United States Government Accountability Office

GAO

Report to the Committee on Foreign Affairs, House of Representatives

September 2012

WORLD FOOD PROGRAM

Stronger Controls Needed in High-Risk Areas

GAO-12-790

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GAO Highlights

Accountability * Integrity * Reliability

Highlights of GAO-12-790, a report to the Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

In 2011, WFP provided about $4 billion in food assistance—including U.S. contributions of about $1.2 billion—to about 99 million beneficiaries in 75 countries. Many of these countries include high-risk areas where WFP staff have limited access. In 2009, a media report alleged that large amounts of WFP's food assistance were being diverted in one of these countries, Somalia. Subsequent external and internal audits found deficiencies in WFP's control of its Somalia operations. In response, WFP took steps to strengthen its controls, including adopting the COSO internal control framework. To assess WFP's ability to help assure that food reaches intended beneficiaries in high-risk areas, GAO examined the extent to which (1) the design of WFP internal controls related to delivery and monitoring of food assistance reflects COSO principles and (2) WFP has implemented as designed certain controls in selected high-risk areas. GAO reviewed COSO and other international principles; reviewed WFP policies, documents, and data; and interviewed WFP and U.S. officials. GAO conducted case studies of Ethiopia, Kenya, and Somalia.

What GAO Recommends

GAO recommends that the Department of State work through WFP's Executive Board to ensure that management and the board take several actions to strengthen WFP's ability to manage risks inherent in some environments as well as utilize the Audit Committee more fully and report losses more accurately. WFP, State, and other relevant U.S. agencies agreed with GAO's recommendations.

View GAO-12-790. For more information, contact Tom Melito at (202) 512-9601 or melitot@gao.gov.

What GAO Found

The design of the United Nations (UN) World Food Program's (WFP) internal controls related to delivery and monitoring of food assistance generally reflects principles for internal controls and enterprise risk management developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). WFP has developed an internal control framework that has, like the COSO internal control framework, five components: internal environment, risk management, control activities, information and communication, and monitoring. However, the design of some of WFP's controls has weaknesses that could expose WFP to risks such as waste, fraud, and abuse. For example, WFP's Executive Board oversight is limited, and it does not fully utilize the WFP Audit Committee to assist in overseeing the effectiveness of WFP's risk management and internal control processes. Also, WFP has designed risk management policies but has not developed detailed guidance to instruct staff in addressing risks, especially at the country level where WFP is most vulnerable. Additionally, as recommended by COSO, WFP has established control activities that address risks to its objectives—for example, policies and procedures designed to help ensure tracking of food assistance from delivery at the port-of-entry to distribution to beneficiaries. However, weaknesses in the design of its commodity tracking system, including lack of capacity to track food in implementing partners' custody, limit WFP's ability to account for all food in these partners' custody. Further, WFP has developed detailed policies for monitoring distribution of food assistance to beneficiaries, in line with COSO principles, but has not provided guidance that instructs staff to consider risk when determining needed levels of monitoring, including in high-risk areas where WFP staff have limited access.

In the areas of Ethiopia, Kenya, and Somalia that GAO selected for its review, WFP has implemented procedures as designed for tracking and monitoring food assistance in its custody from port-of-entry to beneficiaries. However, WFP's ability to account for food in the custody of implementing partners is constrained by the lack of tracking through its commodity tracking system, lack of timely reporting by some partners, and a limited number of monitors. In addition, security restrictions have limited WFP monitors' access to partners' warehouses and distribution sites in some high-risk areas. For example, in six districts in the southeast area of Ethiopia, WFP has not monitored implementing partners' distribution sites since May 2011. Some of these factors may also limit WFP's ability to provide accurate reporting of food assistance losses. Because its system does not track food in implementing partners' custody and because of WFP's restricted access to some sites, its calculation of food losses relies in part on partners' distribution reports. However, these reports are sometimes late and inaccurate. Although operating in Somalia is inherently challenging, WFP reported an average loss rate of 0.25 percent for Somalia from 2007 through 2011, compared with 0.41 percent for WFP's operations globally. Moreover, despite concerns expressed by some WFP donors and Executive Board members, no external evaluation of WFP's food loss data has been conducted since a 2006 review by WFP's External Auditor. In that report, the Auditor noted that inadequate reporting of losses not only presents risks to the effectiveness of WFP's aid efforts and the achievement of its objectives but also presents reputational risks in terms of donor confidence.

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Abbreviations

COSO	Committee of Sponsoring Organizations of the Treadway Commission
COMPAS	Commodity Movement, Processing and Analysis System
FAO	Food and Agriculture Organization of the United Nations
EMOP	emergency operation
ISO	International Organization for Standardization
JIU	Joint Inspection Unit
NGO	nongovernmental organization
PRRO	protracted relief and recovery operation
SMCA	Strengthening Managerial Control and Accountability
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNDSS	United Nations Department of Safety and Security
WFP	World Food Program

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

September 13, 2012

The Honorable Ileana Ros-Lehtinen
Chairman
The Honorable Howard L. Berman
Ranking Member
Committee on Foreign Affairs
U.S. House of Representatives

The United States is the single largest donor to the United Nations (UN) World Food Program (WFP), contributing about $1.2 billion in cash and food in 2011—more than 30 percent of WFP's revenue of about $3.7 billion for the year. As the world's largest humanitarian agency fighting hunger worldwide, in 2011 WFP provided food assistance to 99.1 million people in 75 countries, including a number of countries with areas that WFP has designated as high risk.[1] In these areas, WFP staff may have limited access to those in need of food assistance and be endangered by local conflict or crime. For example, in high-risk areas in Somalia and Ethiopia, several WFP staff members were killed in 2011 while performing their duties, and WFP has lost 7 staff members and 13 WFP partner staff members in attacks in Somalia since 2008.

In 2009, a media report alleged that large amounts of WFP's food assistance in Somalia were being diverted to contractors, Somali clans, and local UN staff. Following the media report, WFP's Office of Inspections and Investigations, the UN Monitoring Group on Somalia, and WFP's External Auditor issued reports that found weaknesses in WFP's control of its operations in Somalia.[2] Acknowledging that operating in Somalia is difficult and dangerous, WFP suspended activities in many parts of southern Somalia in January 2010 after an Islamist terrorist group controlling those areas, known as al-Shabaab, imposed unacceptable

[1]Unless otherwise indicated, "WFP" refers to WFP management, including management at WFP headquarters, regional bureaus, and country offices.

[2]World Food Program, Office of Inspections and Investigations, *Investigations of Allegations of Food Diversions in Somalia,* OSDII51/09-I 29/09 (2009); UN Security Council, *Report of the Monitoring Group on Somalia pursuant to Security Council Resolution 1853 (2008)*, S/2010/91 (Geneva, Switzerland: 2010); Comptroller and Auditor General of India, *External Audit Report: World Food Program's Somalia Operations*, WFP/EB.1/2011/5-B/1 (2011).

operating conditions. In July 2011, WFP resumed food assistance in some areas that were no longer under al-Shabaab's control, after the UN reported that the situation in southern Somalia had reached famine proportions. In its March 2010 report, the UN Monitoring Group on Somalia noted that the aid community had come to accept a certain level of risk, loss, theft, and diversion as "the cost of doing business" in Somalia.[3] In addition, in its July 2012 report, the UN Monitoring Group stated that large-scale diversion of humanitarian assistance occurs in parts of Somalia but that WFP is taking all possible measures to investigate and address allegations of theft.[4] International nongovernmental organizations (NGOs) and the media also continue to report diversion of food assistance in Somalia.

In recent years, WFP has reported having designed and implemented a number of initiatives to strengthen its internal controls in Somalia and worldwide, including adopting principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) "Internal Control—Integrated Framework" (COSO internal control framework).[5] Internal control generally serves as a first line of defense in safeguarding assets and is broadly defined as a process designed to provide reasonable assurance regarding (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with

[3]UN Security Council, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 1853 (2008)*, S/2010/91 (2010).

[4]UN Security Council, *Report of the Monitoring Group on Somalia and Eritrea Pursuant to Security Council Resolution 2002 (2011)*, S/2012/544 (2012).

[5]Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control—Integrated Framework* (1992). COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent, private-sector initiative that studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors; the U.S. Securities and Exchange Commission and other regulators; and educational institutions. In 1992, COSO issued "Internal Control—Integrated Framework" to help businesses and other entities assess and enhance their internal control. Since that time, COSO's internal control framework has been recognized by regulatory standards setters and others as a comprehensive framework for evaluating internal control, including internal control over financial reporting.

laws and regulations.[6] In 2012, WFP's former Executive Director described the organization's system of internal control as designed to identify, evaluate, and reduce and manage—rather than eliminate—the principal risks of failure to achieve WFP's objectives.[7]

As part of our current work on international food assistance,[8] we sought to determine whether WFP systems are designed and implemented to help ensure that its food assistance reaches intended beneficiaries.[9] This report examines the extent to which

1) the design of WFP internal controls related to the delivery and monitoring of food assistance reflects COSO principles and
2) WFP has implemented as designed certain controls related to the delivery and monitoring of food assistance in selected high-risk areas.

To address these objectives, we reviewed COSO's internal control framework as well as COSO's "Enterprise Risk Management—Integrated Framework"[10] and related international principles and guidelines, including those in the International Organization for Standardization's

[6]Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control—Integrated Framework*. According to COSO, an internal control system, no matter how well conceived and operated, can provide only reasonable—not absolute—assurance regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems, such as faulty decision-making and resource constraints.

[7]World Food Program, *Audited Annual Accounts, 2011*, WFP/EB.A/2012/6-A/1 (2012). The former WFP Executive Director served from April 2007 to April 2012, when Ertharin Cousin began her tenure.

[8]Our current work on international food assistance includes a review, forthcoming in September 2012, of USAID's targeting of international food assistance.

[9]Throughout this report, "beneficiaries" refers to recipients of WFP food assistance.

[10]Committee of Sponsoring Organizations of the Treadway Commission, "Enterprise Risk Management—Integrated Framework (2004). According to COSO, a key objective of this framework is to help managements of businesses and other entities better deal with risk in achieving an entity's objectives.

(ISO) "ISO 31000 Risk Management—Principles and Guidelines."[11] We focused our review on WFP's internal controls related to the delivery and monitoring of food assistance, primarily from port-of-entry to distribution to intended beneficiaries, because of WFP's vulnerability to risks such as the alleged food diversion in Somalia during these stages of food assistance management. We did not review other processes, such as procurement, finance, and budget processes. We analyzed relevant WFP policies and procedures, relevant documents, and data related to internal controls at WFP's corporate level and at the country level for three case study countries—Ethiopia, Kenya, and Somalia. We selected these countries based on a range of criteria, including U.S. contributions, amount of food assistance received, high-risk and non-high-risk environments in each country, and logistics and budget constraints. Because WFP operates in many countries and implements many different activities in each country, our case studies are not generalizable to all WFP countries and operations. We focused our review on emergency and protracted relief and recovery operations, which represent about 80 percent of WFP's operations, and on general food distribution activities within these programs. In addition to reviewing WFP's internal controls and risk management process, we analyzed WFP's methods for estimating losses of food commodities after arrival at the port-of-entry.[12] We reviewed WFP and external oversight reports and also reviewed relevant U.S. government documents, including monitoring reports on WFP operations. We conducted fieldwork in Ethiopia and Kenya; however, we did not conduct fieldwork in Somalia because of logistical constraints and security concerns. We met with WFP Headquarters officials in Rome, Italy, officials from WFP's East and Central Africa Regional Bureau in Nairobi, Kenya, and with WFP country officials for Ethiopia, Kenya, and Somalia. We also met with officials from the U.S. Agency for International Development (USAID), the U.S. Mission to the UN Agencies in Rome, the Food and Agriculture Organization of the

[11]International Organization for Standardization, *ISO 31000 Risk Management—Principles and Guidelines* (2009). ISO is intended to be a family of standards relating to risk management codified by the International Organization for Standardization. The purpose of "ISO 31000 Risk Management—Principles and Guidelines" is to provide principles and generic guidelines on risk management. ISO 31000 seeks to provide a universally recognized paradigm for practitioners and companies employing risk management processes to replace the myriad of existing standards, methodologies and paradigms that differed between industries, subject matters and regions.

[12]WFP refers to losses of food commodities after arrival at the port-of-entry as post-delivery losses. Throughout this report, we refer to such losses as food assistance losses.

United Nations (FAO), the UN High Commissioner for Refugees, and the UN Office for the Coordination of Humanitarian Affairs in Rome, Ethiopia, and Kenya. In Rome, we also met with some WFP recipient and donor representatives who are members of WFP's Executive Board, with members of WFP's Audit Committee, and with WFP's External Auditor. See appendix I for a detailed discussion of our objectives, scope, and methodology.

