an alternate port that is specified on the ocean freight contract or to a cooperating sponsor at the same foreign port as the warehouse. As a result, the ship, foreign port, ocean bill of lading, and cost of ocean freight can change from what was originally agreed to under the initial ocean freight contract.[13]

---

[10]See GAO-14-277 for further information on USAID's prepositioning of emergency food aid.

[11]Congress has authorized the expenditure of up to $15 million annually for overseas prepositioning storage costs. See Pub. L. No. 113-79,§3009.

[12]In the food aid community, "diversion" generally refers to loss or theft of food aid. However, USAID and cooperating sponsors also use "diversion" to refer to the redirection of food aid from some stage of the prepositioning process to a foreign port to meet immediate needs. In this report, "diversion" has the latter meaning.

[13]An ocean bill of lading is a document that establishes the terms of a contract between USAID or a cooperating sponsor and the ocean freight vendor. A bill of lading shows ownership of the cargo.

USDA Developed WBSCM to Manage Food Aid Procurement

The USDA's Agricultural Marketing Service, which procures commodities for USDA's domestic food aid programs, funded most of WBSCM's design and currently manages the system.[14] WBSCM replaced USDA's ordering, procurement, and inventory systems, some of which USDA considered costly and outdated.[15] These systems did not electronically manage the entire food aid procurement process, provide accurate inventory accounting, or track commodity shipments in real time. USDA also could not use the systems to electronically process invoices and payments. USDA expected WBSCM to integrate supply chain activities of up to 40,000 users, process requests for 4.5 million metric tons of domestic and international food aid each year, manage electronic contracting for commodities and freight, track inventory, pay vendors, and process claims. USDA intended that all stakeholders including those participating in international food assistance would use WBSCM as a supply chain management system. To do so, WBSCM uses data entered during earlier steps of the process to complete some of the later steps. Therefore, information needs to be entered in a sequential order for the later functions of the system to work correctly.

USDA developed the business case for WBSCM in 2003 and awarded the contract for developing the software in October 2006. To identify the international food aid procurement functions, USDA established an interagency project team that included representatives from USDA's Farm Service Agency (FSA) and Foreign Agriculture Service and USAID's Food for Peace and Transportation Offices. The interagency team started to develop the system's technical requirements for the food aid programs in 2007. Agencies began the initial testing phase of WBSCM in November 2009, and USDA began a phased rollout of WBSCM in June 2010, focusing primarily on domestic food aid procurement.

---

[14]USDA's domestic food aid agencies—Agricultural Marketing Service, Food and Nutrition Service, and FSA—use WBSCM to order, track, and pay for commodities used in domestic food aid programs. These include the National School Lunch Program, which provides nutritionally balanced, low-cost or free lunches to children. This report does not review USDA's uses of WBSCM for the domestic food aid procurement processes.

[15]USDA managed its prior processes with systems that lacked online procurement capabilities, such as bidding, procuring, contracting, and invoicing.

USDA and USAID Disagree on WBSCM's Usefulness in Managing the International Emergency Food Aid Procurement Process

USDA and USAID disagree about the usefulness of WBSCM to manage the entire emergency food aid procurement process. Although USDA created WBSCM with input from USAID, the system had deficiencies when it was implemented in April 2011. Since August 2011, USAID has not been using WBSCM as intended to procure ocean freight for bulk commodities, manage commodity inventory in preposition warehouses, or track food aid shipments. USAID manages its part of the procurement process using other systems not connected to WBSCM. USDA officials assert that, since March 2012, the agency has made significant improvements to WBSCM that would address many of the problems that led to USAID's discontinued use of the system's functions to procure bulk commodity ocean freight, manage commodity inventory, and track food aid shipments.[16]

USAID Has Not Used WBSCM as Intended Because It Had Significant Deficiencies at Implementation

WBSCM had deficiencies when it was implemented in April 2011, so USAID gradually discontinued using it to procure ocean freight for bulk commodities, manage commodities for prepositioned warehouses, and track food aid shipments between August 2011 and June 2012. When USDA, USAID, and several international stakeholders, such as USAID's cooperating sponsors and freight forwarders, started to use WBSCM, they immediately encountered significant problems. The USDA's Foreign Agricultural Service reported in an April 2011 memo that WBSCM might not be ready to handle complex international food aid procurements involving multiple delivery points and commodities. In June 2011, USAID informed USDA in a letter that its stakeholders found WBSCM time consuming to use. In addition, USAID stated that the system's process to procure international bulk ocean freight was not compatible with USAID's process and recommended that neither agency use WBSCM to procure bulk ocean freight.[17] For example, USAID informed USDA that WBSCM could not account for key information—such as current market conditions, available funding, alternate foreign ports, and available ships with sufficient cargo space—that USAID needed to negotiate with vendors when procuring ocean freight for bulk commodities. In addition, USAID and its stakeholders experienced substantial performance problems and

---

[16]As mentioned above, we did not assess whether the functions for which USDA uses WBSCM perform effectively. We therefore did not verify whether the changes USDA made have addressed USAID's concerns with WBSCM.

[17]Bulk freight includes all vessels designed to carry bulk cargo such as grain.

indicated that the system was cumbersome and not user friendly. In a July 2011 memo, USDA acknowledged deficiencies in WBSCM and stated it was working to fix problems. For example, the USDA memo acknowledged USAID's difficulties in using WBSCM to procure bulk freight.

Moreover, freight forwarders that manage ocean freight logistics for the cooperating sponsors identified concerns they had about the additional workload WBSCM required of them. For example, they noted in June 2011 that WBSCM required them to enter data historically completed by stevedores (contractors who load or unload commodities) at U.S. load ports, which increased the freight forwarders' workload and created confusion about what commodity was being delivered, loaded, and unloaded at U.S. load ports. Furthermore, WBSCM's initial inability to track food aid shipments, such as recording when a shipment had been diverted before the commodities arrived in a foreign location, posed a problem for freight forwarders. As a result, the freight forwarders experienced unnecessary delays in coordinating information with ocean freight vendors and providing these vendors with required instructions for shipping and unloading cargoes.

