



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PAKISTAN'S FLOOD RELIEF EFFORTS AS ADMINISTERED BY LOCAL NONGOVERNMENTAL ORGANIZATIONS

AUDIT REPORT NO. G-391-11-003-P
JANUARY 24, 2011

ISLAMABAD, PAKISTAN



Office of Inspector General

January 24, 2011

MEMORANDUM

TO: USAID/Pakistan Mission Director, Andrew Sisson

FROM: Office of Inspector General/Pakistan Director, Steven H. Bernstein /s/

SUBJECT: Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations (Report No. G-391-11-003-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and have included your response in Appendix II.

Because the audit report does not contain any recommendations, no additional action is required by your office to address the report findings.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

Heavy rainfall in multiple regions of Pakistan led to devastating flooding in July 2010. The flooding, the worst the country had experienced in over 80 years, affected 82 of Pakistan’s 122 districts and displaced 12 million people, half of whom require humanitarian assistance. The people are facing a severe shortage of food, drinking water, sanitation facilities, and medical aid. The catastrophe not only deprived the people of their livelihood, but also exposed them and their livestock to waterborne diseases such as malaria, diarrhea, and skin and eye infections.

On July 30, 2010, the U.S. Ambassador to Pakistan issued a disaster declaration in response to the damage from the floods. The Ambassador stated: “The flooding in Pakistan has engaged a deep element of American values—the necessity of using our unique capabilities to save lives and help our friends in times of need.”¹ According to USAID, as of November 30, 2010, flood relief programs had obligated approximately \$571 million (Table 1).

Table 1. USAID and State Department Obligations for Flood Relief Programs as of November 30, 2010
(not audited)

Program	Obligation (\$ millions)
USAID’s Office of Foreign Disaster Assistance	201
USAID’s Office of Food for Peace	230
USAID/Pakistan	10
USAID/Pakistan’s Early Recovery Assistance to Pakistan	81
U.S. Department of State’s Bureau of Population, Refugees, and Migration	49
Total	571

USAID/Pakistan committed \$10 million for emergency flood relief efforts. The mission awarded a \$5 million grant to the International Organization for Migration, and two cooperative agreements totaling \$5 million to Pakistani nongovernmental organizations (NGOs). The audit focused on the two Pakistani NGOs: Pakistan Poverty Alleviation Fund (PPAF), which received \$2.7 million, and Rural Support Programmes Network (RSPN), which received \$2.3 million. The two agreements were to provide relief in the provinces of Balochistan, Punjab, Sindh, and Khyber Pakhtunkhwa—immediate relief to 80,100 households in the form of food hampers² and hygiene kits, and medical supplies to an affected population of 190,058 people and 262,463 livestock (totaling 452,521). The performance period for these two awards began on August 13, 2010, and RSPN ended on November 15, 2010 and PPAF has been given a no cost extension until January 31, 2011. As of December 31, 2010, USAID had obligated \$5 million and expended \$3.7 million.

USAID’s Office of Inspector General (OIG) in Pakistan conducted this audit to determine whether USAID/Pakistan’s flood relief efforts—delivering food hampers, hygiene kits, and medical supplies through Pakistani nongovernmental organizations—were meeting the immediate needs of the flood victims.

¹ Ambassador Anne Patterson, Address to the National Defense University, “U.S. Foreign Policy Objectives in South Asia,” Islamabad, August 31, 2010.

² Food hampers contained flour, tea, oil, sugar, rice, lentils, spices, salt, dry biscuits, and water.

Auditors found that USAID/Pakistan’s implementing partners delivered food hampers, hygiene kits, and medical supplies to meet the immediate needs of the flood victims. As of November 15, 2010, the two implementers reported distributing food and hygiene kits to 80,098 households and administering medical supplies and treatment to an affected population of 159,620 people and 307,116 livestock (totaling 466,736). Table 2 highlights the program’s relief targets and the corresponding results reported by the implementing partners.

Table 2. Summary of Key Targets and Reported Results as of November 15, 2010*

Relief Effort	Implementing Partner	Target	Reported Result	Reported Result as a Percent of Target
Food hampers and hygiene kits distributed	PPAF and RSPN	80,100 households	80,098 households	100
Medical supplies administered	RSPN	452,521 individuals	466,736 individuals	103

* Auditors substantiated the results for a sample of each group of recipients. Appendix I presents the sampling details.

Furthermore, auditors found that in delivering relief items the implementing partners complied with USAID’s branding and marking strategy.

Food Hampers and Hygiene Kits

PPAF and RSPN were charged with distributing food hampers and hygiene kits to 24,100 households affected by the flooding in Sindh. As of November 15, 2010, both implementers reported distributing food hampers and hygiene kits to 24,098 households in Sindh. (The photo on the next page shows distribution events.)

Auditors observed that PPAF issued food hampers and hygiene kit tokens to each household. PPAF established separate teams for token registration, token distribution, and distribution of the relief items. In establishing a distribution policy, PPAF gave priority to households that had not received any aid from other donors. After selecting households, PPAF provided instructions about the location and timing of the distribution and asked people to bring their tokens and government-issued identification cards to the distribution points.