We conducted our work from July 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Background

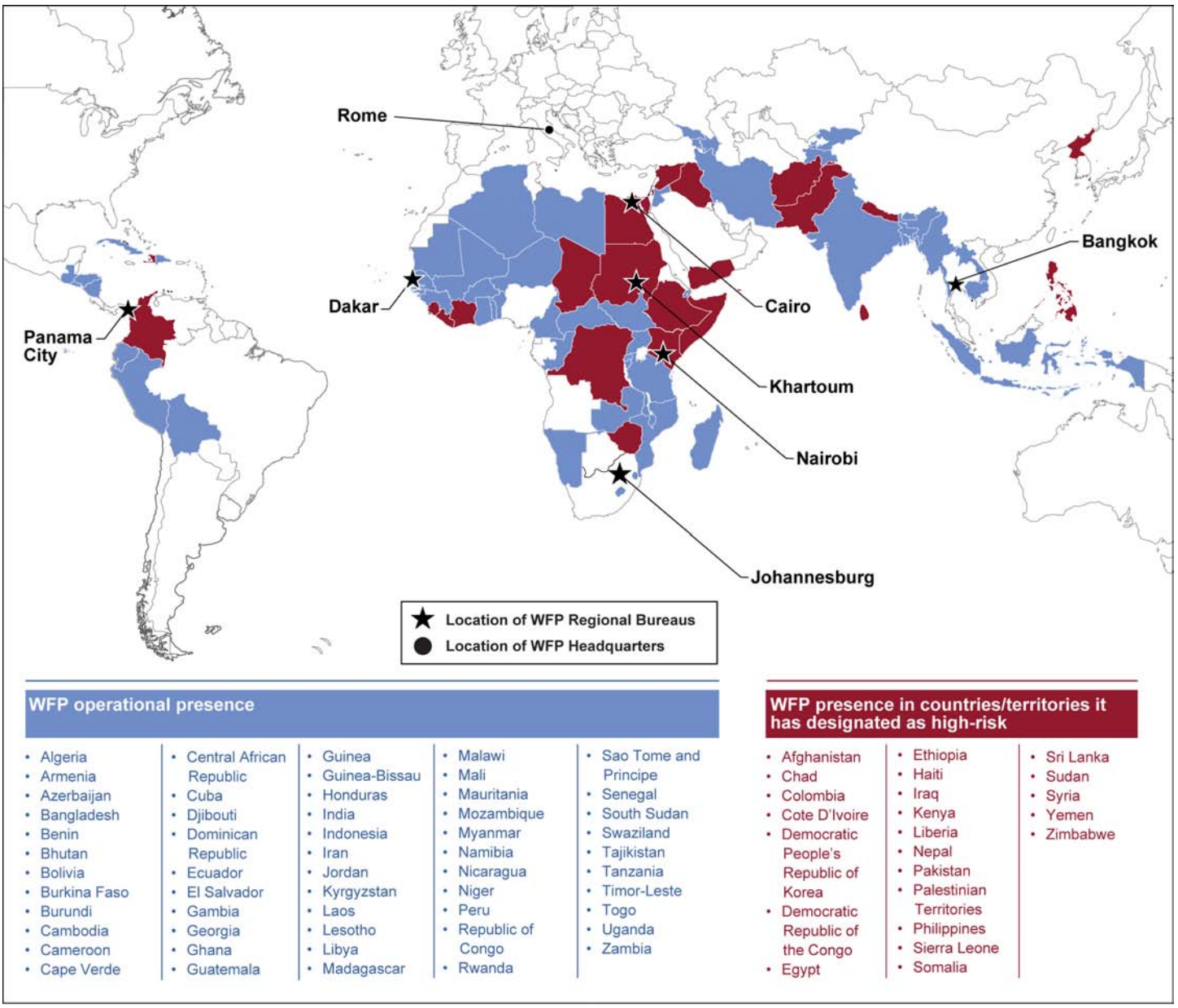
Because of the nature of its work as a humanitarian organization, WFP is called to serve where needed. As a result, WFP often operates in environments with a high level of inherent risk to the security of its staff, its ability to deliver food to beneficiaries, and its ability to maintain high standards of internal control. In the countries where WFP operates, the United Nations Department of Safety and Security (UNDSS) assesses the general security environment in specific geographic areas using five categories of threats: armed conflict, terrorism, crime, civil unrest, and hazards. UNDSS rates each area at one of six security levels, with level 6 indicating the most dangerous environment. The UN Security Management System uses these ratings to assess security risks to UN agencies, funds, and programs; on the basis of these assessments, WFP determines appropriate risk mitigation measures to protect its staff and operations. WFP's current security philosophy emphasizes seeking approaches to deliver food assistance where it is needed despite the risks.[13]

As of August 2012, WFP had an operational presence in 78 countries and had designated as high risk 23 countries where it operates, including 10 countries in Sub-Saharan Africa (see fig. 1).[14]

[13]WFP's security philosophy acknowledges that risk is an inevitable part of operations and aims to (1) enhance the security of personnel and (2) manage, rather than avoid, security risks as one of the challenges that WFP faces in implementing its programs.

[14]WFP's designations of high-risk countries are not directly related to the UNDSS security ratings for geographic areas in the countries. WFP uses the following criteria to determine whether a country should be classified as high risk: volatile/insecure operating environment; implementation of humanitarian operations; level/volume of the operations (the higher the volume, the greater the need to assess/mitigate risks); and absence of a risk register (i.e., a document recording identified risks, their severity, actions to be taken to mitigate the risks, and individuals responsible for the mitigating actions).

Figure 1: WFP's Operational Presence as of August 2012



Sources: World Food Program; Map Resources and CIA (map).

WFP provides most of its assistance through emergency operations (EMOP) and protracted relief and recovery operations (PRRO).[15] To deliver food to intended beneficiaries, WFP works with private land transporters[16] and with implementing partners,[17] including NGOs, UN organizations, and recipient governments. WFP field monitors observe food distributions and, a few days or weeks after the distribution, conduct post-distribution monitoring, interviewing beneficiaries about the quantity of food received, their use of the food, and the food's acceptability and quality. WFP uses its Commodity Movement, Processing and Analysis System (COMPAS), a global database, to track commodities throughout the supply chain, from the initial request for commodities by WFP field offices to the distribution of the commodities to beneficiaries. WFP's logistics unit tracks and calculates losses of food assistance after delivery at the port-of-entry and reports annually on these losses to WFP's Executive Board.

Contributions to WFP

WFP receives voluntary contributions from a variety of donors—governments, the public, and the private sector. In 2011, WFP received about $3.7 billion in contributions,[18] almost 62 percent of which came from the United States, Canada, Japan, the European Commission, and Germany (see fig. 2). The United States, the single largest donor, provided about $1.2 billion—more than 30 percent of WFP's 2011 funding—in cash and in-kind food aid. In addition to these contributions, U.S. agencies and officials based in the United States, in Rome, and in the field provide administrative, programmatic, technical, and operational

[15]EMOPs are implemented in urgent situations and typically include food distribution or projects such as food aid in exchange for reconstruction work. PRROs are intended to help sustain disaster-hit communities as they reestablish livelihoods and stabilize food security.

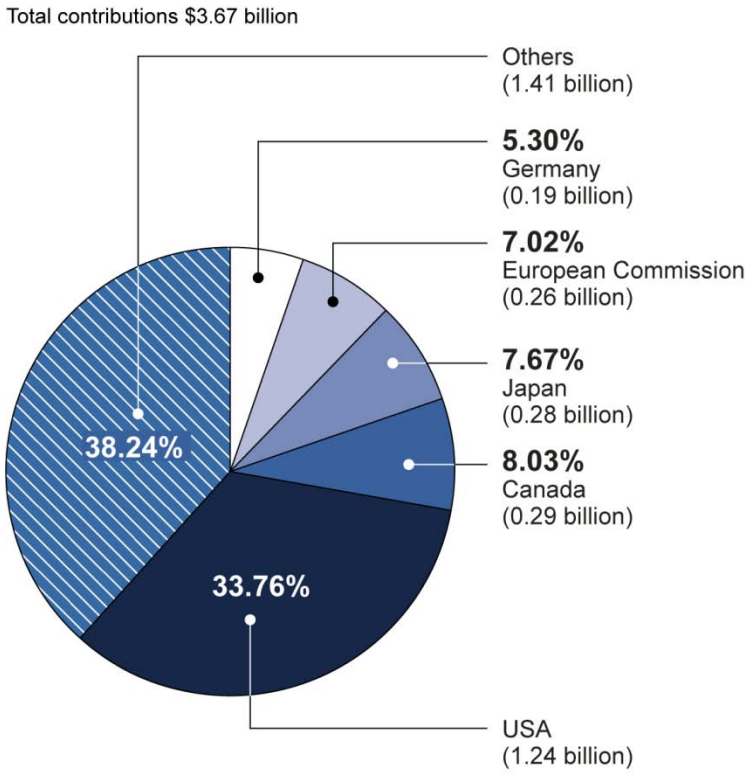
[16]Private land transporters are usually truckers who may be contracted by WFP or by its implementing partners.

[17]WFP refers to third parties who help distribute its food to WFP beneficiaries as implementing or cooperating partners. Throughout this report, we refer to these third parties as implementing partners.

[18]In its 2011 annual performance report, WFP reported that it spent almost $3.8 billion on food assistance. Of this amount, about $2.4 billion, or 65 percent, supported EMOP and PRRO projects in the 23 high-risk countries, including about $1.5 billion in the 10 high-risk countries in Sub-Saharan Africa. See World Food Program, *Annual Performance Report for 2011*, WFP/EB.A/2012/4 (2012).

guidance to WFP and also conduct monitoring of U.S.-funded WFP programs where the U.S. government has not restricted its staffs' access.[19] WFP also submits reports on its operations and performance to the U.S. government, as it does to all WFP Executive Board members.

Figure 2: Donor Contributions to WFP in 2011



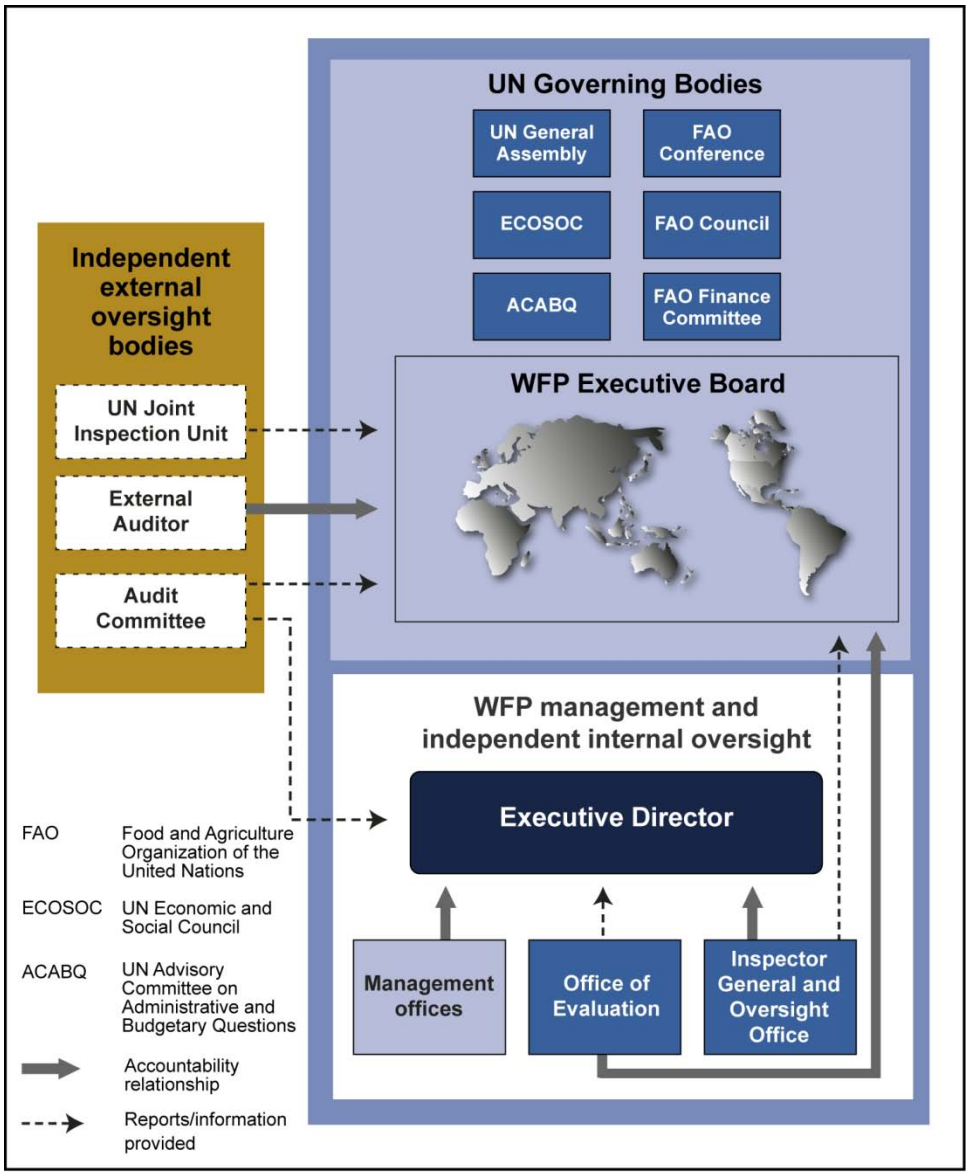
Source: GAO analysis of *WFP 2011 Annual Performance Report*.

[19]U.S. officials conduct field monitoring visits of U.S.-funded WFP operations to observe and assess WFP programs, including the programs' activities and challenges. These monitoring visits are generally summarized in a monitoring report or cable that is shared with the relevant program office or embassy and other U.S. officials who work on WFP programs. In addition, if in the interest of U.S. government foreign assistance objectives, U.S. officials might visit non-U.S. funded WFP operations.

WFP Governance, Oversight, and Management Structure

Several external and internal governance and oversight bodies are responsible for providing oversight of WFP and helping manage WFP risks. Figure 3 shows WFP's governance, oversight, and management structure.

Figure 3: WFP Governance, Oversight, and Management Structure



Source: GAO analysis of UN data; Map Resources (map).

- **UN governing bodies.** Several UN entities, comprising representatives of the UN's 193 member states, provide governance to WFP. These entities include the UN General Assembly, the FAO Conference, the UN Economic and Social Council, the FAO Council, the UN Advisory Committee on Administrative and Budgetary Questions, and the FAO Finance Committee.

- **WFP Executive Board.** WFP's Executive Board includes representatives of 36 UN member states who are responsible for providing intergovernmental support and specific policy direction and supervision of WFP activities. The Executive Board exercises oversight over senior management. The Advisory Committee on Administrative and Budgetary Questions and the FAO Finance Committee are advisory bodies to the board.

- **Independent external oversight.** WFP's independent external oversight is intended to assist the Executive Board in fulfilling its responsibility. The WFP External Auditor is appointed by, and reports to, the Executive Board and performs audits of WFP to satisfy him- or herself that the internal controls, including the internal audit, are adequate. The WFP Audit Committee serves in an expert advisory capacity to assist the Executive Board and the Executive Director in exercising their governance responsibilities for the financial reporting, internal control arrangements, risk management processes and other audit-related matters. The UN Joint Inspection Unit is mandated to conduct system-wide evaluations, inspections, and investigations throughout the UN.

- **Management structure.** As head of WFP management, the Executive Director is responsible and accountable to the Executive Board for the administration of WFP and the implementation of WFP programs, projects, and other activities and for establishing effective internal controls and an effective independent internal oversight. WFP has a three-tier organizational structure, with its headquarters in Rome, Italy; seven regional bureaus (see app. II, fig. 8); and 77 country offices. Headquarters is responsible for governance, strategic planning, policy making and macro-level monitoring. The regional bureaus provide technical assistance to the country offices and oversee their adherence to corporate guidelines, practices, and procedures. (See app. II for additional information on WFP's governance, oversight, and management structure.)