As a result of difficulties in using WBSCM, USAID discontinued using it for certain functions. In August 2011, USAID issued a memo to cooperating sponsors, freight forwarders, ocean transportation providers and their brokers stating that, effective immediately, all bid offers for bulk ocean freight transportation shipped under the Title II program did not need to be submitted through WBSCM. USAID also decided it would not use WBSCM to manage its prepositioned commodity inventories. At that time, a USAID official informed USDA that USAID had a number of issues with WBSCM that needed to be addressed for it to effectively manage prepositioned commodity inventories using the system. The official further stated that until these issues were fixed, USAID would continue to work outside WBSCM to manage these inventories.

In response to concerns expressed about WBSCM, USDA and USAID announced the formation of an interagency team in November 2011 to address international stakeholders' concerns with WBSCM. At that time, the WBSCM program manager acknowledged that USDA had been unable to implement timely solutions for the problems that the international stakeholders had faced and that WBSCM had been designed with insufficient input from the international stakeholders. During November and December 2011, the agencies held meetings to identify

needs and priorities, created an action list, and assigned individual USDA and USAID officials to specific tasks on the list.

Despite these efforts, USAID and international stakeholders continued to have concerns about using WBSCM. USAID eventually decided in February 2012 that WBSCM should only be used for USDA to procure commodities. As a result, USAID awards ocean freight contracts for bulk and packaged commodities outside of WBSCM. Furthermore, in June 2012, USAID and USDA agreed that freight forwarders did not need to use WBSCM to update ocean freight contracts. Rather, freight forwarders continue to update ocean freight contracts in their own separate systems.

USAID Manages Its Procurement Process Using Systems Not Connected to WBSCM

USAID and its international stakeholders currently perform most of the functions required to procure bulk ocean freight in systems not connected to WBSCM. For example, USAID receives bulk freight bids via email and negotiates bulk ocean freight contracts directly with vendors. According to USDA officials, USDA then manually enters the awarded ocean freight contract information for bulk commodities in WBSCM. In addition, USAID officials said they do not use WBSCM to record changes to ocean freight. As a result, USDA does not receive updates in WBSCM when USAID makes changes to the shipment, or when freight forwarders divert commodities on USAID's behalf.

USAID officials also said they do not use WBSCM to track inventory of prepositioned commodities because key information required to track commodities from the U.S. load port to overseas warehouses is not entered in WBSCM. As we noted above, USAID informed USDA in August 2011 that the agency would continue to track and allocate prepositioned commodity inventory using other systems. Instead of using WBSCM, USAID officials track prepositioned commodity inventory using spreadsheets with information from USAID's contractors at its prepositioned warehouses. USAID officials send USDA a consolidated spreadsheet, and USDA officials manually enter inventory data in WBSCM to provide food aid information for the Commodity Credit Corporation's (CCC) quarterly financial statements.[18]

---

[18]The Commodity Credit Corporation (CCC) is a wholly owned government corporation managed by USDA's Farm Service Agency (FSA).

,

USDA Asserts That It Has Made Significant Improvements to WBSCM

USDA officials have stated that, since March 2012, the agency has made significant improvements to WBSCM that address many of its difficulties. During the course of our review, USDA officials stated that several of WBSCM's shortcomings, such as poor functionality and ease of use, have been addressed.[19] They also noted that USDA's Foreign Agriculture Service currently uses WBSCM to manage all procurement functions for its international food aid programs and requires stakeholders to manage aspects of the programs, including updating ocean freight information, in WBSCM.[20] In addition, USDA officials noted that they have modified the inventory management function of WBSCM that could be used to track prepositioned inventory. They also said that they have modified WBSCM sufficiently to facilitate tracking changes in freight information. For example, these officials said that WBSCM had been modified so that it can capture needed information when a shipment has been divided to ship on multiple vessels.

According to USDA officials, the agency would like USAID to resume fully using WBSCM, which would address USDA concerns regarding the lack of current information about shipments after they depart U.S. ports and inventory of prepositioned commodities. USAID officials from the Food for Peace and Transportation Offices indicated in August 2013 that they are currently able to manage their portion of the emergency food aid program without expanding their use of WBSCM. They also indicated that they would consider using WBSCM again if USDA made substantial improvements that addressed their concerns. However, as of February 2014, USAID had not tested WBSCM's ability to manage prepositioned commodity inventory and track food aid shipments since USDA made changes to the system.

[19]USDA agencies use WBSCM to manage their domestic and international food aid programs. For example, they use WBSCM to solicit, receive, and evaluate bids; award contracts; manage and track food shipments; pay vendors; and process claims.

[20]According to USDA and USAID officials, the Foreign Agriculture Service's international food aid programs generally process smaller and fewer shipments than USAID's emergency food aid program.

USAID's Use of Other Systems Hinders USDA's Ability to Prepare Accurate Reports and Efficiently File Claims Against Ocean Carriers to Recover Government Funds

Since USAID uses systems outside of WBSCM, USAID and USDA lack complete and accurate information on individual food aid shipments, which, in turn, hinders USDA's ability to use WBSCM to prepare accurate financial reports and recover U.S. government funds. For example, USAID's systems cannot provide tracking information on some food aid shipments. In addition, USAID's current systems for tracking the inventory of commodities that it has in prepositioning warehouses lack sufficient internal controls, according to the USAID Inspector General, thus hindering the agencies' abilities to verify commodity inventories.[21] USAID's data collection outside of WBSCM also makes it more difficult for USDA to efficiently file claims to recover U.S. government funds.

USAID's Systems Cannot Provide Information on Some Food Aid Shipments

In our work for a recent report on the impact of prepositioning on the timeliness of emergency food aid, we found that some information on emergency food aid shipments in WBSCM could not be used to assess their delivery timeframes.[22] USAID's Office of Food for Peace informed USDA in a February 2012 letter that USAID would rely on its Transportation Office and the freight forwarders to track and periodically provide information on shipments. In addition, in June 2012 USAID informed freight forwarders that they no longer were expected to update tracking information for emergency food aid shipments into WBSCM. However, in our related GAO report on prepositioning food aid, we found that USAID does not maintain tracking data on food aid shipments that would allow it to assess the timeliness of deliveries. Rather, the freight forwarders maintain tracking data in their own, separate systems from which USAID can request data.