Auditors observed that PPAF teams followed the organization’s distribution policy. First, the team responsible for distribution of the relief items matched recipients’ tokens and Pakistani national identity cards to recipients’ names on the master token distribution list. Second, the team directed recipients to a counter where they exchanged their tokens for food hampers and hygiene kits. Lastly, the team collected recipients’ signatures or thumb impressions to record the transaction.



Flood victims in Sindh receive food hampers. (Photo by OIG, September 2010)

In Khyber Pakhtunkhwa, RSPN was tasked with distributing food hampers and hygiene kits to 15,000 affected households. To accomplish this task, it established 17 distribution points in the province's eight districts. As of November 15, 2010, RSPN reported distributing food hampers and hygiene kits to 15,000 households.³

In the districts of Nowshera and Charsadda, 2 of the 17 distribution points, auditors found that RSPN followed its distribution process for food hampers and hygiene kits. Both distribution points were easily accessible by road for the nearby flood-affected villages. RSPN first distributed tokens to people it had identified through a needs assessment as being affected by the floods. During the distribution of relief items, the implementer's staff verified recipients' tokens and identification and located the recipients' names on the token distribution list. After verification, staff directed recipients to the pickup counter, where they received food hampers and hygiene kits. Lastly, staff collected recipients' tokens and signatures (or thumb impressions) to record receipt of items.

³ The remaining 41,000 food hampers and hygiene kits were distributed in Punjab and Balochistan, where both RSPN and PPAF were working.

Medical Supplies

In Punjab⁴ RSPN was required to set up 17 mobile medical camps and 10 mobile veterinary camps. In these camps, RSPN's plan included distributing medical supplies for people as well as for livestock. As of November 15, 2010, the implementing partner reported that it had provided medical treatment to 466,736 people and livestock or 103 percent of the targeted population. To verify the distribution of medical supplies, auditors conducted site visits to the RSPN's mobile sites in the district of Muzaffargarh. The auditors visited 6 of the 17 mobile medical camps and 5 of the 10 mobile veterinary camps.

The implementer had established medical camps in remote areas, where villagers had limited access to the main roads because of the damage caused by the floods. RSPN also had selected camp sites in areas that were not currently receiving humanitarian assistance from other donor organizations or government agencies. According to local villagers, RSPN made announcements a day in advance at local mosques, providing information about the mobile medical and veterinary camp sites. Doctors examined the population affected by the flood and issued medical prescriptions after recording the patient's name, address, diagnosis, and medication prescribed. Doctors issued prescriptions that patients could fill at the camp dispensary.

The veterinary camps were set up in areas close to the medical camps and operated similarly. Livestock owners registered their names and described their animals' symptoms. After recording this information, the veterinarian staff administered medicine to the animals. In cases we observed, RSPN did not distribute medicine directly to the owners of the livestock, but instead directly treated livestock.

Branding and Marking Practices

USAID's Automated Directives System Chapter 320, "Branding and Marking," contains policies and required procedures on branding and marking for USAID-funded programs, projects, activities, public communications, and commodities. "Branding" refers to how a program or project is named and positioned and who its sponsor is; "marking" refers to applying graphic identities or logos to program materials or project signage to visibly acknowledge contributors and identify organizations supporting the work. USAID/Pakistan's branding strategy, issued on September 17, 2010, emphasizes publicizing USAID's partnership with the Pakistani people. The mission's agreements with PPAF and RSPN require the implementing partners to display USAID's logo on the food hampers and hygiene kits and at distribution sites.

At sites in Punjab, Sindh, and Khyber Pakhtunkhwa, auditors confirmed that the implementers complied with the mission's branding strategy. The auditors observed the following:

- USAID branding and marking were present at the sites visited.
- The implementing partners did not face adversity when using USAID branding and marking.

⁴ RSPN in Punjab met with USAID officials to reassess its relief program and concluded that providing medical treatment in the flood areas of Punjab was a higher priority than distributing food hampers and hygiene kits. On September 2, 2010, USAID officials approved the revised work plan.

- The flood victims interviewed were aware that the American people had provided the flood relief supplies they received.

In Punjab, RSPN was operating medical and veterinarian camps in the districts of Muzaffargarh and Kot Addu. The implementers displayed banners in accordance with USAID/Pakistan's branding strategy at the six medical and five veterinarian camps visited. In addition to using USAID logos on banners, the implementers also made announcements in the local language stating that these medical and veterinarian camps were provided by the American people and the U.S. Government. PPAF and RSPN staff in Sindh and Khyber Pakhtunkhwa were aware of USAID/Pakistan's branding strategy, and banners like the one shown below marked the sites visited. Both implementers also made announcements in the local language stating that the aid provided came from the American people and the U.S. Government.



At this RSPN-affiliated mobile medical camp in Punjab, the banner bearing the logos of USAID and a group helping RSPN implement the program reads, "Medical camp for the flood victims in Punjab, Muzaffargarh." (Photo by OIG, September 2010)

Our evaluation of management comments is on page 6. Appendix I contains a description of the scope and methodology for the audit, and full text of USAID/Pakistan's comments appears in Appendix II.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Pakistan provided its comments on the draft report on January 14, 2011. In its comments, the mission expressed agreement with the report's contents.