- **Independent internal oversight.** WFP's Office of Evaluation and the Inspector General and Oversight Office are independent of WFP's

management and conduct audits, investigations, and inspections of WFP's systems, processes, operations, and activities.

Design of WFP Internal Controls Related to Delivering and Monitoring Food Assistance Generally Reflects COSO Principles but Could Be Strengthened to Better Manage Risks

The design of WFP internal controls related to delivering and monitoring food assistance generally reflects COSO principles. However, several controls could be strengthened to better manage risks, including risks affecting WFP's ability to deliver food assistance to intended beneficiaries. WFP's internal control framework has five components.[20]

- **Internal environment.** WFP has designed policies and procedures to set the organization's tone and emphasize internal controls, reflecting COSO principles, but oversight by WFP's Executive Board and Audit Committee is limited.[21]
- **Risk management.** WFP has developed risk management policies and guidance, as recommended by COSO. However, WFP has not fully developed guidelines for implementing risk management, including guidelines for defining risk tolerance.[22]
- **Control activities.** WFP has designed numerous control activities, in line with COSO principles,[23] to help ensure tracking of food assistance from port-of-entry to beneficiaries. However, the design of its commodity tracking system has weaknesses that limit its ability to account for food in the custody of implementing partners.

[20]The five components of WFP's internal control framework are similar to those of the COSO internal control framework: control environment, risk assessment, control activities, information and communication, and monitoring.

[21]WFP bases "internal environment," the first component of its internal control framework, on elements of the "control environment" component of COSO's internal control framework as well as on elements of COSO's enterprise risk management framework.

[22]WFP bases the second component of its internal control framework on COSO's internal control component "risk assessment," COSO's enterprise risk management framework, and principles and guidelines of other international organizations. WFP defines "risk tolerance" as representing an acceptable level of variation relative to the achievement of a particular objective. Risk tolerance seeks to provide measurable indicators of the level of risk tolerated in achieving a specific objective.

[23]According to COSO, control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, and reviews of operating performance and security of assets.

- **Information and communication.** WFP has several mechanisms for identifying, capturing, and communicating information to and from WFP management, in accordance with COSO principles.

- **Monitoring.** WFP has developed detailed policies on monitoring delivery of food assistance to beneficiaries, reflecting COSO principles, but this guidance does not call for monitoring to be risk based as recommended by WFP's External Auditor.

Internal Environment: WFP Has Designed Policies and Procedures to Set Tone of Organization, but Governance Oversight Is Limited

In establishing its internal environment, WFP has designed policies and procedures, including developing a new internal control framework, to set the tone of the organization and influence staff consciousness of the importance of internal control. In addition, WFP plans to provide additional training and guidance to strengthen managerial control. However, some Executive Board members told us that their oversight is limited because of competing obligations and limited resources. Moreover, statements in WFP Audit Committee's reports, as well as remarks by the committee's current chairman and some Executive Board members, indicate that the board does not fully utilize the committee to provide the necessary independent oversight on internal controls.[24]

Internal Environment

According to COSO, the internal environment sets the tone of an organization, influencing the control consciousness of its people, and is the foundation for all other components of internal control, providing discipline and structure. Internal environment factors include the integrity, ethical values, and competence of staff; management's philosophy and operating style; the way management assigns authority and responsibility and organizes and develops its people; and the attention and direction provided by the board of directors.

Source: COSO, "Internal Control—Integrated Framework" (1992).

WFP Has Developed Policies and Procedures to Set Tone of Organization

WFP has developed several policies and procedures to set the organization's tone and influence staff consciousness of the importance of internal control, reflecting COSO principles. For example, to address the integrity and ethical value of the organization, WFP established an ethics office in 2008 and has developed ethics-related policies, such as financial disclosure, antifraud and anticorruption, and whistleblower protection. In addition, since 2009, WFP's management has reported on

[24]The current chairman of the WFP Audit Committee was elected in December 2011, and his appointment was renewed in July 2012 for a 3-year term.

several efforts aimed at strengthening elements of its internal environment, taken under WFP's Strengthening Managerial Control and Accountability (SMCA). According to WFP, the SMCA initiative identified key actions to further improve internal controls. In September 2011, WFP issued a new internal control framework based on COSO that, according to the Executive Director, took into account the views of the external and internal auditors and the Audit Committee. WFP also developed guidance to help staff apply the new internal control framework, including a new manager's guide to internal control, an accountability guide for managers, and a new internal control self-assessment checklist. In addition, WFP introduced a process that required all senior managers to provide the Executive Director with assurances related to the operation of internal control within their offices. Based on this new process, the former Executive Director included, for the first time, a statement on internal control in WFP's 2011 audited annual accounts.[25] According to the former Executive Director, this statement provides specific assurance on the effectiveness of all internal controls in WFP.[26]

WFP Plans to Provide Additional Training and Guidance to Strengthen Managerial Control

WFP's former Executive Director reported that, to strengthen managerial control, WFP plans to increase support and training of managers and staff in key aspects of internal control, including ethics. According to WFP, ethics training is not mandatory. WFP stated that after it has identified the needed funding, it will establish a directive to include mandatory training in ethics and integrity to all staff. Currently, the ethics office provides ethics training to all new staff, procurement staff, and 100 workplace advisers in all country offices and regional bureaus. According to COSO, a strong ethical climate is vital to the well-being of the organization, all of its constituencies, and the public at large. In addition, the former Executive Director said that WFP's management will provide further refinement of the internal control guidance and tools and improvements in the assurance questionnaire that managers are required to complete.

[25] WFP, *Audited Annual Accounts, 2011*, WFP/EB.A/2012/6-A/1 (2012).

[26] The External Auditor did not perform an audit of WFP's management's assessment of the effectiveness of internal controls over financial reporting for 2011 as part of its annual audit, contrary to current best practices of multilateral organizations such as the World Bank and the Inter-American Development Bank. WFP management informed us that an audit of management's assessments of the effectiveness of internal control, like management's statements on internal control, is considered voluntary.

Some WFP Executive Board Members Say Oversight Is Constrained by Competing Obligations and Limited Staff Resources

Some of the members of WFP's Executive Board told us that their oversight of WFP's operation is constrained by competing obligations and limited staff resources.[27] According to COSO principles, the control environment and "tone at the top" are influenced significantly by the entity's board of directors.[28] COSO adds that factors determining the board's influence include the extent of its involvement and scrutiny of activities and the degree to which it raises, and pursues with management, difficult questions regarding plans or performance. Given the highly decentralized and complex nature of WFP's operation, the significance of an active board has been reinforced by the more frequent and extensive crises in many high-risk environments as well as by the allegations of diversion of WFP's food assistance in Somalia.

During our meeting with some of WFP's Executive Board members, they informed us that because of their extensive responsibilities on the boards of FAO, the International Fund for Agriculture Development, and WFP, they do not have sufficient time or staff resources to ensure that WFP is being managed effectively. Similarly, our 2007 review of governance and oversight at six UN entities,[29] including WFP, found that board members described oversight as difficult because they lacked sufficient resources and expertise. WFP board members also informed us that they were surprised to have learned about the 2009 allegations of food diversion and other lapses in internal controls in Somalia from the news media rather than from WFP's management before the allegations were made public.

Executive Board Does Not Fully Utilize Audit Committee for Oversight Assistance

Statements in recent WFP Audit Committee reports, as well as remarks by the committee's current chairman and some Executive Board members, indicate that the board does not fully utilize the committee for assistance in providing the independent oversight that is needed to

[27]WFP's Executive Board consists of 36 members of the UN member state representatives. In September 2011, we met with 9 of the board members. See appendixes I and II for more information on the Executive Board.

[28]In technical comments on a draft of this report, WFP noted that there is a fundamental difference between a company's board of directors, which would typically include executive directors, and WFP's Executive Board, which comprises representatives of sovereign states.

[29]GAO, *United Nations Organizations: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices*, GAO-07-597 (Washington, D.C. June 18, 2007).

strengthen accountability and governance in WFP. COSO states that an entity's audit committee is in a unique position to question top management regarding how it is carrying out its financial reporting responsibilities; the committee also has the authority to ensure that corrective action is taken and is in the best position to identify and act in instances where top management overrides internal controls.[30]

In 2007, we recommended that WFP establish an audit committee that is independent of management and report directly to the Executive Board.[31] We also stated at that time that an external audit committee, accountable to the governing body, could assist the Executive Board with its responsibility to monitor the organization oversight function. In 2009, WFP established an external audit committee to provide independent, expert advice to the Executive Board and the Executive Director in fulfilling their governance responsibilities.[32] The committee's terms of reference also outline responsibilities for, among other things, ensuring the effectiveness of WFP's internal control systems, risk management, audit and oversight functions, and governance processes. In 2010, WFP's External Auditor noted benefits from the Audit Committee's activities and recommended that the board place increasing reliance on the committee regarding audit matters, including significant control issues such as those in Somalia.[33]

However, in September 2011, the current Chairman of the Audit Committee informed us that the committee believed its terms of reference

[30]In its technical comments on a draft of this report, WFP noted that in industry, where an audit committee is usually a committee of the board of directors, the committee's communication and interaction with the board is fundamentally different than in WFP, where the Audit Committee members are technical oversight experts and the Executive Board comprises representatives of sovereign states.

[31]In 2007, WFP's Audit Committee comprised both internal and external members and was accountable only to the Executive Director. See GAO-07-597. The current Audit Committee comprises five members who are appointed for a 3-year term, renewable for a second and final 3-year term.

[32]According to the current Audit Committee's terms of reference, the Executive Director is involved in the recruitment and selection process of Audit Committee members. The Executive Board considers candidates recommended by the Executive Director, and an appointment to the Audit Committee may only be revoked by the Executive Board after consulting the Executive Director. However, according to international best practices, the Audit Committee should report, and be accountable, to the governing body.

[33] World Food Program, *WFP Audited Annual Accounts, 2009*, WFP/EB.A/2010/6-A/1 (2010).

were too limited. Although the Audit Committee's terms of reference do not specifically prevent committee members from attending board meetings, the current Chairman told us that the committee's Chair, alone among its members, is permitted to attend only one Executive Board meeting per year. In contrast, according to the Chairman, the committee believed that all members should be allowed to attend each of the Executive Board's three annual meetings. In addition, the current Chairman stated that although the committee meets quarterly with several members of the Executive Board,[34] no process exists to ensure that the board consults with the Audit Committee regarding high-risk issues or situations that could expose WFP to fraud allegations in the future. Moreover, the Audit Committee reported in 2011 that, like the Executive Board, it was not informed in advance of the allegations related to food diversion in Somalia in 2009. In November 2011, the External Auditor reported that the Executive Board had revised the Audit Committee's terms of reference to clarify, among other things, that the committee's Chair can inform the president of the board of any serious governance issue at any time.

In addition, statements in the Audit Committee's recent annual reports to the Executive Board, as well as remarks by the committee's current Chairman, indicate that the committee believes that it is not being fully utilized. In both its 2011 and 2012 annual reports, the Audit Committee stated that it "can be only as effective as the degree of 'buy-in' by the board and management of the need for an independent Audit Committee and of their acceptance of the Audit Committee's role."[35] In its 2012 report, the Audit Committee also stated that because external audit committees are new entities within the UN system, there is "an understandable lack of clarity of how best to use an audit committee consisting of outside experts." In addition, the 2012 report states that audit committees can leverage the work of the board and can provide independent advice to senior management. Further, in both its May 2011

[34]The Audit Committee meets quarterly with the Executive Board Bureau, which consists of five board members who are responsible for strategic planning of the board's work, the preparation and organization of board meetings, and promotion of dialogue. See World Food Program, *Annual Report of the Audit Committee*, WFP/EB.A/2012/6-D/1 (2012).

[35]World Food Program, *Annual Report of the Audit Committee*, WFP/EB.A/2011/6-C/1 (2011); *Annual Report of the Audit Committee* (2012). As of April 2012, the Audit Committee submits its annual report to the Executive Board; previously, the committee submitted its annual report to the Executive Director for the board's consideration.

and 2012 reports, the Audit Committee stated that it could not secure permission for site visits, possibly because of financial reasons. The committee emphasized the importance of conducting site visits, which it considers to be the norm for an audit committee in order to observe operations for which it has an oversight fiduciary responsibility. In September 2011, the committee's current Chairman informed us that the committee had proposed that its role encompass more than a review. The Chairman also stated that site visits would allow the committee to check, on a test basis, selected offices, such as Haiti and Kenya, to determine whether its recommendations were implemented. In its May 2012 report, the FAO Finance Committee stated that the "added value of these visits would have to be clearly established to avoid duplication of efforts by the external and internal auditors and unnecessary burdening of field office staff with extra tasks."[36] The FAO committee requested a proposal for field visits, including an analysis of the costs and benefits of such visits.

Finally, some WFP Executive Board members informed us that it is difficult for the Audit Committee to be useful, owing to its lack of resources and on-the-ground experience of WFP's operations and the UN overall. The revised Audit Committee terms of reference emphasize that members possess high qualifications and experience.

[36]The FAO Finance Committee exercises control over the financial administration of WFP. See appendix II for additional information regarding its role.

Risk Management: WFP Has Developed Policies for Managing Risks but Has Not Yet Provided Guidance Needed to Implement Risk Management throughout Organization

WFP has taken a number of actions to embed risk management throughout the organization, such as developing an enterprise risk management policy and a risk management framework.[37] In addition, WFP told us that it has recently developed or refined various tools, such as risk-level scales, its corporate risk profile,[38] and risk registers. However, WFP has not provided updated and adequately detailed guidelines to aid staff in identifying, assessing, and responding to risks. Further, the board has not set risk tolerance levels for WFP's operations or communicated these in policies and guidelines, as its enterprise risk management policy stipulates.[39]

Risk Management

COSO defines risk management as a process designed to identify events that may affect the entity and to manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. This process is effected by an entity's board of directors, management, and other personnel and applied in strategy setting and across the enterprise.

Source: COSO, "Enterprise Risk Management —Integrated Framework," 2004.

WFP Has Taken Actions to Embed Risk Management throughout Organization

WFP has taken a number of actions aimed at embedding risk management throughout the organization, as suggested by COSO. According to COSO, enterprise risk management is most effective when risk management mechanisms are built into the entity's infrastructure and are part of the essence of the organization; by building in enterprise risk management, an entity can directly affect its ability to implement its strategy and achieve its mission.