---

[21]USAID Office of the Inspector General, *Audit of USAID's Internal Controls Over Prepositioned Food Assistance for the Horn of Africa,* Audit Report Number 4-962-13-004-P (Pretoria, South Africa: Jan. 7, 2013). In response to the USAID inspector general recommendation, USAID stated that in July 2013 the agency had replaced Djibouti's manual warehouse inventory control system with an automated system. USAID officials also stated that they were working to develop a tracking system to monitor the movement of commodities in and out of the overseas prepositioned warehouses. However, according to USAID officials, the development of the tracking system is being re-evaluated due to funding constraints.

[22]GAO-14-277.

USDA has expressed concerns that it does not have complete and accurate information it needs and it is unclear whether USAID has sufficient internal controls over the data that freight forwarders collect on individual shipments of emergency food aid. GAO's *Standards for Internal Control* requires that agencies implement appropriate control activities, such as ensuring that transactions are recorded in a complete and accurate manner.[23] USDA's FSA issued a memo in April 2012 outlining the implications of USAID's decision in February 2012 to not use WBSCM to track food aid shipments. Specifically, FSA stated that administering activities outside of WBSCM would increase the number of errors, be more labor intensive, and create additional strain on FSA's resources. FSA also stated that by not using these features of WBSCM, USAID would limit the government's ability to track commodities from initial order through final delivery. In addition, FSA officials have indicated that USAID's decision to stop requiring freight forwarders to enter updated freight award information in WBSCM affects the accuracy of ocean freight information in WBSCM, such as the price paid to transport commodities; the foreign destination port; and the vessel used. FSA officials noted that this is information they need to prepare reports on food aid shipments. In addition, USAID has not provided guidance on the information that USAID and USDA need collected on individual shipments.

Furthermore, when we obtained information on over 5,000 food aid shipments from fiscal years 2007 through 2012 for our recent report, we found that some of the information contained inaccuracies and was not consistently collected.[24] We found that for three of the six freight forwarders, their data were incomplete due to missing shipments and partial information provided for other shipments. As a result, we were unable to use their information to assess the timeframes of their deliveries. In addition, we found inconsistencies in the information collected. For example, to identify the starting date of a shipment, the World Food Program provided the date that USAID and the World Food Program signed a grant agreement. However, the freight forwarders' data

---

[23] GAO-AIMD-00-21.3.1

[24] GAO-14-277

,

show dates that approximate the dates when the cooperating sponsors requested the food from USAID.[25]

USDA and USAID Have Been Unable to Verify Overseas Commodity Inventory Data

A recent USAID inspector general report and independent audits of the Commodity Credit Corporation (CCC) raise concerns that USAID and USDA's current systems for tracking commodities that USAID has prepositioned in warehouses may have insufficient internal controls, hindering the agencies' abilities to verify commodity inventories. Similarly, we found that USAID's commodity inventory spreadsheets contained missing data and incorrect formulas to compile inventory information.

A January 2013 USAID inspector general report found that internal control weaknesses in USAID's prepositioning inventory records caused irreconcilable discrepancies between the agency's records and warehouse inventory records. According to USAID's Automated Directives System, contract officer representatives must ensure that the cooperating sponsor is performing in accordance with the terms contained in the contract. However, the inspector general found that USAID's Transportation Office, foreign warehouses and others did not have an adequate system in place to consistently identify and resolve discrepancies in inventory records. Specifically, the audit found that the amount of incoming and outgoing food at the Djibouti warehouse could not be reconciled within the threshold established in the warehouse contract. The audit stated that commodity differences can result from changes in shipments or commodity losses. It also noted that discrepancies in records resulted from a number of factors, including incomplete records and incomplete survey reports conducted by an independent contractor monitoring warehouse activities. According to the report, reconciliations throughout the supply chain would improve the system's reliability and allow USAID to evaluate the performance of

---

[25]In assessing the reliability of the food aid shipment data, we determined that data on 3,785 shipments were sufficiently reliable for the purposes of our analysis. According to USAID, the number of days between the request for food and USAID's approval date is similar for prepositioned and standard shipments. However, both USAID and World Food Program officials noted that whether a shipment was sourced from a prepositioning warehouse or the standard shipping process did not affect the number of days between the request for food date and the USAID's grant agreement date. We therefore determined that these data were sufficiently reliable for the purposes of assessing the impact of USAID's prepositioning program on the timeliness of emergency food aid deliveries.

warehouse contractors accurately. The inspector general recommended that USAID implement a system of internal controls to reconcile its records regularly with reports from warehouses and outgoing shipment reports to identify and resolve differences in a timely manner.

Furthermore, independent audits of CCC's financial activities showed instances where USDA had insufficient internal controls to verify commodity information that it received from USAID; as a result, the independent audits reported significant deficiencies in CCC's financial statements.[26] GAO's *Standards for Internal Control* state that control activities, such as reviews of management at the functional or activity level, are an integral part of an entity's accountability for government resources. However, the audits reported USDA's controls over foreign prepositioned inventory distributed by USAID as a significant deficiency in CCC's financial statements for fiscal years 2012 and 2013.[27] Specifically, the fiscal year 2012 audit noted that the process USDA used to determine the amount of inventory on hand at foreign warehouses consisted only of an email sent from USAID to USDA outlining the levels of inventory by commodity. It found that CCC had no evidence of adequate controls or policy and procedures over the warehouse inventory information to determine whether the balances reported by USAID are reasonable prior to entries by CCC. During the course of our review, USDA officials responsible for entering inventory information into WBSCM to produce CCC's financial reports confirmed that they cannot verify the inventory information they receive from USAID.

In addition, we found that some of the spreadsheets that USAID used to compile inventory information were missing data and contained incorrect formulas. We reviewed spreadsheets for 6 warehouses where USAID prepositions commodities and found errors in 3 of them. For example, we found that the spreadsheet that the contractors used to track inventory at the prepositioning warehouse in Djibouti contained errors. It showed eight instances in which contractors documented commodities leaving the warehouse before the same commodities were documented as entering

---

[26]CliftonLarsonAllen LLP, *Independent Auditor's Report,* December 3, 2013; and CliftonLarsonAllen LLP, *Fiscal Year 2012 Management Letter,* November 5, 2012.