Because our report contained no recommendations, no additional action is required by USAID/Pakistan to address the results of this audit report.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards.⁵ 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 in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Pakistan's flood relief efforts—delivering food hampers, hygiene kits, and medical supplies through local nongovernmental organizations—were meeting the immediate needs of the flood victims. To implement these flood relief efforts, USAID/Pakistan signed two cooperative agreements, \$2.7 million to the Pakistan Poverty Alleviation Fund (PPAF) and \$2.3 million to the Rural Support Programmes Network (RSPN) in August 2010. The two implementing partners conducted flood relief activities in four provinces: Balochistan, Punjab, Sindh, and Khyber Pakhtunkhwa.

The audit covered August through November 2010 and addressed the activities implemented under the program. To answer the audit objective, we reviewed mission documentation related to managing and monitoring the program, including implementation plans, implementing partner agreements, performance measures, and performance results. We also performed site visits and interviewed mission officials, implementing partners, and host-government officials. We reviewed and compared plan targets with reported results.

We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to USAID/Pakistan's program—namely, certifications required by the Federal Managers' Financial Integrity Act of 1982,⁶ and Automated Directives System Chapters 202, 203, 302, and 596. The audit relied on the following sources of evidence: reviews of Agency policies and internal controls, interviews with and information requested from implementing partners, and interviews with USAID/Pakistan officials. We performed audit fieldwork from September 26 through October 26, 2010, at the implementers' program offices in Islamabad, Lahore, and Peshawar; at the implementers' warehouses in Multan, Faisalabad, and Karachi; and at multiple distribution sites in Punjab, Sindh, and Khyber Pakhtunkhwa. Because of security concerns throughout Pakistan, the Embassy's regional security office did not approve site visits to Balochistan.

Methodology

To determine whether the program was achieving its main goals, the audit team initially interviewed staff at USAID/Pakistan's Office of Infrastructure and Engineering. We also interviewed the implementers to gain an understanding of the program, the key players, and their roles and responsibilities. To answer the audit objective, the auditors conducted site visits in three of the four provinces to evaluate whether the implementers were meeting the main

⁵ *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

⁶ Public Law 97-255, as codified in 31 U.S.C 3512.

program goal of providing relief in the form of food hampers, hygiene kits, and medical treatment to people affected by the floods.

During site visits, the audit team tested the number of actual beneficiaries receiving aid at distribution centers to ensure goods were delivered to the intended beneficiaries. Specifically, the audit tested 1,752 of 80,098 households that received food hampers and hygiene kits, and 3,762 of 466,736 people and livestock administered medical supplies. Table 3 summarizes the auditors' results.

Table 3. Summary of Results Tested During Auditors' Site Visits

Date of Site Visit	Site	Type of Aid	Reported Result: Beneficiaries Receiving Aid	Verified Result: Beneficiaries Receiving Aid
October 7	Sindh	Food hamper and hygiene kits	593	593
October 8	Sindh	Food hamper and hygiene kits	518	518
October 18	Khyber Pakhtunkhwa	Food hamper and hygiene kits	341	341
October 19	Khyber Pakhtunkhwa	Food hamper and hygiene kits	300	300
September 29	Punjab	Medical supplies administered	2,349	2,349
September 30	Punjab	Medical supplies administered	1,413	1,413

Furthermore, we tested whether the implementing partners' procurement procedures and distribution processes complied with applicable USAID regulations and the implementing agreement. In addition, the audit made observations during the site visits about implementing partners' compliance with USAID/Pakistan branding and marking guidelines.

In addition, the auditors interviewed 43 people affected by flooding, asking questions about the transparency of the process for selecting those eligible for flood relief aid and the importance of the food hampers, hygiene kits, and medical treatment provided to them by USAID.



MEMORANDUM

Date: January 10, 2011

To: Steven H. Bernstein
Director, OIG/Pakistan

From: Andrew B. Sisson /s/
Mission Director

Subject: Management Comments on Draft Audit Report of USAID/Pakistan’s Flood Relief Efforts as Administered by Local Non-Governmental Organizations

Reference: Draft audit report No G-391-11-00X-P dated December 29, 2010.

In response to the referenced draft audit report, please find below the management comments:

USAID/ Pakistan would like to thank the Office of the Inspector General/Pakistan (“OIG/Pakistan”) for conducting the audit of its Flood Relief Efforts as administered by local non-governmental organizations. The subject audit report has been reviewed by the technical office implementing the Flood Relief Efforts Project in collaboration with other members of the Mission. After such review, all parties are in agreement with the contents of the audit report.

The overall nature of the audit and the ensuing report is comprehensive and we appreciate the thoroughness with which OIG/Pakistan addressed the question of whether the Mission is achieving its targets of providing food hampers, hygiene kits and medical supplies for flood victims through Pakistani non-governmental organizations. We also agree with the audit conclusion that the implementing partners complied with USAID’s branding and marking strategy.

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