In 2005, WFP's Executive Board approved an enterprise risk management policy, which provides the board's overall intention and direction regarding the management of risks. The policy states that the board's goal is to embed throughout WFP a systematic, effective, and sustainable approach to managing risks and opportunities that adds value

[37]WFP bases the "risk management" component of its internal control framework on principles included in the "risk assessment" component of COSO's internal control framework as well as on principles included in COSO's enterprise risk management framework.

[38]A risk profile describes the characteristics of a risk, mapping the change in the likelihood and impact of the risk to which an organization is exposed.

[39]COSO defines risk tolerance as the acceptable levels of variation relative to the achievement of an objective.

to decision making and is linked to objectives and results. The policy also states that it envisages a risk management framework based on the COSO enterprise risk management framework. In addition, the policy discusses the role of WFP's Executive Board and management and summarizes WFP's risk management philosophy.

In 2009, as part of its SMCA initiative, WFP continued the process of developing a risk management system.[40] According to WFP, a major gap in its risk architecture has been the lack of a system that enables managers to link risks directly to their objectives and that allows for the appropriate escalation of risk within the organization. In addition, according to WFP, budgetary constraints limited the support available to field offices to implement risk management effectively during 2009 and 2010. As of May 2012, WFP had taken a number of actions to help embed risk management throughout the organization, including

- creating an executive management council to review the effectiveness of risk and performance management arrangements and to review risks that have been escalated for its consideration;
- establishing a network of performance and risk management champions across all country and regional offices to guide best practice;
- beginning to develop a new organization-wide information technology system, intended to bridge the gap between risk management in country offices and at the corporate levels, which it expects to roll out to all business units and offices by 2013; and
- developing training programs on integrated risk and performance management, which it has provided to key country offices and will continue to provide in 2012 to offices that have not yet received it.

[40]According to principles and benchmarks established by ISO and the UN Joint Inspection Unit, a formal risk management system includes a formal risk management policy, framework, and risk management process. See International Organization for Standardization, *ISO 31000 Risk Management—Principles and Guidelines*; and UN Joint Inspection Unit, *Review of Enterprise Risk Management in the United Nations System: Benchmarking Framework*, (Geneva, Switzerland: 2010).

Also in May 2012, WFP reported that it had recently developed or refined various tools, such as impact, likelihood, and risk-level scales and categories; a corporate risk profile; corporate-, country-, and entity-level risk registers; and a risk management escalation process. Moreover, the Audit Committee stated in its April 2012 report to the Executive Board that it welcomed the use of the corporate risk register and that in 2011, an increasing number of offices put in place formal systems to identify, evaluate, and record risks. In May 2012, the Executive Director reported that, as of December 2011, 67 percent of office entities (i.e., country offices, regional bureaus, and headquarters divisions) had formal risk registers. According to WFP's former Executive Director, all WFP offices were expected to have formal risk registers by the end of 2012. Further, in March 2012, the former Executive Director, after identifying a need for further training and guidance on managing risk, stated that this need will be addressed in 2012.

In addition, since 2011, WFP has identified risks based on three risk categories—contextual, programmatic, and institutional—that reflects the humanitarian context in which it operates.[41] WFP defines these categories as follows: (1) Contextual risks include those over which WFP has very little control, such as armed conflict, drought, and other humanitarian crises. (2) Programmatic risks include not meeting WFP's objectives and causing harm to others, such as reduced program oversight with possible misuse of assistance, drawing beneficiaries into a conflict zone, and lack of donor funding. (3) Institutional risks are those with significant implications to WFP, such as misappropriation of assistance, corruption by partners, and reputational damage.

Finally, in May 2012, WFP developed a risk management framework, which is embedded in its Financial Resource Management Manual. In a

[41]See Victoria Metcalfe, Ellen Martin, and Sara Pantuliano, "Risk in Humanitarian Action: Towards a Common Approach?" a report commissioned by the Humanitarian Policy Group (London, UK: Overseas Development Institute, 2011). In this report, the Overseas Development Institute's Humanitarian Policy Group—a team of independent researchers and information professionals working on humanitarian issues—states that its research indicates that while there is growing awareness of the nature of risk in the humanitarian sector, there is very little structured or agreed understanding of the range of risks prevalent in the sector, possibly with the exception of security risks. The report adds that the humanitarian community has much to learn from other sectors in assessing, for example, risk appetite and risk tolerance and in managing the many risks it faces. Neither WFP's internal control framework nor its risk management framework mentions these risk categories.

draft document, WFP states that this framework is based on past lessons and best practices from the public and private sectors and from other UN agencies.[42]

WFP Has Not Yet Provided Guidance Needed to Ensure Effective Organization-wide Implementation of Risk Management

WFP's internal control framework identifies event identification, risk assessment, risk response, and risk tolerance as key principles of its risk management process. However, WFP has not yet provided guidance operationalizing these principles to help ensure consistent and integrated implementation of risk management throughout the organization. According to COSO, while an organization may have a sound strategy, competent employees, sound business processes, and reliable technology, every organization is vulnerable to risk and needs an effectively functioning risk management process. In addition, according to the UN Joint Inspection Unit, the risk management process must be formalized and operationalized through a framework, guidelines, and other administrative instructions, easily accessible to all staff, for consistent and correct implementation across organizational units.

In 2006, WFP management developed a risk management guide that briefly describes a risk management process; however, the 2006 guide is not clearly related to WFP's current internal control or enterprise risk management frameworks, and it does not clearly describe methodologies and tools to assess risks.[43] In January 2012, WFP management produced a draft facilitator's guide for training staff in preparing country risk registers.[44] According to WFP, as of June 2012, it had finalized training material for preparing the risk registers that was piloted in the South Africa region. WFP stated that it plans to roll out the training to the rest of the regions in 2013. However, WFP management has not yet provided overall guidance on the risk management process for staff in identifying,

[42]World Food Program, "Facilitator's Guide: Preparing a Country Office Risk Register" (draft).

[43]WFP's 2006 guidance describes a five-step process: (1) clarify expected results and critical stakeholders, (2) identify risks that can impact expected results, (3) prioritize risks' importance (impact and likelihood), (4) act on risks and decide how to proceed with activities, and (5) review and communicate risks. World Food Program, "Risk Management Guide" (2006).

[44]World Food Program, "Facilitator's Guide: Preparing a Country Office Risk Register" (draft).

assessing, and responding to risks, among other activities.[45] Without a comprehensive guidance on the risk management process, WFP staff may lack appropriate methodologies and tools to assess risks, especially at the country level, where WFP is most exposed to risks.

Further, WFP's Executive Board and management have not set or communicated organization-wide risk tolerance levels for WFP's operations or provided guidelines on setting risk tolerance levels on a case-by-case basis. WFP's enterprise risk management policy stipulates that the Executive Board or the Executive Director will set risk tolerance levels where appropriate and will communicate risk tolerance levels through corporate policies and guidelines. The policy also states that managers will set prudent tolerance levels within their areas of responsibility and authority. According to COSO, based on best practices, boards of directors are responsible for setting organization-wide risk tolerance. COSO states that some boards have established a risk committee to focus directly on enterprise risk management, with the committee's responsibilities including developing and refining the organization-wide risk appetite and risk tolerance.[46] COSO also states that it is not uncommon for oversight responsibility for enterprise risk management to be assigned to the Audit Committee. COSO states that "in many cases it is believed that with its focus on internal control over financial reporting, and possibly a broader focus on internal control, the audit committee already is well positioned to expand its responsibility to overseeing enterprise risk management." In its 2011 annual report, the WFP Audit Committee recommended that enterprise risk management should be a standard agenda item at each Executive Board meeting and that this would help the board refine the risk tolerance parameters within which it wants WFP to operate.

WFP management informed us that it is currently engaged in discussion of how risk tolerance should be set on a case-by-case basis but expressed reluctance to articulate an organization-wide risk tolerance level, stating that "it is not possible to balance financial or stewardship

[45]According to ISO principles and guidelines, the risk management process is the systematic application of management policies, procedures and practices to activities such as identifying, analyzing, evaluating, responding, monitoring, and reviewing risk.

[46]Risk appetite is the amount of risk, on a broad level, that an organization is willing to accept in pursuit of its objectives.

risks in monetary terms against the potential loss of life that would result from WFP's withdrawal," for example, from a country or a program. However, our review of WFP policy and guidance showed that the Executive Board has not yet provided any written guidance to management on developing risk tolerance levels on a case-by-case basis, such as by considering the levels of food losses it is willing to tolerate to achieve its objective of providing food assistance under its emergency program in a country such as Somalia. Moreover, the current emergency program document for Somalia makes no reference to risk tolerance.

Control Activities: WFP Has Designed Policies and Procedures for Tracking Food Assistance from Port-of-Entry to Beneficiaries, but Tracking System Has Weaknesses

WFP has policies and procedures designed to help ensure tracking of food in its custody from port-of-entry to beneficiaries. In addition, WFP has policies and procedures designed to help prevent loss of food in implementing partners' custody, but its commodity tracking system has weaknesses, particularly tracking food in implementing partners' custody.

Control Activities

COSO defines control activities as the policies and procedures that help ensure that necessary actions are taken to address risks to achievement of an entity's objectives. Control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, and reviews of operating performance and security of assets.

Source: COSO, "Internal Control—Integrated Framework" (1992).

WFP Has Policies and Procedures Designed to Help Ensure Tracking of Food in Its Custody

WFP has designed policies and procedures intended to protect against the loss of food in its custody during delivery at the port-of-entry, transport to WFP warehouses, and storage in warehouses. In addition, WFP has designed policies and procedures for WFP staff to follow in distributing food to beneficiaries. The following are examples of WFP's control activities.

- **Port-of-entry.** The WFP country office is responsible for supervising and coordinating the delivery of food commodities at the port-of-entry and for ensuring that all parties, such as recipient authorities and superintendents,[47] are aware of their roles in the operation, according to WFP's Transport Manual. A staff member from the WFP country

[47]Superintendents are independent cargo surveyors, employed by WFP to inspect WFP shipments at the time of delivery and ascertain their quantity and condition on delivery.

office should be present, where feasible, or should monitor the operation through superintendents or agents. In addition, the country office should ascertain how the commodities will be stored after delivery or moved from the port.

- **Transport.** Transporters bidding on contracts to transport WFP food assistance receive WFP's terms of agreement detailing, among other things, the transporter's liability for any losses or damage of food in its custody. According to the Transport Manual, a waybill must accompany food in the transporter's custody, attesting to the type and quantity of commodities transported; the name of the transporter; the vehicle details; the loading location and destination; and the departure and expected and actual arrival dates. At the destination, the WFP warehouse manager or consignee completes, signs, and stamps the waybill, acknowledging receipt and noting any loss or damage. The manager then makes a parallel entry in COMPAS—WFP's commodity tracking system—which automatically adjusts data, such as for stored or damaged goods, at the receiving site. After the food is delivered, the transporter submits the completed waybill to WFP's finance office to request payment for the services rendered.

- **Warehouse.** Food commodities in WFP warehouses must be managed through the COMPAS inventory module, according to WFP's Transport Manual. In warehouses not yet computerized, commodities are to be managed through warehouse ledgers that are checked against stack cards on a regular basis.[48] In addition, the warehouse manager is required to conduct physical inventory of stock in the warehouses at regular intervals, to prevent and detect losses. Further, WFP staff are instructed to reconcile information on incoming, outgoing, and on-hand stock, as well as information from manual systems—stack cards and ledgers—with information in COMPAS. WFP's Warehouse Management Handbook documents procedures for the storekeeper, including procedures for maintaining warehouse premises—such as installing boundary fences and gates to secure the warehouse against unauthorized entry—and warehouse buildings; procedures for unloading and checking food commodities, such as inspecting each new container food unloaded and addressing any defects; and procedures for creating and maintaining records. Further,

[48]Stack cards provide information on shipping instructions, batch numbers, type of commodity, date of arrival, quantity originally stacked, quantity out, and the balance, all which is signed for on the card itself.

WFP's Program Guidance Manual outlines procedures for WFP staff to follow in taking food from WFP warehouses for distribution to beneficiaries.

- **Distribution to beneficiaries.** WFP's Program Guidance Manual states that WFP staff must complete various tasks immediately before distributing food assistance, such as verifying that required food has arrived, that distribution documents are ready, and that local authorities are present at the distribution. In addition, WFP staff must follow detailed instructions during the distribution, including scooping and weighing food and requiring that beneficiaries record their receipt of food rations.

Figure 4 shows some of WFP's control activities, from delivery of food commodities at the port-of-entry to distribution of food to beneficiaries.

Figure 4: Examples of WFP Control Activities from Port-of-Entry to Distribution of Food Assistance

4 stages of delivery	Discharge at port	Inland transportation	Warehouse	Distribution to beneficiaries
Control activities	Superintendent's report	• Request for quotation/award • Landside transport instruction • Waybill	• Stack card, warehouse ledgers • Reports to country office • Audit and inspection reports • Reconciliation with WFP database • Food distribution needs, food release notes, food distribution plan, storage release note documents	• Food distribution report • Tally and receipt sheets • Distribution and post-distribution monitoring
Description	When the food arrives at the port, the food is discharged from the ocean vessel. An independent superintendent (if one exists) reports the amount discharged.	Before WFP procures transport for food assistance, transporters bid on contracts, or "requests for quotation." These contracts detail WFP's terms of agreement. The WFP country office logistics unit issues a landside transport instruction instructing the transporter on the delivery details. Waybills are issued with multiple copies that are sent to multiple parties (kept at the warehouse, sent to receiving office, sent to WFP country office, accompanying transporters).	WFP maintains documents that track food stored in each warehouse. These documents are periodically reported to the country office. The warehouse is inspected periodically. Before food is transported from a warehouse, WFP's country office program unit issues documents authorizing the country office logistics unit to release the food assistance from the warehouse for transport.	WFP issues tally and receipt sheets to record the amount of food each beneficiary receives. The implementing partner submits the food distribution report (which tracks the amount of food distributed) to WFP. WFP conducts monitoring during selected distributions and conducts post-distribution monitoring of beneficiaries.

Source: GAO analysis of WFP's guidelines and procedures (data); Nova Development (clip art).