[27]A significant deficiency is a control deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

the warehouse. We also found two instances in which contractors recorded commodities leaving the warehouse 4 months after they had left the warehouse. To determine inventory levels, contractors at each warehouse submit inventory information to USAID, which consolidates the information into a single spreadsheet that it provides to USDA. As a result, inaccuracies in a single warehouse inventory spreadsheet create inaccuracies in USAID's consolidated spreadsheets. USDA officials enter information provided by USAID into WBSCM to generate various reports, including CCC's quarterly financial statements to the Office of Management and Budget.

USAID's Data Collection Outside WBSCM Impedes USDA's Process to Recover U.S. Government Funds Efficiently

USAID's data collection outside WBSCM impedes USDA's process to file claims against ocean freight vendors and recover U.S. funds. When an ocean freight vendor loses or damages a portion of the commodities loaded onto its vessels, the vendor is liable for the funds it received to transport that portion of the shipment in addition to the value of the lost or damaged commodities.[28] According to USDA officials, USDA filed 131 claims against vendors in fiscal year 2012, valued at $1.2 million. Since USAID and cooperating sponsors use freight forwarders to manage logistics for ocean freight services, USDA requires information from USAID, cooperating sponsors, and freight forwarders to process ocean freight claims.

USDA's ability to file claims against ocean freight vendors depends on having accurate information about changes that USAID makes to ocean freight shipments after contracts are awarded. USAID can authorize changes in a shipment that can result in changes to both deliveries and the amounts USAID may pay to an ocean freight vendor. For example, USAID may approve the substitution of one ocean freight vessel for another or split a shipment onto two or more vessels. We found that USAID diverted 60 percent of shipments destined for prepositioning warehouses between fiscal year 2007 and 2012, potentially incurring freight rates different from what the vendor would have charged to deliver

---

[28]Because nongovernmental cooperating sponsors take title to commodities when they are loaded on an ocean vessel at the U.S. port, it is the responsibility of the cooperating sponsors to file claims against the ocean freight vendors for the value of lost or damaged commodities. However, when USAID contracts for ocean transportation, USDA retains the right to prosecute claims against carriers. Some cooperating sponsors sign over rights to their freight forwarders or USDA to file claims on their behalf.

the commodities to the original destinations. According to USDA officials, since freight forwarders do not regularly update freight information in WBSCM, USDA officials must do additional work to determine changes made to each freight award.

Additionally, USDA officials process ocean freight claims using information in WBSCM, but they upload information they need to process claims themselves since USAID and freight forwarders do not use the system to track shipments or store freight information. USDA's ability to file claims against ocean freight vendors depends on having accurate information on ocean freight shipment details, confirmation of each delivery, and the amounts that USAID pays for ocean freight in WBSCM. According to USDA officials, WBSCM did not have the capability to process ocean freight claims when the system was first implemented, so USDA requested USAID, cooperating sponsors, freight forwarders, and others to submit claims documentation outside of WBSCM. Although USDA officials say claims could be processed through WBSCM since November 2012, USAID and freight forwarders continue to provide documents via email, and regular mail instead of uploading documents into WBSCM.[29]

Furthermore, from June 2012 to June 2013, USAID did not send all of the documentation that USDA required to process ocean freight claims. In June 2012, USDA notified USAID of the documentation that USAID, cooperating sponsors, and freight forwarders needed to provide USDA to process claims. For example, USDA's guidance required USAID to provide ocean bills of lading and freight vouchers.[30] However, from June 2012 to June 2013, USAID did not send USDA freight vouchers to confirm the amount that USAID reimbursed to cooperating sponsors for ocean freight. As a result, USDA relied on the ocean bill of lading to identify the amount. However, USDA officials said they do not always receive updated ocean bills of lading, particularly when shipments are split between multiple vessels. Therefore, USDA did not always have

---

[29]As mentioned above, since we did not assess whether the functions for which USDA uses WBSCM perform effectively, we also did not verify if the WBSCM claims function that USDA stated work have actually done so since November 2012.

[30]USDA's guidance also required freight forwarders to provide freight contracts and discharge/delivery surveys, among other documents. In addition, the guidance required cooperating sponsors to sign off their rights to have USDA to pursue a claim on their behalf.

,

accurate information on the amount USAID actually paid. During the course of GAO's work, USAID contacted USDA and made arrangements to provide the necessary documents to assist USDA in its claims process. As of February 2014, USAID had provided USDA with at least 190 freight vouchers to process ocean freight claims since July 2013.

USDA and USAID Have Not Resolved Their Disagreement about WBSCM, but Planned System Upgrades Provide an Opportunity to Collaborate More Effectively

USDA and USAID have been unable to collaborate effectively to resolve their disagreement on the suitability of WBSCM for emergency food aid procurement. In prior work, we have identified practices that can enhance and sustain collaboration among federal agencies, thereby improving performance and results.[31] Although USDA's and USAID's collaborative efforts have incorporated some of these elements to develop WBSCM, they have not incorporated others. Nevertheless, an upcoming functional upgrade of WBSCM offers the agencies an opportunity to make substantial, mutually agreeable changes to WBSCM.

USDA and USAID Have Not Been Able to Collaborate to Resolve Disagreements over WBSCM

USDA and USAID have not collaborated effectively to resolve their disagreement on the suitability of WBSCM for emergency food aid procurement. Although USDA's and USAID's efforts have incorporated some practices to enhance and sustain collaboration they have not incorporated others. As we mentioned above, the agencies held weekly meetings to identify needs and priorities, created an action list, and assigned relevant individual USDA and USAID officials to specific tasks on the list between November and December 2011. However, by March 2012, the agencies could not agree on how to move forward with using WBSCM to procure bulk ocean freight and USAID has not tested changes that USDA has made to the system since March 2012. Specifically, USDA and USAID do not agree on the roles and responsibilities of key participants in the international food aid procurement process, do not share a defined outcome for their collaboration, and do not have a written agreement stating how the agencies will collaborate.