WFP Has Policies and Procedures to Help Prevent Loss of Food in Implementing Partners' Custody

WFP has policies and procedures designed to help prevent loss of food after delivery to its implementing partners. For example, on receipt of WFP commodities, implementing partners are required to complete, sign, and stamp the WFP waybill, acknowledging receipt and noting any loss or damage, and WFP staff are to subsequently record information from the waybill into COMPAS, according to WFP's Transport Manual. In addition, WFP requires its implementing partners to submit monthly and quarterly distribution reports containing information that WFP staff also record in COMPAS, such as amounts of food in the warehouse before receipt of a new shipment, amounts of food received, and amounts of food distributed. These reports also show the movements of received and distributed food items as well as any losses that have occurred at the implementing partners' warehouses or during transport arranged by the implementing partners. The WFP country office is responsible for ensuring that implementing partners' reporting is regular, timely, and complete and for checking the quality of the data in the distribution reports. According to WFP's Transport Manual, these data quality checks are to include the overall consistency of the commodity accounts, such as accounting for the difference between opening stock and closing balance; completeness of data; and reconciliation of data on losses where relevant. The WFP country office is required to record in COMPAS the information in the distribution reports, to enable a complete accounting for the commodity logistics chain.

Commodity Tracking System Has Weaknesses, Particularly Tracking Food in Implementing Partners' Custody

Weaknesses in the design of COMPAS limit WFP's ability to account for all food commodities, particularly in implementing partners' custody. According to WFP, although food commodities in WFP warehouses are managed and tracked through COMPAS, COMPAS does not track food after delivery to implementing partners and thus cannot fully account for food after it is handed over to implementing partners.

In 2011, the External Auditor found that COMPAS does not allow the recording of accurate dates for distributions by an implementing partner at multiple sites in a given location, such as a city or province.[49] The auditor noted that COMPAS permits the entry of only one distribution report per implementing partner for a location for a specified period. In cases where implementing partners distribute food at multiple sites in a given location,

[49]World Food Program, *Report of the External Auditor on WFP Operations in Somalia*, WFP/EB.1/2011/5-B/1 (2011).

WFP staff are able to enter in COMPAS the implementing partners' reports for the extra sites only by entering different, and therefore inaccurate, reporting dates. The External Auditor recommended that, to facilitate reconciliation between WFP allocation plans and implementing partners' distribution reports, distribution site data should be captured in COMPAS for all food delivered to implementing partners. WFP agreed with the External Auditor's recommendation, stating that COMPAS now includes information on distribution sites, allowing offices to specify where distributions took place.[50]

In 2011, WFP's External Auditor also identified other weaknesses in COMPAS that hamper effective reconciliations of data in COMPAS.[51] For example, the External Auditor observed that COMPAS does not facilitate the generation of reports or the export of a full set of data and, as a result, staff use other software to retrieve needed information from the system, exporting the information to worksheets for reconciliation.[52] According to the External Auditor, this practice impairs data integrity. The External Auditor recommended that until WFP develops a new system to address the weaknesses in COMPAS, standardized report-generating tools should be used to prevent unauthorized staff from accessing COMPAS data. WFP did not agree with this recommendation and stated that it already uses recognized software to generate reports accessing COMPAS data and that it controls staff's access to the data by limiting access rights.[53] In addition, WFP's management said that it sees no current benefit in further investment in reporting tools because it has begun an initiative, under the WFP Information Network and Global System II, to build a new logistics application—the Logistics Executions Support System—that includes commodity-tracking capabilities. According to WFP, assuming the availability of needed funding, WFP expects implementation of the new system to begin by the end of 2012 and to be completed by 2015.

[50]World Food Program, *WFP Management Response to the Report of the External Auditor on WFP Operations in Somalia*, WFP/EB.1/2011/5-B/1/Add.1 (2011).

[51]World Food Program, *Report of the External Auditor on WFP Operations in Somalia.*

[52]The External Auditor stated that, according to WFP management, COMPAS was developed as a data entry tool and separate applications, based on Microsoft Access and Oracle Discoverer, were subsequently developed for generating reports.

[53]World Food Program, *WFP Management Response to the Report of the External Auditor on WFP Operations in Somalia.*

Information and Communication: WFP Has Taken Steps to Enhance Communication with Stakeholders

WFP has several mechanisms to enable communications between WFP management and stakeholders.[54] Further, WFP management has recently improved its communication with the Executive Board.

Information and Communication

According to COSO, pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities.

Source: COSO, "Internal Control—Integrated Framework" (1992).

WFP Has Several Mechanisms to Enable Communications between WFP Management and Stakeholders

WFP has developed mechanisms to identify, capture, and communicate information pertinent to its assistance efforts, among other things, to WFP management and stakeholders. For example:

- According to WFP's Finance and Budget Manual, WFP management provides information about approved emergency operations and submits proposals for protracted relief and recovery operations above a given threshold to the Executive Board.[55] These documents contain, among other things, details such as the number of beneficiaries, project duration, amount of food needed, and the cost of the food. These documents also have sections that discuss, for example, related actions of the country's government and other entities; WFP's assistance objectives and strategy response; WFP's implementing partners; WFP's performance monitoring methodology, risk assessment, and contingency planning; and security considerations related to operating in the environment.

- WFP country offices prepare standard project reports to inform stakeholders about the use of resources for a given project and the results obtained during the reporting year.[56]

[54] According to WFP, stakeholders may include implementing partners, host governments, nongovernmental organizations, UN agencies, contractors, and suppliers. Other stakeholders may include the media, beneficiaries, and internal entities, such as a WFP regional bureau, a headquarters division, or a neighboring country office.

[55] The Executive Director has the authority to approve protracted relief and recovery operations with food values of $20 million or less and must inform the Executive Board of the approval. The board must approve protracted relief and recovery operations with food values in excess of $20 million.

[56] Standard project reports are prepared for emergency operations, protracted relief and recovery operations, development operations, and special operations but are not prepared for bilateral projects. WFP considers a contribution to be bilateral if the donor directs that it be used to support a project or operation that is not initiated by WFP.

- WFP's logistics unit provides annual reports to the Executive Board on losses of food assistance after delivery at the port-of-entry, based primarily on data entered in COMPAS and WINGS II by the country offices. The country offices are responsible for quantifying losses during internal transport arranged by the country offices or regional bureaus as well as losses during post-delivery storage that is arranged and paid for by WFP.

- WFP routinely distributes updates on its operations in the Horn of Africa,[57] as well as separate monthly updates on its operations in Somalia, to its member states and partner organizations, including those within the UN system. These documents inform stakeholders about WFP activities in these areas and cover, among other things, the conditions of the areas, the beneficiaries WFP intends to assist, and information on resources or funding, as well as, in the case of Somalia updates, data on distribution sites monitored. According to a WFP official, WFP started distributing these updates in August 2011, following the declaration of famine in Somalia.

WFP Management Has Recently Improved Its Communication with the Executive Board

Some of WFP's Executive Board members informed us that WFP management improved its communications with the board after lapses in communication during the time of the Somalia allegations. For example, in February 2011, WFP management initiated informal quarterly operational briefings with Executive Board members.[58] According to staff at the U.S. Mission to the UN Agencies in Rome, WFP held four operational briefings in 2011, holding its first briefing after the WFP Executive Board's initial session that year. In June 2012, the U.S. Mission to the UN Agencies in Rome staff told us that they had received two such briefings since January and that a third is planned for September. In addition, WFP stated that it had conducted three seminars in Nairobi with key stakeholders, including board members, WFP field staff, and implementing partners, in June 2011 to examine the risks faced and potential solutions in Somalia. Further, in September 2011, according to staff at the U.S. Mission to the UN Agencies in Rome, WFP briefed the Executive Board on the outcome of the Nairobi workshops. One board member informed us that the discussions in Nairobi were much more

[57]The Horn of Africa updates cover Djibouti, Ethiopia, Kenya, Somalia, and Uganda.

[58]World Food Program, *Update on the Implementation of the External Auditor Recommendations on WFP's Operations in Somalia*, WFP/EB.A/2011/6-I (Rome, Italy: 2011).

productive than the usual board meeting discussions. Also, board members told us that WFP informed the board in advance about an investigation of an implementing partner in Mogadishu, Somalia.

WFP also developed a process for staff at the country level to follow in communicating information about risks to WFP management. This process is currently effected through normal management channels and includes the escalation of information about events from the country office level, to the regional bureau, to the chief operating officer, and finally to the executive management council. In addition, WFP developed procedures for its staff to follow in response to a suspected case of diversion or wrongdoing. However, neither the new process nor procedures include clear criteria as to when issues should be escalated to the board. According to WFP, the circumstances will dictate the criteria for escalation to the Executive Board.

Monitoring: WFP Has Developed Guidance for Field Monitoring of Food Assistance but Does Not Call for Risk-Based Monitoring

WFP has developed detailed policies to help WFP monitors conduct field monitoring as laid out by country offices' monitoring plans. However, although WFP's External Auditor recommended risk profiling as a basis for focused monitoring, WFP's organization-wide monitoring guidance does not provide clear instructions to monitor distribution sites based on risk, including risks to WFP's ability to distribute food to intended beneficiaries.

Monitoring

According to COSO, monitoring is the means of assessing the quality of an internal control system's performance over time to ensure that internal controls continue to operate effectively. This is accomplished through ongoing monitoring activities, separate reviews, or a combination of the two.

Source: COSO, "Internal Control—Integrated Framework" (1992).

WFP Has Developed Detailed Policies for Field Monitoring

WFP has developed detailed guidelines and policies that provide guidance to WFP staff and monitors on their roles and responsibilities in designing and implementing field monitoring of WFP operations. Detailed organization-wide guidance for monitors is available in WFP's Monitoring and Evaluation Guidelines and in WFP's Program Guidance Manual, which includes guidance for conducting food distribution monitoring and post-distribution monitoring for emergency operations and relief activities. In line with COSO's monitoring standards, WFP's Monitoring and Evaluation Guidelines states that all WFP's operations should be regularly and systematically monitored and evaluated and that emergency operations must immediately put in place a system for food distribution

monitoring so that reliable information is available on who is being fed and how much food they are receiving.[59] According to COSO, monitoring should include the existence of mechanisms for capturing and reporting identified internal control deficiencies. In line with COSO, WFP guidance instructs monitors to follow-up on any problems from prior distributions, crosscheck data, and notify their supervisor of any discrepancies noted during the collection of monitoring data.

Source: GAO.

- During **distribution monitoring**, monitors observe the distribution process, check the records of the food being distributed, assess the efficiency of the process, and gather information from implementing partners and beneficiaries.
- **Post-distribution monitoring** is carried out a few days or weeks after the date of food distribution through interviews with selected beneficiaries. Monitors ask about the quantity of food received as well as utilization and satisfaction with food aid and protection before, during, and after distribution.

WFP's monitoring and evaluation guidance provides instructions for collecting field data, including discussions of sampling options, methods for choosing beneficiaries to interview, and instructions on collecting and processing qualitative data. In addition, WFP has developed numerous forms for food aid monitors to conduct on-site food distribution monitoring and post-distribution monitoring. WFP's job profile for its monitors states that they are responsible for conducting continuous monitoring and reporting of food assistance, identifying potential problems, and periodically monitoring risk management and report on any actions taken.

According to COSO, monitoring includes communications from external parties to corroborate internally generated information or to indicate problems. COSO also states that effective monitoring includes following up on corrective action where necessary. WFP guidelines reflect the COSO guidance by stating that WFP should work together with implementing partners to crosscheck monitoring findings, ensure that corrective action is taken when required, and assess the reliability and accuracy of partners' monitoring reports.

Our review of WFP's monitoring guidelines indicates that WFP country offices develop their countries' monitoring plans and goals, including determining the number of sites to monitor and the frequency of monitoring. WFP guidelines state that country offices are responsible for monitoring and reporting on the progress, performance, and achievements of operations and programs as well as the handling and use of WFP-supplied commodities. WFP guidance also states that the amount of monitoring required depends on the distribution system

[59]WFP's Monitoring and Evaluation Guidelines states that the main components of a monitoring and evaluation strategy are (1) a logical framework; (2) a monitoring and evaluation plan for data collection and analysis; (3) reporting flows and formats; (4) a feedback and review plan; (5) a capacity building design; (6) an implementation schedule; and (7) a budget.

adopted, the quantity of food being distributed, and the level of access to the distribution site.

WFP's Monitoring Guidance Does Not Call for Risk-Based Monitoring Recommended by External Auditor

WFP officials in Rome, Ethiopia, Kenya, and Somalia told us that country offices often focus their monitoring efforts on areas with a history of implementation and security problems.[60] However, WFP's organization-wide monitoring guidance does not provide clear instructions or guidelines stating that monitoring of warehouses and distribution sites should be based on risk, including risks to WFP's ability to distribute food to intended beneficiaries. In 2006, the External Auditor recommended that WFP use statistical sampling approaches based on risk profiling and informed by implementing partner records, beneficiary concerns, and prior history, as a basis for focusing its monitoring resources.[61] According to COSO, an effective approach to monitoring includes designing and executing monitoring procedures that are prioritized based on risks to achieving organizational objectives.

WFP's organization-wide field monitoring guidance instructs monitors to follow up on issues based on prior field monitoring findings and also notes that risks, along with resources, budget and other factors should be captured in monitoring and evaluation plans.[62] However, the guidance does not clearly instruct WFP staff and field monitors to consider risk as a key factor when determining the level of monitoring needed at warehouses and distribution sites. In addition, the guidance does not include instructions for tailoring monitoring based on the types of risk identified, including contextual risks, such as armed conflict, and institutional risks that could affect WFP's reputation. For example, WFP's organization-wide monitoring guidance does not address alternative approaches to ensuring monitoring of food assistance distribution sites in high-risk areas where the UN Department of Safety and Security (UNDSS) has restricted WFP staff's access. Without specific guidance

[60]WFP officials told us that they also consider including risk, context of operations, capacities of implementing partners, geographical spread, and resources when determining the level of monitoring.

[61]United Kingdom National Audit Office, *World Food Programme: Review of the Arrangements for Reporting Post Delivery Food Losses to the Executive Board*, WFP/EB.1/2006/6-B/1 (2006).

[62]WFP's guidance for monitoring the performance of its programs also instructs staff and monitors to document the type of risks that could affect the achievement of a program's goals and outcomes.

that monitoring should be risk-based, WFP staff lack appropriate instructions to develop monitoring plans for those areas that are most vulnerable to waste, fraud, and abuse.