---

[31]GAO-12-1022 and GAO-06-15.

- *Clarify roles and responsibilities*. While USDA and USAID have designated some roles and responsibilities between themselves, they do not agree on the role and responsibilities that the freight forwarders should have in entering and updating information in WBSCM. Our prior work found that a key factor of effective collaboration is that agencies clarify the roles and responsibilities of those participating in the collaborative effort.[32] During the design phase of WBSCM, the agencies assigned the freight forwarders responsibility for entering information about individual shipments and updating the information whenever there were changes. However, freight forwarders we interviewed have said they were not consulted by either agency and, after WBSCM was rolled out, they expressed concerns about the amount of information they needed to update, according to agency documents and officials. They noted that entering such information into WBSCM was redundant with their own systems, cumbersome, and time consuming given the system problems WBSCM was experiencing. As we previously noted, USAID informed USDA in June 2012 that they would no longer require the freight forwarders to update shipment information in WBSCM for USAID's international food aid shipments. The lack of updated information has created challenges for USDA in processing claims and ensuring that they have accurate inventory information.

- *Agree on common goals*. USDA and USAID established some joint action items for WBSCM, but they do not agree on a common goal for its further development and use of WBSCM. Our prior work has found that most experts we interviewed in collaborative resource management emphasize the importance of collaborative groups having clear goals.[33] Experts noted that participants may not have the same interests, but establishing common goals provides them a reason to participate in the process. After the rollout, as problems arose, USDA and USAID agreed that USAID would suspend using the system for bulk freight procurement, and then for tracking prepositioned food aid inventory. They also agreed that freight forwarders would not be required to update freight information as changes in the shipments occurred. While the agencies collaborated to resolve some problems, such as creating a role for the stevedores in WBSCM, they have not resolved whether USAID would resume

---

[32]GAO-12-1022 and GAO-06-15.

[33]GAO-12-1022 and GAO-06-15.

trying to use WBSCM fully for bulk freight procurement, tracking and updating information on shipments, and recording prepositioned food aid inventory. As we noted above, as of February 2014, USAID had not agreed to test the changes that USDA made to the system since March 2012 to improve its performance and functionality to procure emergency food aid. In its response to this report, USAID stated that it would test the international procurement functions of WBSCM.

- *Written collaborative agreements*. USDA and USAID have not documented how they would further develop and use WBSCM, or how they would resolve their outstanding issues. Our prior work found that agencies that articulate their agreements in formal documents can strengthen their commitment to working collaboratively.[34] As we have previously reported, having a clear and compelling rationale to work together is a key factor in successful collaborations. Agencies can overcome significant differences when such a rationale and commitment exist.[35] USDA and USAID have a memorandum of understanding (MOU) concerning the emergency food aid program that FSA and USAID signed in 1991.[36] FSA and USAID have drafted, but not yet signed, an updated MOU that USDA's General Counsel is currently reviewing. According to USDA officials, both MOUs generally cover USAID's and USDA's roles and responsibilities in carrying out emergency food aid operations. However, neither MOU specifies the roles and responsibilities of either agency or desired outcome regarding their collaboration on WBSCM.

Planned WBSCM Upgrades Provide an Opportunity to Address System Deficiencies

USDA officials said in August 2013 that they have addressed several of WBSCM's performance and functional issues; however, they note that reconfiguring WBSCM to fully address USAID's needs will require additional technical and functional upgrades. In September 2013, USDA began a technical upgrade of WBSCM to replace some system components and software that are obsolete and are increasingly difficult to maintain. According to USDA officials, the technical upgrade should also result in some benefits for users, such as improved performance,

---

[34]GAO-06-15.

[35]GAO, *Next Generation Air Transportation: Collaborative Efforts with European Union Generally Mirror Effective Practices, but Near-Term Challenges Could Delay Implementation*, GAO-12-48 (Washington, D.C.: Nov. 3, 2011).

[36]In 1991, FSA was called the CCC/Agricultural Stabilization and Conservation Service.

and allow users to better segregate and identify the cost of split shipments. In addition, the technical upgrade will enable users to access the system using the most current versions of Internet Explorer, which is a widely used Internet browser. A USDA official cautioned, however, that because USDA has just begun making this upgrade, it cannot be sure of the full scope of the improvements that will occur.

The technical upgrade will be the foundation for a more extensive, functional upgrade that USDA plans to conduct in fiscal years 2015 through 2017, according to USDA officials. To make WBSCM a more effective system, USDA intends to change the functionality of WBSCM to align with current commercial business practices. Therefore, as part of the functional upgrade effort, USDA plans to examine domestic and international commercial food business trends and best practices and the extent to which its food aid procurement processes reflect them. According to USDA officials, the planned functional upgrade would provide an opportunity to fully address USAID's concerns. For example, the functional upgrade could allow USDA to re-configure WBSCM so that it fits USAID's bulk ocean freight procurement needs. As mentioned previously, USAID officials told us that they are willing to use WBSCM to procure bulk ocean freight and manage inventory if USDA is able to address the deficiencies that they and others have identified.

Conclusions

USDA and USAID have joint responsibility to carry out the Food for Peace program and respond to global emergency food crises. Toward that end, USDA developed a web-based system with USAID's input to manage the procurement of food aid. However, because of WBSCM's deficiencies, USAID discontinued use of the system starting in 2011. The agencies are currently at an impasse. USDA has made modifications to the system, but it is unclear if these would fully respond to USAID's concerns, and USAID has not tested the modifications. Their continued disagreement on the usefulness of WBSCM is hindering USDA's ability to prepare accurate financial reports and efficiently file claims to recover funds. USDA's planned major upgrade of the system affords USDA and USAID an opportunity to revisit their collaboration on WBSCM and improve the system so that it meets the needs of all users and to ensure that USDA has reliable and accurate data to prepare its financial statements and account for U.S. government funds.

Recommendations for Executive Action

To improve the efficiency and accountability of the emergency food aid procurement process, we recommend the Secretary of Agriculture and Administrator of USAID direct their staffs to work together to take steps to:

- improve USDA's ability to account for U.S. government funds by ensuring that USAID provides USDA with accurate prepositioned commodity inventory data that USDA can independently verify; and

- assess WBSCM's functionality by testing the international procurement functions that have been modified since April 2011 and documenting the results.