Security Restrictions and Limited Internal Controls Weaken Assurance of Food Delivery and Accurate Loss Reporting for Selected High-Risk Areas

In the areas of Ethiopia, Kenya, and Somalia that we selected for our review, WFP has implemented procedures for tracking food from port-of-entry to beneficiaries, but security restrictions and limited internal controls in these areas weaken WFP's ability to track food delivered to implementing partners. Further, although WFP has taken steps to improve monitoring, security restrictions, a limited number of monitors, and logistical challenges constrain its monitoring in these countries, hampering WFP's ability to identify problems with food distribution. WFP has reported low rates of food assistance losses, but we found potential weaknesses in its collection of loss data after food is handed over to WFP's implementing partners for distribution to beneficiaries. Moreover, no external evaluation of WFP's food assistance loss data has been conducted since 2006.

WFP Has Implemented Tracking Procedures but Has Limited Ability to Track Food in Custody of Implementing Partners in Selected Areas

Our review of WFP operations in selected areas of Ethiopia, Kenya, and Somalia showed that WFP has implemented procedures designed to prevent loss of food in its custody.[63] However, limited access and lack of timely reporting by some implementing partners in these areas weaken WFP's ability to track food in implementing partners' custody.

[63]We reviewed various documents for Ethiopia, Kenya, and Somalia that reflect controls that WFP has implemented while tracking the food commodity from these countries' ports of entry to the intended beneficiaries for the period of January to June 2011. In this report, we use the term "selected areas" to include the sites we visited in our case study countries, the areas covered in the documents we reviewed, the areas covered in interviews we conducted in our selected countries, and other reviews related to internal controls in our case study countries that we determined were appropriate for our researchable objectives. The areas we selected for review, like the countries we visited, are not generalizable to all areas in the selected countries or to the broader universe of WFP programs and operations.

WFP Has Implemented Procedures to Prevent Loss of Food in Its Custody in Selected Areas of Ethiopia, Kenya, and Somalia

Our review of available documents for selected areas of Ethiopia, Kenya, and Somalia, as well as our visits to sites in Ethiopia and Kenya, found that WFP has implemented procedures for receiving food at the port-of-entry, procuring transporters, and storing food in WFP warehouses.[64] For example:

- **Port-of-entry.** We reviewed signed superintendence reports for Ethiopia, Kenya and Somalia. Each report included description of food commodities received at the port, the quantity received, and the shipping instruction number.[65]

- **Transport.** We reviewed signed requests for quotations from transporters in all three countries. We also reviewed samples of waybills for Ethiopia, Kenya, and Somalia that had been completed, signed by the dispatching and receiving warehouse storekeepers and the transporter, and stamped, per WFP policy.

- **Warehouses.** We visited three WFP warehouses—one in Ethiopia and two in Kenya. As required by WFP policy, the warehouses had fences surrounding the buildings and appeared solid and stable; the warehouses' interiors appeared organized and were arranged to allow access to the stored commodities; and the commodities were stacked on raised platforms, with spacing between the top of the stacks and the roof. For all three countries, we viewed food release notes, reflecting requests for food that the countries' WFP program unit had made to the logistics unit prior to the food's release from WFP warehouses.[66] WFP staff in Ethiopia, Kenya, and Somalia informed us that they reconcile data from WFP physical inventories against data in COMPAS. In Ethiopia, we observed WFP staff had reconciled physical inventory counts at given dates against food amounts that had been recorded in COMPAS, with explanations for any noted

[64]Because of logistical issues and security concerns, we were not able to visit sites in Somalia.

[65]The shipping instruction number identifies a consignment and is one of the keys to tracking and pipeline management.

[66]Instead of using food release notes, WFP Ethiopia uses document request forms to submit food requests. According to WFP, food release notes and document requests serve the same purpose.

variations.[67] In Kenya, staff at WFP's East and Central Africa Regional Bureau told us that WFP country office staff also complete monthly minimum closure reports, which the regional bureau staff use to verify that country offices have reconciled physical inventory counts against data in COMPAS. Further, staff at a WFP Ethiopia field office confirmed that they have segregated the duties of staff who have access to COMPAS. According to WFP, this practice is intended to maintain the integrity of the data recorded in COMPAS. For example, the head of logistics for the WFP Ethiopia office can access COMPAS to view and verify data recorded by field office staff but cannot edit or add to their inputs.

Figure 5: WFP Warehouse in Ethiopia

Source: GAO.

Implementing Partners in Selected Areas of Ethiopia and Kenya Have Implemented Controls to Track Food in Their Custody

We visited a food distribution site at a refugee camp in Ethiopia and two distribution sites in villages in Kenya. We also observed an implementing partner's implementation of controls during a food distribution at one of the sites in Kenya.[68]

[67]We observed the reconciliation of physical inventory counts against data in COMPAS only in Ethiopia.

[68]We did not visit sites where WFP distributed the food directly to the beneficiaries.

- **Ethiopia.** At the food distribution site in Ethiopia, WFP's implementing partner, the Ethiopian government, told us that every refugee household must have a ration card to receive food.[69] We were also told that before each distribution, members of a relief committee—four WFP beneficiaries—verify that the materials used to measure rations are accurate and that the distribution process is conducted properly. The implementing partner said that representatives of the implementing partner performed distribution and post-distribution monitoring. In addition, members of the relief committee told us that the implementing partner's staff observes the food distribution process, and that the relief committee monitors the process and reports its findings to the implementing partner. Another third party, the UN High Commissioner for Refugees (UNHCR), also assists at the refugee camps.[70] Despite these controls, WFP has noted weaknesses in the Ethiopian government's capacity to accurately account for, store, distribute, and report on food commodities in its care.[71]

[69]According to a UNHCR representative, ration cards identify refugees and family members eligible to receive rations. Ration cards are marked at the time of food distribution, allowing implementing partners to verify that cardholders received their rations for the distribution cycle.

[70]According to a 2012 WFP report, in Ethiopia, UNHCR's chief responsibilities include supporting the Ethiopian government with financial resources for the determination of refugee status and registration processes and providing refugees with non-food items, such as cooking utensils, blankets and soap, and complementary foods, to improve the usability of the main food commodities that WFP provides. World Food Program, *Summary Report of the Joint UNHCR/WFP Impact Evaluation on the Contribution of Food Assistance to Durable Solutions in Protracted Refugee Situations—Ethiopia*, WFP/EB.1/2012/6-E (2012).

[71]WFP has made efforts to strengthen the Ethiopian government's capacity in food commodity management through training and the development of a separate commodity tracking database.

Figure 6: Distribution of WFP Food Assistance in Kenya

Source: GAO.

- **Kenya.** At one of the distribution sites in Kenya, we observed a food distribution administered by a nongovernmental organization. We also observed a relief committee monitoring the distribution process. Further, we observed that the implementing partner's staff at the Kenya site organized the beneficiaries by family size, checking off beneficiaries from the beneficiary list as they received the ration, and that the implementing partner's monitors were present for the distribution. In addition, beneficiaries told us that WFP monitors are normally present at the implementing partner's distributions. According to WFP, the distribution we observed was 2 weeks late owing to land transport problems. At other distribution sites in Kenya, a 2011 WFP Office of Evaluation report on Kenya noted that some food distributions had frequently been missed in part because of logistical challenges.[72] The evaluation noted that one implementing partner reported that it had not delivered 10 of the past 15

[72]World Food Program Office of Evaluation, *Summary Evaluation Report-Kenya Country Portfolio*, WFP/EB.2/2011/6-D (2011).

distributions. The evaluation did not note whether the undistributed food was accounted for or held until the next distribution round.

Limited Access and Lack of Timely Reporting Weaken WFP's Ability to Track Food in Implementing Partners' Custody

WFP staff in Ethiopia told us that they inspect the implementing partners' warehouses to mitigate the lack of tracking through COMPAS of food delivered to implementing partners. They also said that they perform reconciliations of data in implementing partners' monthly and quarterly distribution reports against data in COMPAS, as required by WFP's Transport Manual. However, these efforts are constrained by limited WFP access as well as by a lack of timely reporting by implementing partners.

- **Limited WFP access.** According to WFP staff, security restrictions imposed by UNDSS limit WFP's access to some areas and thus, in some cases, limit WFP's ability to inspect implementing partners' warehouses and verify their reporting. For example, WFP Ethiopia told us that because of UNDSS security restrictions, WFP staff have not had access since May 2011 to six districts in the Somali region of Ethiopia, where about 7,500 metric tons of WFP food commodities were distributed in 2011.[73] According to WFP Ethiopia, one WFP staff was killed, one was injured, and two were taken hostage during an attack on WFP staff in this region in 2011. In addition, WFP Somalia staff told us that because of delays in finalizing a monitoring contract with a third party, there was limited WFP monitoring of implementing partners' warehouses or distribution sites in Mogadishu for several months in late 2011. According to WFP Somalia, in December 2011, two WFP staff were murdered in central Somalia after they discovered the use of inflated beneficiary distribution lists.

- **Lack of timely reporting by implementing partners.** Some implementing partners in Ethiopia, Kenya, and Somalia do not submit their monthly distribution reports on a timely basis, according to WFP. To address this problem, WFP Somalia has developed standard operating procedures that outline steps that WFP staff in Somalia should take if implementation partners do not provide their distribution reports on time. WFP staff in Somalia also told us that in 2010 they distributed a warning letter to implementing partners stating that WFP will withhold payments if reports are late for 3 months or more. Further, WFP's External Auditor stated that receiving timely monthly

[73]According to WFP, in January 2012 UNDSS classified a 7th district in the Somali region of Ethiopia as inaccessible to WFP and other UN staff.

distribution reports from implementing partners has historically been a challenge for WFP. In 2012, the WFP's External Auditor reported that of a sample of 68 implementing partners, 27 (40 percent) had not submitted their monthly distribution reports at all, and as a result WFP had to estimate the figures for undistributed food.[74] The External Auditor recommended that WFP streamline the procedure for collecting timely distribution reports from implementing partners and enhance the quality of its reconciliation of data on food undistributed by the partners. WFP agreed with this recommendation and stated that it will seek to ensure that monthly distribution reports are submitted promptly and reconciled with WFP data.[75]

WFP Has Taken Steps to Strengthen Monitoring, but Limited Coverage in Some Areas Weakens Ability to Identify Problems with Food Distribution

WFP has made efforts to increase field monitoring in Somalia and reported that field monitoring findings inform its programming in Ethiopia, Kenya, and Somalia. Despite these efforts, security restrictions and limited resources constrain field monitoring in some high-risk areas, limiting WFP's ability to identify problems with food distribution. Furthermore, WFP and its External Auditor have identified weaknesses with WFP's field monitoring.

WFP Has Made Efforts to Increase Monitoring in Somalia

In the past 2 years, WFP has made efforts to increase its monitoring of food distributions in Somalia. WFP monitoring and evaluation guidelines state that all WFP operations should be regularly and systematically monitored and evaluated. From 2009 to early 2011, the UN Monitoring Group on Somalia, WFP's Inspector General, and WFP's External Auditor all investigated the allegations of food diversion in Somalia and reported control weaknesses.[76] According to WFP, security restrictions prevented WFP from conducting field monitoring of general food distribution in Mogadishu in 2010. As a result, all WFP monitoring activities in the city that year consisted of "alternative monitoring," which generally involved contacting stakeholders, such as implementing partners and

[74]World Food Program, *Audited Annual Accounts, 2011*, WFP/EB.A/2012/6-A/1 (2012).

[75]World Food Program, *Report on the Implementation of the External Auditor Recommendations*, WFP/EB.A/2012/6-H/1 (2012).

[76]World Food Program's Inspector General Office, Office of Inspections and Investigations, *Investigations of Allegations of Food Diversions in Somalia*; UN Monitoring Group on Somalia, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 1853;* Comptroller and Auditor General of India, *External Audit Report: World Food Programme's Somalia Operations*.

beneficiaries, via telephone to inquire whether distributions had occurred as planned.

In late 2010, WFP began contracting with third-party monitors[77] in Somalia to increase its monitoring coverage in areas that are inaccessible to WFP staff and monitors because of UNDSS security restrictions.[78] In August 2012, WFP told us that a total of 25 third-party monitors were working in three areas in Somalia—10 in Mogadishu, 10 in Central Somalia, and 5 in the southern border areas. WFP stated that in Mogadishu, third-party monitors conduct most of WFP's monitoring because of the security risks in the city. WFP noted that 47 percent of its distribution sites in Mogadishu were monitored in January 2012, compared with no field monitoring of distribution sites in Mogadishu in 2010. In areas that are inaccessible to WFP and third-party monitors because of remoteness or security risks, WFP staff in Somalia continue to telephone key stakeholders, including beneficiaries and implementing partners, to verify that distributions took place as planned, according to WFP. However, according to a 2011 report by WFP's External Auditor, this form of alternative monitoring may not always be reliable.[79] For example, the External Auditor stated that the WFP's Somalia country office certified through telephone monitoring that WFP food assistance had been delivered to a site in Somalia for 2 months in 2009, but food was not provided to beneficiaries at this site during that time period. (See fig. 9 in app. III for more information on investigations of the Somalia allegations and the challenges WFP faces in that country).

Since July 2010, WFP Somalia has also maintained a beneficiary telephone hotline, which allows beneficiaries of WFP food assistance to provide anonymous feedback on WFP's operations, monitors, and

[77]Third-party monitors are generally local staff hired by private firms rather than by WFP, the recipient government, or implementing partners. According to WFP, its third-party monitors must have the same qualifications and receive the same training as WFP monitors. Because WFP began using third-party monitors relatively recently and provided limited documentation on its use of third party monitors, we were unable to assess the effectiveness and qualifications of these monitors or to verify the type of training they received.

[78]WFP has also used third-party monitors in Afghanistan since 2007 and in Pakistan since 2009.

[79]Comptroller and Auditor General of India, *External Audit Report: World Food Programme's Somalia Operations*, WFP/EB.1/2011/5-B/1 (2011).

implementing partners.[80] According to WFP, as of August 2012, the hotline had received a total of only 48 calls, more than half of them requests to become beneficiaries or complaints that rations were smaller than expected. WFP officials in Somalia attributed the low number of calls to the fact that the hotline number is not posted at all distribution sites and is not Somalia based, causing beneficiaries concern about the cost of calling an international number. WFP officials in Somalia said that, because the hotline has not been as effective as they envisioned, they plan to introduce a Somalia-based number and initiate a more systematic approach to informing beneficiaries about the hotline.