In preparation for WBSCM's functional upgrade, we recommend the Secretary of Agriculture and Administrator of USAID direct their staffs to work together to take steps to:

- develop a written agreement signed by both agencies that clearly outlines the desired outcomes of their collaboration and the roles and responsibilities of participants, such as freight forwarders.

Agency Comments and Our Evaluation

We provided a draft of this report to USDA and USAID for comment. USDA and USAID provided written comments on the draft, which are reprinted in appendixes II and III, respectively. We also received technical comments from USDA and USAID, which we incorporated throughout our report as appropriate. USDA generally agreed with our recommendations and expressed willingness to continue to initiate improvements in the efficiency and accountability of the emergency food aid procurement process. USAID agreed to test WBSCM's current functionality and to clarify the roles and responsibilities of participants in a written agreement with USDA. Regarding our recommendation to ensure that USAID provides USDA with accurate prepositioned commodity inventory data that can be independently verified, USAID stated it is of the view that commodities move off USDA's books and onto those of USAID when a contractor takes possession, on USAID's behalf, of the commodities in question. However, according to USDA and its independent auditor, the CCC retains the ownership of the commodity inventory until USAID distributes it from the warehouse. USAID did not comment on the concerns we identified about the quality of USAID's internal controls and inventory data, which need to be addressed regardless of which agency includes the data in its financial reporting.

In addition to providing copies of this report to your offices, we will send copies to interested congressional committees, the Secretary of Agriculture, and the Administrator of USAID. We will make copies available to others on request. In addition, the report is also available at no charge on the GAO website at http://www.gao.gov.

If you or your staff has any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Sincerely yours,
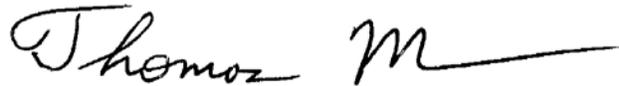
Thomas Melito
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

Our review focused on the procurement process for the Title II emergency food aid program managed by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID). This report examines (1) the extent to which agencies agree to use WBSCM to manage the international emergency food aid procurement process; (2) how the agencies' use of WBSCM and other systems affects USDA's ability to have accurate information about emergency international food aid shipments; and (3) the extent to which the agencies are collaborating on how to use WBSCM.

To provide context and background on the Title II emergency food aid procurement process, we analyzed the total food aid expenditures and tonnage data for fiscal years 2007 through 2012. The data that we obtained included USAID commodity and ocean freight funding data for fiscal years 2007 through 2012. These data were presented for context and background purposes only, and we determined they were reliable for our purposes. We also analyzed budget processes, financial reporting requirements, contract documents, cooperating sponsor cooperative agreements and transfer authorizations, legislation, acquisition regulations, and past GAO food aid reports to understand the emergency food aid procurement process.

To examine the extent to which the two agencies use the Web Based Supply Chain Management system (WBSCM) to manage the international emergency process to procure commodities and ocean freight transportation, we interviewed USDA and USAID officials and reviewed documentation. At USDA, we met with officials of the Agricultural Marketing Service; Foreign Agricultural Service, and Farm Service Agency, including officials in the Farm Service Agency's Commodity Operations Office in Kansas City, Missouri. At USAID, we met with officials of the Office of Food for Peace and the Transportation Office in Washington, D.C. Documents we reviewed included agency procurement schedules, organizational charts, policies and procedures, and flow charts, as well as contract documents, legislation, and acquisition regulations. We also obtained and analyzed USDA and USAID memos, briefings, and newsletters that discuss what WBSCM was designed to do and concerns surrounding the use of WBSCM. We observed how both agencies use WBSCM, and USAID officials explained or demonstrated some of the systems that they use separately from WBSCM to procure and manage emergency food aid, including USAID's Food for Peace Management Information System.

In addition to conducting interviews with agency officials and obtaining agency documentation, we conducted interviews with and obtained documentation from officials of the World Food Program and private voluntary organizations. We also interviewed and obtained documentation from six of the seven freight forwarders that manage the transportation of food aid from the U.S. load port to the foreign destination or overseas prepositioned warehouse port. We did not test the system ourselves because it was beyond the scope of this review to simulate multiple food aid procurements, including the variances that occur during the shipping process, and simulate the interface for multiple users. We did not assess the extent to which USDA uses WBSCM for its domestic and international food aid programs, or whether WBSCM performs these functions effectively because that was beyond the scope of this engagement.

To examine how the agencies use of WBSCM and other systems affects USDA's ability to have accurate information as well as USDA's ability to efficiently recover U.S. government funds from lost or damaged commodities during ocean transit, we interviewed officials from USDA's Commodity Operations Office and USAID's Office of Food for Peace, Transportation Office and Office of the Chief Financial Officer. To examine how USAID's use of systems outside of WBSCM affects USDA's ability to report and account for U.S. government funds, we obtained and analyzed USDA and USAID documentation and spreadsheets used to track foreign prepositioned commodity inventory levels and how these are used to provide information for financial statements. The documentation that we obtained and analyzed included warehouse inventory reports prepared by each of the contractors that manage USAID's foreign prepositioned warehouses, as well as a consolidated warehouse inventory spreadsheet that USAID has provided to USDA to comply with USDA's request for inventory data to use in complying with applicable financial reporting requirements.

We also drew on work conducted for a recent report to describe the systems that USAID relies upon to track emergency food aid shipments.[1] For that report, we collected data on emergency food aid shipments from fiscal years 2007 through 2012 from the World Food Program and six freight forwarders. We assessed the reliability of these data by asking the World Food Program and the six freight forwarders that manage the

---

[1]GAO-14-277.

transportation of Title II emergency food aid for cooperating sponsors how
they collected the data, the quality checks that they perform, and the
internal controls they have in place to ensure the accuracy of the data.
We also tested some of the data for missing data, outliers, and obvious
errors. In total, we assessed the records for 5,142 emergency food aid
shipments during this period. Based on our assessments, we found that
data for 1,357 shipments were not sufficiently reliable to determine how
prepositioning and diverting food aid affects the timeliness of food aid
deliveries. See appendix II in GAO-14-277 for the results of this analysis.

To understand the applicable quarterly financial reporting requirements
that USDA must address to account for overseas prepositioned food aid
inventories, we analyzed how Congress appropriates funding for this
program. We also obtained and analyzed applicable Office of
Management and Budget (OMB) circulars, such as the OMB Circular A-
136 and other federal regulations. We also identified the internal control
requirements applicable to federal agencies. These are contained in
GAO's *Standards for Internal Control in the Federal Government*.[2] We
compared the internal control standards identified in this report with
USDA and USAID's actions in the procurement process.[3] We also
reviewed internal control deficiencies identified in a January 2013 USAID
regional inspector general report, as well as in audits of the Commodity
Credit Corporation prepared by an independent auditor. We did not
independently audit the Commodity Credit Corporation's financial
statements, but the USDA Inspector General did not find instances where
the auditor did not comply, in all material respects, with government
auditing standards and the OMB Bulletin 07-04, Audit Requirements for
Federal Financial Statements, as amended. To assess the extent to

---

[2]GAO, *Internal Control: Standards for Internal Control in the Federal Government*,
GAO/AIMD-00-21.3.1 (Washington, D.C.: September 1999) and GAO, *Internal Control:
Internal Control Management and Evaluation Tool,* GAO-01-1008G (Washington, D.C.:
August 2001).

[3]We also examined USDA and USAID's regulations, policies, and guidance on internal
controls. See USDA, Office of Chief Financial Officer Regulation, *Management
Responsibility for International Control Number: 1110-002* (Washington, D.C.: Jun 17,
2013) and USAID, *Automated Directive System Chapter 596, Management's
Responsibility for Internal Control* (Washington, D.C.: Aug 8, 2012). We compared USDA
and USAID's internal control standards with their activities during the procurement
process; however, each agency's internal control policies apply only to that agency and
not to other agencies. Since this program is jointly managed, we found GAO's internal
control standards were more appropriate because they apply to the U.S. government.

which the use of WBSCM and other systems affects USDA's ability to process ocean freight claims and efficiently recover U.S. government funds, we obtained and analyzed USDA and USAID documents and emails that describe the claims documentation submission process that the two agencies agreed to implement in June 2012. We also examined the extent to which USDA and USAID are sharing claims-related information by analyzing e-mails and freight vouchers submitted by USAID to USDA from June 2013 through February 2014.

To examine the extent to which USDA and USAID collaborate on how to use WBSCM, we obtained documentation from both agencies and developed a timeline of events. The documentation obtained included annual performance reports, letters, memos, emails, information bulletins, updates to USDA's risk management plan, and meeting notes. We also obtained a copy of a post-implementation review conducted by an independent contractor that documented a number of findings related to WBSCM. We interviewed officials from the USDA's Agriculture Marketing Service, Foreign Agriculture Service, and Farm Service Agency, as well as officials from USAID's Food for Peace and Transportation Offices. We also interviewed six of the seven freight forwarders that manage the transportation of food aid for USAID and cooperating sponsors. After reviewing GAO's 2005 and 2012 reports on practices to improve interagency collaboration, we compared the practices with USDA and USAID actions from April 2011 to August 2013 and determined that five of the practices were the most relevant in describing the agencies' efforts to resolve their concerns about WBSCM.[4] We determined that the two agencies did follow two leading practices. However, we also determined that there were three collaboration practices that they had not followed. Our 2005 and 2012 reports highlighted the need for agencies' to document their agreement to collaborate through memorandums of understanding or other similar documents. Also, our reports demonstrated the benefits of ensuring that collaborating agencies agree and are clear with respect to their roles and responsibilities. This includes agreeing on the role of the contractors that implement the program. In addition, our reports highlighted the importance of ensuring that collaborating agencies have clearly defined goals.

---

[4]See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012) and *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

We conducted this performance audit from March 2013 to March 2014 in
accordance with generally accepted government auditing standards.
Those standards require that we plan and perform the audit to obtain
sufficient, appropriate evidence to provide a reasonable basis for our
findings and conclusions based on our audit objectives. We believe that
the evidence obtained provides a reasonable basis for our findings and
conclusions based on our audit objectives.

Appendix II: Comments from the U.S. Department of Agriculture

USDA

United States Department of Agriculture

Farm and
Foreign
Agricultural
Services

Farm
Service
Agency

Office of the
Administrator

1400 Independence
Ave. SW
Stop 0501
20250-0501

Voice: 202-720-3467
Fax: 202-690-9105

MAR 0 6 2014

TO: Thomas Melito, Director

            International Affairs and Trade,
            U.S. Government Accountability Office

FROM: Juan M. Garcia
            Administrator

SUBJECT: U.S. Department of Agriculture Comments - GAO Draft Report
            GAO-14-0022, Better Agency Collaboration Needed to Assess
            and Improve Emergency Food Aid Procurement System (320968)

The U.S. Department of Agriculture (USDA) appreciates the opportunity to
review the subject Government Accountability Office (GAO) draft report.
USDA generally agrees with the report's findings and recommendations and will
continue to initiate improvements in the efficiency and accountability of the
emergency food aid procurement process.

USDA agrees that there were issues with Web Based Supply Chain Management
(WBSCM) at implementation. However, the reasons U.S. Agency for
International Development's (USAID) Office of Acquisition and Assistance
Transportation Division (Transportation) for not using WBSCM may have been
addressed sooner had they chosen to participate fully in the development of
WBSCM. While other Agencies provided and received feedback from their
constituents and stakeholders in the development of WBSCM, USAID
Transportation provided very little feedback. This lack of engagement and
participation by USAID Transportation caused assumptions to be made relating
to the processes developed in WBSCM that were in the end not acceptable to
some of USAID's constituents and stakeholders.

It is important to note that USDA agencies promoted within its constituents the
full use of WBSCM, thus in many cases, the same constituents use the WBSCM
entirely for USDA and not for USAID food aid shipments."