WFP Reports That Field Monitoring Findings Inform Programming in Ethiopia, Kenya, and Somalia

Field monitoring findings are used to inform WFP programming in Ethiopia, Kenya, and Somalia, according to WFP officials. WFP's monitoring and evaluation guidelines describe monitoring as a continuing function that uses systematic data collection to inform management of food aid programs' progress and results. WFP staff in Ethiopia, Kenya, and Somalia told us that field monitors' findings are captured in a narrative monthly report that is sent to the WFP country office and that these findings are used to inform programming. For example, WFP staff in Ethiopia told us that they increased refugees' wheat rations by 20 percent in response to monitors' findings that the additional amount was needed to cover milling costs and milling losses. In addition to ensuring that it received the monthly reports on field monitors' findings, WFP also set up a countrywide system in Somalia to consolidate, track, and report on monitoring findings and the follow-up status for WFP operations through a Somalia-specific monitoring database and a monthly monitoring and evaluation report. As recommended by the External Auditor in 2011,[81] this report includes analysis of any significant variations between distribution monitoring and post-distribution monitoring.[82] According to WFP, the Somalia country office uses the monitoring findings and results captured in the Somalia-specific database and report to develop each

[80]WFP has also established a beneficiary hotline for operations in Afghanistan and Pakistan.

[81]Comptroller and Auditor General of India, *External Audit Report: World Food Programme's Somalia Operations,* WFP/EB.1/2011/5-B/1 (2011).

[82]Because WFP provided us with a single Somalia monitoring and evaluation report, from March 2011, we were able to verify the content of only that report.

month's monitoring plan and send field missions to further investigate program issues.[83]

Several Challenges Constrain Field Monitoring in High-Risk Areas, Limiting WFP's Ability to Identify Problems with Food Distribution

Several factors—security restrictions limiting access to some high-risk areas, limited numbers of monitors to cover all distribution sites, and logistical challenges affecting field monitoring—constrain WFP's ability to identify problems with food distribution in selected areas of Ethiopia, Kenya, and Somalia.

Security Restrictions

UNDSS security restrictions, which limit WFP's access to some high-risk areas in Ethiopia, Kenya, and Somalia, constrain WFP's monitoring of these areas, according to WFP. COSO states that monitoring procedures should be prioritized based on risks that could affect an organization's ability to achieve its objectives. Because of its restricted access to some high-risk distribution sites, WFP is unable to prioritize monitoring for these sites despite the risks.

- **Ethiopia.** Since May 2011, WFP has reported being unable to conduct any field monitoring in six districts in the Somali region in eastern Ethiopia because of UNDSS security restrictions.[84] In addition, according to WFP, it has not provided for third-party monitoring in these districts. WFP reported that it provided 193,565 metric tons of food to almost 2.4 million beneficiaries at 869 distribution sites and five refugee camps in Somali throughout 2011. The Ethiopian government, as WFP's implementing partner, distributes all food assistance for WFP's refugee and relief programs in Ethiopia. According to WFP's monitoring plan for Ethiopia, WFP aims to monitor 100 percent of distribution sites in the Somali region; however, it is currently not possible for WFP staff to access some sites owing to UNDSS restrictions. USAID, WFP, and UNHCR have reported on a lack of WFP monitoring coverage in some parts of the Somali Region in Ethiopia. For example, a June 2011 USAID monitoring report on two Somali refugee camps found that WFP was

[83]WFP Somalia has also created standard operating procedures to determine how the results of monitoring should be used, as recommended by WFP's External Auditor in its 2011 report on Somalia.

[84]UNDSS classified an additional district in this region as inaccessible in January 2012.

not conducting proper post-distribution monitoring.[85] Another 2011 USAID document stated that food assistance may have been distributed or sold to people who were not intended beneficiaries. According to a 2010 joint WFP, UNHCR, and Ethiopian government report, some refugee beneficiaries claimed that they did not receive the full amount of their food rations when WFP was not present to observe food distributions carried out by the Ethiopian government in the Somali region.[86]

- **Kenya.** A USAID document from August 2011 notes that WFP does not conduct post-distribution monitoring in a limited number of districts in northeastern Turkana, Kenya, because of security issues. In February 2012, WFP officials in Kenya told us that they rely on their implementing partner to monitor WFP programs in Mandera, Kenya, owing to security risks in that area. Further, in May 2012, WFP reported that because of security risks at the Dadaab Refugee Camp in Kenya, WFP's post-distribution monitoring at that site would be limited.[87]

- **Somalia**. According to WFP, security risks have limited its ability to monitor distribution sites. For example, WFP reported that it achieved monitoring coverage of 58 percent of about 100 distribution sites in Mogadishu in February 2012. However, according to WFP, only 3 percent of these distribution sites were monitored in November and December 2011, owing to security risks and delays in securing a contract with a third-party monitoring firm.[88] WFP reported that it provided, through implementing partners, more than 3,500 metric tons of food to more than 350,000 beneficiaries in November 2011 and provided more than 5,000 metric tons of food to more than 400,000 beneficiaries in February 2012 at these distribution sites in

[85]USAID conducts monitoring visits of U.S.-funded WFP operations and summarizes these findings in a narrative document.

[86]World Food Program, United Nations High Commissioner for Refugees, and Ethiopian Government Administration for Refugee and Returnee Affairs, *Ethiopia 2010, Joint Assessment Mission: Major Findings and Recommendations* (2010).

[87]World Food Program, *Horn of Africa Crisis, No. 33*. (2012).

[88]Although WFP did not provide monitoring data for Mogadishu for October 2011, WFP officials in Somalia told us that limited monitoring was conducted in Mogadishu during that month.

Mogadishu.[89] In addition, WFP reported that only 6 percent of the border areas in Somalia were monitored in February 2012, owing to security risks in the area.

Limited Number of Monitors to Cover All Sites

WFP reported having a limited number of monitors to cover all distribution sites in Ethiopia, Kenya, and Somalia. According to WFP, it does not have the resources to monitor all distribution sites every month and therefore must determine how best to allocate these resources. WFP reports that on a monthly basis, 81 WFP monitors cover more than 3,000 distribution sites in Ethiopia; 49 WFP monitors cover more than 2,500 distribution sites in Kenya;[90] and 64 WFP and third-party monitors cover more than 1,200 distribution sites in Somalia. In 2012, the UN Monitoring Group on Somalia reported that when monitors were not present during some food distributions in Mogadishu, local officials or other individuals controlling access to food assistance often required beneficiaries to sell the food back to them for a fraction of its value.[91] According to a USAID document, WFP staff in Ethiopia and one of WFP's implementing partners in Kenya, some distributions can take 5 days or more in parts of Ethiopia and Kenya, which, according to WFP, does not allow WFP monitors to be present from start to finish at these distributions. During our fieldwork in Ethiopia and Kenya, WFP beneficiaries and implementing partners told us that WFP often is not present to conduct monitoring.[92] At the Shimelba refugee camp in Ethiopia, WFP's implementing partner and beneficiaries

[89]The data on monitoring coverage, beneficiaries and metric tons are provided in the Somalia monthly updates that WFP sends to stakeholders. The most recent data on beneficiaries and metric tons provided, from the reports that we saw for Mogadishu, are for February 2012. The reports did not provide these data for December 2011 or January 2012.

[90]Only general food distributions and food-for-assets distributions take place at these sites in Kenya.

[91] UN Security Council, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 2002 (2011)*, S/2012/544 (2012).

[92]According to WFP, WFP monitors' access to some sites in Ethiopia and Kenya is limited by UNDSS security restrictions. Using its 6-point scale, UNDSS has rated the area where the Shimelba Refugee Camp is located at security level 3; Turkana, Kenya, at security level 4; and Mwingi, Kenya, at security level 2. In Turkana, we witnessed a general food distribution that occurred 2 weeks later than scheduled owing to land transport issues, according to WFP. Because of U.S. government security restrictions, we were unable to conduct any fieldwork in Somalia.

told us that more WFP monitors were needed. Moreover, NGOs operating in Somalia told us that WFP does not have a large enough presence in the country. (See tables 4 and 5 in app. III for data on monitoring in Ethiopia, Kenya, and Somalia).

Logistical Challenges

Logistical challenges make it difficult for monitors to cover many distribution sites. For example, one WFP monitor we met with at the Shimelba refugee camp in Ethiopia told us that every month he must conduct distribution and post-distribution monitoring at 19 distribution sites and one refugee camp in the Tigray region in Ethiopia, a remote area of more than 20,632 square miles—larger than the combined areas of Vermont and New Hampshire—with rough terrain. In the last 3 months of 2011, WFP reported conducting monitoring at the Shimelba refugee camp only in December. In Turkana and Shimelba, WFP staff told us that WFP's monitoring coverage is often constrained by weather conditions and poor roads, which make traveling to some distribution sites difficult and time consuming for monitors who must cover many sites.

WFP and External Auditor Have Found Field Monitoring Weaknesses

In recent years, WFP's Office of Evaluation and the External Auditor have identified weaknesses in WFP's field monitoring of its programs. Seven of 18 evaluations of WFP's country and operation programs, including evaluations covering two of our case study countries,[93] published by WFP's Office of Evaluation from 2010 to 2012 raised concerns about WFP's field monitoring. Some of these concerns included limited competency of monitors, insufficient monitoring to verify under-scooping of food rations, and inadequate monitoring of food storage to ensure adequate programming. In addition, in 2006, WFP's External Auditor reported monitoring weaknesses, including an instance when monitors had not reported some losses because they believed that WFP required monitors to report only food losses representing more than 2 percent of a total delivery.[94]

[93]Three of the 18 evaluations covered Ethiopia and Kenya.

[94]United Kingdom National Audit Office, *World Food Programme: Review of the Arrangements for Reporting Post Delivery Food Losses to the Executive Board*, WFP/EB.1/2006/6-B/1 (Rome, Italy: 2006).

WFP Has Reported Low Rates of Food Assistance Losses for Ethiopia, Kenya, and Somalia, but Its Collection of Loss Data Has Potential Weaknesses

WFP reported low rates of food assistance losses for Ethiopia, Kenya, and Somalia in 2007 through 2011. However, reports by the UN Monitoring Group and WFP's External Auditor raise questions regarding WFP's reporting of losses for Somalia in 2009. More broadly, several factors—lack of timely reporting by implementing partners, limited access to implementing partners' warehouses and distribution sites in some high-risk areas, and limited beneficiary reporting—weaken WFP's ability to assure accurate reporting of data on losses of food in implementing partners' custody. Despite donor and Executive Board concerns, no external evaluation of WFP food loss data has been conducted since a 2006 review by WFP's External Auditor. In that report, the auditor noted that inadequate reporting of losses presents not only risks to the effectiveness of WFP's aid efforts and the achievement of its objectives but also reputational risks in terms of donor confidence.

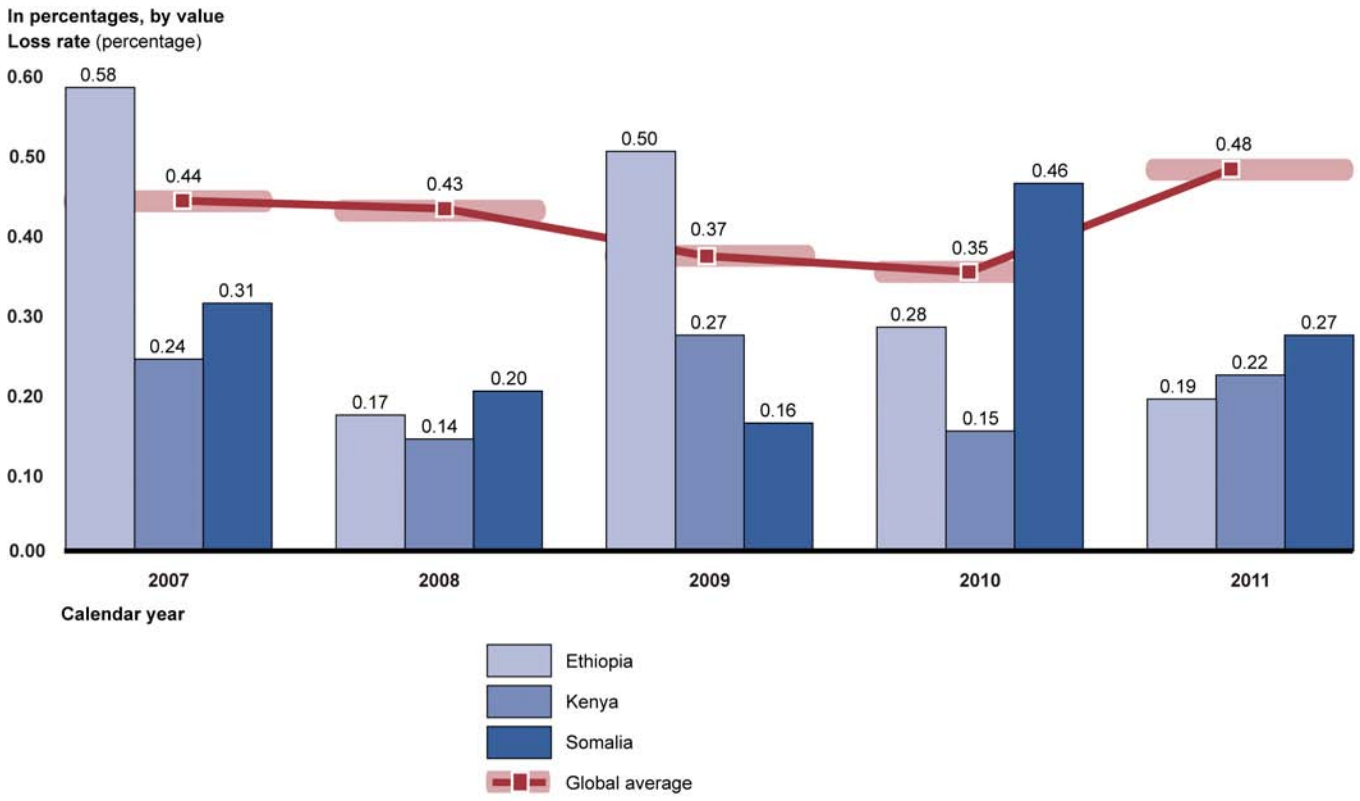
WFP Has Reported Low Loss Rates for Ethiopia, Kenya, and Somalia

For 2007 through 2011, WFP reported lower average loss rates for its operations in Ethiopia, Kenya, and Somalia than for its operations worldwide. WFP reported average loss rates of 0.30 percent for Ethiopia, 0.21 percent for Kenya, and 0.25 percent for Somalia, compared with an average loss rate of 0.41 percent for $2.5 billion of total food handled annually worldwide.[95] According to WFP, short-delivery—that is, delivery of a smaller quantity of commodities than expected—and theft were the top reasons reported for global losses, with short-delivery accounting for 27 percent and theft accounting for 20 percent of all losses.