With regard to the foreign preposition warehouse lack of accuracy of inventory
data, it is necessary to mention that the Commodity Credit Corporation (CCC)
retains ownership until the commodities are shipped to cooperating sponsors. To
safeguard food aid shipments, in June 2012, the USDA's Farm Service Agency
implemented the Export Food Aid Commodities licensing agreement
establishing requirements, and inspection and examination procedures for all
ports and transloading facilities receiving, storing, handling, and shipping
commodities for international food aid programs. The risk of storing CCC owned

USDA is an Equal Opportunity Provider and Employer

Thomas Melito, Director
Page 2

commodities in a U.S. warehouse is managed through insurance, licensing requirements, CCC agreements, bonds, irrevocable letters of credit, among others. Currently USAID's foreign preposition warehouses storing CCC owned commodities abroad are not licensed facilities. In fiscal year 2013, USDA purchased 140,000 metric tons of commodities worth more than $110 million destined to these foreign preposition warehouses.

Appendix III: Comments from the U.S. Agency for International Development

USAID
FROM THE AMERICAN PEOPLE

Thomas Melito
Director, International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Melito:

I am pleased to provide USAID's formal response to the Government Accountability Office (GAO) draft report entitled, "International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System" (GAO-14-22).

This letter, together with the enclosed USAID comments, is provided for incorporation as an appendix to the final report.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

Angelique M. Crumbly
Assistant Administrator
Bureau for Management
U.S. Agency for International Development

Enclosure: a/s

See comment.

- 2 -

USAID COMMENTS ON GAO DRAFT REPORT
No. GAO-14-22

USAID appreciates the opportunity to comment on GAO's draft report entitled "International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System."

USAID is in regular communication with the U.S. Department of Agriculture's Agricultural Marketing Service (USDA/AMS) regarding impediments to the use of Web Based Supply Chain Management (WBSCM) for international emergency food aid procurement, and hopes that the complexities of USAID procurement and supply chain needs are better addressed in future system improvements than they were in the design phase. System improvements made over the last year, including improved response time, implementing an on-line grid to replace the KC-366 Shipment Information Log form, and adding a role for stevedores, have addressed some of USAID's concerns. However, significant barriers to the use of WBSCM for both procurement and supply chain management remain even with these system improvements and the future technical upgrade.

Recommendation 1: To improve the efficiency and accountability of the emergency food aid and procurement process, we recommend the Secretary of Agriculture and Administrator of USAID direct their staffs to take steps to improve USDA's ability to account for U.S. government funds by ensuring that USAID provides USDA with accurate prepositioned commodity inventory data that USDA can independently verify.

USAID is of the view that commodities move off USDA books and onto those of USAID when the USAID freight/prepositioning contractor takes possession of the commodities in question. This said, the Bureau for Democracy, Conflict and Humanitarian Assistance's Office of Food for Peace (DCHA/FFP) provides prepositioned commodity inventory data to USDA quarterly. As recently as January 14th, 2014, USAID reached out to USDA to discuss whether additional information could be useful.

Recommendation 2: To improve the efficiency and accountability of the emergency food aid and procurement process, we recommend the Secretary of Agriculture and Administrator of USAID direct their staffs to take steps to assess WBSCM's functionality by testing the international procurement functions that have been modified since April 2011 and documenting the results.

USAID has discussed the modifications made to the international procurement functions in WBSCM with both USDA and freight forwarders. While some improvements have been made, significant issues still exist, especially relating to bulk freight procurement. USAID will test existing international procurement functions and provide documented results to USDA.

Recommendation 3: In preparation for WBSCM's functional upgrade, we recommend the Secretary of Agriculture and Administrator of USAID direct their staffs to work together to take steps to develop a written agreement that clearly outlines the desired outcomes of their collaboration and the participants' roles and responsibilities, such as freight forwarders, for using

- 3 -

WBSCM that is signed by both agencies.

USAID agrees with this recommendation, and will work with stakeholders and USDA to clarify roles and responsibilities as well as desired outcomes for collaboration on WBSCM.

CLEARANCE PAGE FOR REPLY TO GAO Draft Report entitled

Following is GAO's comment on USAID's letter.

GAO Comment

USAID stated it is of the view that commodities move off USDA's books and onto those of USAID when a USAID contractor takes possession of the commodities in question. However, according to USDA and its independent auditor, CCC retains ownership of the inventory when it is in USAID's possession. Nevertheless, we identified concerns about the quality of USAID's internal controls and inventory data, which need to be addressed regardless of which agency includes the data in its financial reporting.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Thomas Melito, (202) 512-9601 or melitot@gao.gov

Staff Acknowledgments

In addition to the person named above, Valérie L. Nowak (Assistant Director), Rhonda Horried, Mark Needham, José M. Peña III, Ashley Chaifetz, Fang He, Martin De Alteriis, Mark Dowling, Etana Finkler, Karen Deans, and Carol Bray made significant contributions to this report.

Related GAO Products

International Food Aid: Prepositioning Speeds Delivery of Emergency Aid, but Additional Monitoring of Time Frames and Costs Is Needed. GAO-14-277. Washington, D.C.: March 5, 2014.

World Food Program: Stronger Controls Needed in High-Risk Areas. GAO-12-790. Washington, D.C.: September 13, 2012.

Farm Bill: Issues to Consider for Reauthorization. GAO-12-338SP. Washington, D.C.: April 24, 2012.

USDA Systems Modernization: Management and Oversight Improvements Are Needed. GAO-11-586. Washington D.C.: July 20, 2011.

International Food Assistance: Better Nutrition and Quality Control Can Further Improve U.S. Food Aid. GAO-11-491. Washington, D.C.: May 12, 2011.

International Food Assistance: A U.S. Governmentwide Strategy Could Accelerate Progress toward Global Food Security. GAO-10-212T. Washington, D.C.: October 29, 2009.

International Food Assistance: Key Issues for Congressional Oversight. GAO-09-977SP. Washington, D.C.: September 30, 2009.

Foreign Assistance: Various Challenges Limit the Efficiency and Effectiveness of U.S. Food Aid. GAO-07-905T. Washington, D.C.: May 24, 2007.

Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid. GAO-07-560. Washington, D.C.: April 13, 2007.