Figure 7 compares WFP's annual reported food assistance loss rates for Ethiopia, Kenya, and Somalia with its global average loss rates for 2007 through 2011.

[95]We compiled data on WFP's food assistance losses from its 2007-2011 annual reports on food assistance losses and used these data to calculate summary statistics.

Figure 7: WFP's Reported Food Assistance Losses in Ethiopia, Kenya, and Somalia and Worldwide, 2007-2011



Source: GAO analysis of WFP's 2007-2011 annual reports on food assistance losses.

External Oversight Reports Raise Questions about WFP's Reported Food Assistance Losses for Somalia in 2009

Reports by the UN Monitoring Group and WFP's External Auditor raise questions regarding WFP's reported food assistance losses in Somalia in 2009. As figure 7 shows, WFP reported a loss rate of 0.16 percent of the value of WFP food assistance handled in Somalia in 2009—the lowest rate that WFP reported for the country from 2007 through 2011. This rate reflects losses of 490.1 metric tons, valued at $239,291, from 355,760 metric tons of total food assistance, valued at $152,237,880. Further, WFP's 2009 annual report on food assistance losses shows lower loss rates for Somalia in 2009 than for 45 of the 74 countries where WFP operated that year.[96] In addition, in response to allegations in the media,[97]

[96]World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2009*, WFP/EB.A/2010/13-A/Rev.2 (2010).

a December 2009 report by the WFP Office of Inspections and Investigations did not find evidence of large-scale diversion. Instead, that report estimated that up to 10 percent of food distributed each month was sold in local markets by beneficiaries and thus was not diverted.[98] However, a report by the UN Monitoring Group on Somalia in 2010 found that large-scale diversion of WFP food assistance had occurred in Somalia in 2009.[99] For example, the report stated that in one instance, as much as approximately $4.4 million in food (significantly more than WFP's reported losses of $239,291) may have been diverted directly to a local market without first being distributed to beneficiaries.[100] Moreover, the WFP External Auditor's 2011 report on WFP operations in Somalia raised doubts regarding the Office of Inspections and Investigations report's methodology. The External Auditor concluded that food sold at local markets "may be higher than the 10 percent worked out by the Office of Inspections and Investigations" and that its own findings "do not support the [Office of Inspections and Investigations'] emphatic conclusion that food sold by the beneficiaries was the only source of food aid found in the markets."[101]

In addition, the reports by WFP's Office of Inspections and Investigations and External Auditor suggest that WFP's limited monitoring of some food distribution sites makes it difficult for the organization to ensure accurate reporting of food assistance losses. Despite its conclusion that no large-scale diversion of food assistance occurred in Somalia in 2009, the report by WFP's Office of Inspections and Investigations states that in some areas of Somalia, WFP is not in a position to directly confirm the number of beneficiaries in the various camps or to verify that food sent for the

[97]See Jonathan Rugman, "U.N. Probe after Aid Stolen from Somalia Refugees." *Channel 4 News* (UK), June 15, 2009, accessed July 24, 2012, http://www.channel4.com/news.

[98]World Food Program, Office of Inspections and Investigations, *Investigation of Allegations of Food Diversions in Somalia*, OSDI/51/09 – I 29/09 (2009).

[99]UN Security Council, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 1853 (2008)*, S/2010/91 (2010).

[100]The UN Monitoring Group on Somalia's 2012 report found that large-scale diversions of food assistance have continued in Somalia. According to the report, WFP has taken measures to investigate and address allegations of diversion, including through the use of third-party monitoring and independent audit firms. UN Security Council, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 2002 (2011)*, S/2012/544 (2012).

[101]Comptroller and Auditor General of India, *External Audit Report: World Food Programme's Somalia Operations*, WFP/EB.1/2011/5-B/1 (2011).

beneficiaries has reached them. Further, the WFP External Auditor's report states that WFP has increasingly relied on alternative approaches to monitoring in Somalia, which the report characterizes as "subject to inherent bias."

Several Factors Weaken WFP's Ability to Assure Accurate Reporting on Losses of Food in Implementing Partners' Custody

Although WFP takes steps to collect accurate loss data, several factors—limited access to implementing partners' warehouses and distribution sites in some high-risk areas, lack of timely reporting by implementing partners, and limited beneficiary reporting—weaken WFP's ability to verify implementing partners' reporting on food in their custody. According to WFP's internal control framework, WFP management and personnel must have access to relevant, reliable, and accurate information that promotes effective decision-making in line with their responsibilities. WFP's controls over food in its custody are designed to help ensure accurate loss data; for example, WFP transporters and receiving warehouse managers must both verify and sign for food received at WFP warehouses. WFP also includes analysis of losses above predetermined thresholds in its annual report on food assistance losses.[102] Because COMPAS does not track food in implementing partners' custody, WFP relies in part on data in implementing partners' monthly and quarterly distribution reports to calculate losses of food in their custody.

- **Limited WFP access.** WFP's lack of access to implementing partners' warehouses and distribution sites in some high-risk areas, such as in Somalia, limits its ability to verify implementing partners' reporting. For example, WFP reported that only 3 percent of distribution sites in Mogadishu, Somalia, were monitored in the last 2 months of 2011, owing in part to security restrictions and delays in recruiting a third-party monitoring firm. WFP also reported that it could not conduct any on-site field monitoring in Mogadishu in 2010 because of security risks. Further, although WFP encourages

[102]WFP's annual report on food assistance losses includes analysis of losses in a country if (a) the country registered food assistance losses of a single food type that represent at least two percent of the tonnage handled of that food and that have an absolute value of at least $20,000 and (b) the country registered losses of a single food type that have an absolute value greater than $100,000. In addition, the report describes measures to minimize losses, reviews factors contributing to losses in specific context and the preventive actions taken, and provides updates on issues outstanding from previous reports. For example, see World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2011*.

unannounced monitoring visits, this approach is not always feasible in Somalia, according to WFP.[103]

- **Lack of timely reporting by implementing partners.** The failure of some implementing partners to submit the required monthly food distribution reports limits WFP's ability to accurately report losses of food in the partners' custody. In 2006, WFP's External Auditor, commenting on problems with the timeliness of implementing partners' food distribution reports, recommended that WFP include in its annual food assistance loss report the value and amount of commodities in the custody of the implementing partner whose reports WFP had not yet received.[104] WFP complied with this recommendation in its 2006 report on losses during 2005[105] but has not done so in subsequent reports. The External Auditor also recommended that WFP review, with a view to adopting a single global system, the country office systems being used to monitor implementing partner reporting. WFP stated in 2006 that it will explore the most appropriate means of monitoring implementing partner reporting and adopt a single global system by 2007; however, in January 2012, WFP reported that it was continuing to review country office systems and was still in the process of adopting a single global system. In addition, in its 2012 annual report, the External Auditor noted that getting timely distribution reports from implementing partners has historically been, and remains, a challenge.[106] The External Auditor recommended that WFP streamline the procedure for collecting timely distribution reports from the implementing partners

[103]The Associated Press conducted an analysis of the results of WFP's announced and unannounced monitoring visits, as part of a broader examination of WFP's activities in Somalia. See Katharine Houreld, "AP Exclusive: How Somalia Famine Aid Went Astray," Associated Press, March 17, 2012.

[104]United Kingdom National Audit Office, *World Food Programme: Review of the Arrangements for Reporting Post Delivery Food Losses to the Executive Board*, WFP/EB.1/2006/6-B/1 (Rome, Italy: 2006).

[105]In 2006, WFP reported having distributed a total of 4,245,359 metric tons in 2005. WFP estimated that implementing partners had not submitted reports for 37,537 metric tons—0.9 percent, with an estimated value of $10.7 million—of this amount. COMPAS includes an option for marking a distribution quantity as an estimate for the last 3 months of the year if the implementing partners' reports have not yet been received.

[106]Comptroller General and Auditor General of India, *Report of the External Auditor on the Financial Statements: World Food Programme for the Year Ended December 2011*, WFP/EB.A/2012/6-A/1 (2012).

and enhance the quality of its reconciliation of data on undistributed food in the partners' custody.

- **Limited beneficiary reporting.** WFP's beneficiary hotline is intended to allow beneficiaries of WFP food assistance to report losses or short rations anonymously; however, among our case study countries, this hotline is available only in Somalia. Additionally, the hotline may not be easily accessible to all beneficiaries, because, according to WFP officials, the hotline number is not posted at all distribution sites and is not Somalia-based. WFP Somalia also told us that because the hotline has not been as effective as they envisioned, they plan to introduce a Somalia-based number and initiate a more systematic approach to informing beneficiaries about the hotline.

WFP Reported Piloting Systematic Method for Collecting Data on Losses Incurred during Distribution to Beneficiaries

WFP has piloted a method using statistical sampling to collect data on losses incurred during distribution to beneficiaries, but WFP has not systematically applied this method to other country offices. According to the 2008 WFP document describing the pilot, "existing WFP loss monitoring systems are insufficient to capture losses during the final distribution phase to beneficiaries."[107] The document indicates that although WFP tracks and quantifies food losses prior to distribution, it can only estimate, based on beneficiary receipts, losses during distribution. According to the WFP document, between 2007 and 2008 WFP piloted a random sampling methodology for food assistance losses in Zambia and Malawi. This methodology involved selecting distribution sites randomly, with larger sites more likely to be chosen; weighing and counting individual rations distributed at these sites; checking beneficiaries against a list; and checking food commodities at distribution sites against WFP records. This methodology identified differences between reported and actual numbers of beneficiaries; ration sizes; and amounts of food departing from, and returned to, the food stock. According to the 2008 WFP document describing the pilot, this approach estimated the correct magnitude of losses and can considerably increase the losses reported by WFP. However, according to WFP, it has not systematically applied

[107]World Food Program, *Information Note on the Development and Qualification of Sampling Methodology and Statistical Analysis for Measuring Post-Delivery Losses*, WFP/EB.A/2008/INF/6 (2008).

this methodology to other country offices that met criteria outlined in the 2008 document.[108]

WFP Annual Reports on Food Assistance Losses Do Not Update Prior Year Losses with More Recent Information

In its annual reports on food assistance losses, WFP does not update prior years' reported losses with the most recent information. WFP's annual food assistance loss reports list losses that are being verified and state that these losses will be followed up in future reports. However, after confirming the losses under verification, WFP does not update its loss totals in subsequent reports. For example, in its 2007 report on food assistance losses, WFP stated that it was verifying 11,000 metric tons of food assistance losses, and its 2008 report confirmed some of those losses. However, WFP's food assistance loss reports for 2010 and 2011 did not update the loss total for 2007.

WFP Has Not Engaged an External Party to Evaluate Food Loss Data in Recent Years

Despite concerns expressed by WFP donors, Executive Board members, and the External Auditors, WFP has not engaged an external party to conduct an evaluation of WFP's loss reporting since the External Auditor conducted its evaluation in 2006. According to WFP's internal control framework, independent oversight bodies may undertake periodic reviews of the effectiveness of its internal control procedures. In addition, COSO's guidance on monitoring internal control systems states that ongoing and separate evaluations enable management to determine whether certain components (including information and communication) of internal control systems continue to function over time. During our fieldwork in Rome, some donors expressed doubts regarding WFP's reported food assistance losses. Additionally, in 2005, WFP Executive Board members noted a possible contradiction between the low level of losses reported and the realities inherent in any food management system. According to the board members, even for the most organized and efficient commercial operations in developed countries, actual food losses exceed the levels reported by WFP.

[108]According to the 2008 WFP document, the methodology should be applied to country offices where there is a need to reduce distribution losses and where staffing levels are adequate. The document states that good accountability along the logistics chain, up to the final delivery warehouses, is a precondition for introducing the methodology in a country office. The document further notes that stable food supplies to each project site and a steady project environment are also necessary to obtaining statistically relevant data. See World Food Program, *Information Note on the Development and Qualification of Sampling Methodology and Statistical Analysis for Measuring Post-Delivery Losses.*

The 2006 External Auditor's report states that for effective management and minimization of losses, WFP should properly identify, investigate, and bring losses to the board's attention and that inadequate reporting of losses presents not only risks to the effectiveness of WFP's aid efforts and the achievement of its objectives, but also reputational risks in terms of donor confidence.[109] However, according to WFP, since the External Auditor published its 2006 report, no external entity has evaluated WFP's food assistance losses. As an example of a detailed evaluation of food assistance losses, in 2004, the International Food Policy Research Institute estimated that the highest food assistance loss rates by humanitarian organizations in Bangladesh occurred during the distribution to the beneficiaries and represented up to 8 percent of the total handled for the last quarter of 2002, with most of these losses resulting from short rationing during distribution to beneficiaries.[110] In contrast, WFP reported food assistance losses of 0.02 percent—$9,700 in losses of $39.3 million handled—in Bangladesh for all of 2002.

Conclusions

WFP's commitment to operate in some of the most challenging and dangerous areas of the world presents inherent risks to its ability to assure the delivery of food assistance to intended beneficiaries. Given this context, a strong system of internal control is needed to identify the principal risks to the achievement of WFP's objectives, to evaluate the nature and extent of those risks, and to manage them effectively. The design of WFP's internal controls related to delivering and monitoring food assistance generally reflects COSO principles for internal control, but weaknesses in some of these controls affect WFP's ability to manage the risks inherent to WFP operations. For example, to the extent that it has not fully utilized the WFP Audit Committee, the Executive Board lacks the committee's assistance in overseeing internal controls and risk management throughout the organization. In addition, staff lack

[109]United Kingdom National Audit Office, *World Food Programme: Review of the Arrangements for Reporting Post Delivery Food Losses to the Executive Board*.

[110]The report, which the International Food Policy Research Institute produced under contract with WFP, also included a detailed description of the food distribution system in Bangladesh, identified problems throughout the system, and made recommendations on how to solve these problems and minimize food assistance losses. See Akhter U. Ahmed, Shahidur Rashid, Manohar Sharma, and Sajjad Zohir, *Food Aid Distribution in Bangladesh: Leakage and Operational Performance*, FCND Discussion Paper No. 173 (Washington, D.C.: International Food Policy Research Institute, 2004).

instructions on operationalizing elements of risk management in areas most vulnerable to fraud, waste, and abuse. Further, without a written policy stating that monitoring should be based on risk, as recommended by WFP's External Auditor, WFP country offices may not focus their limited staff resources to ensure regular monitoring of all high-risk distribution sites, increasing the possibility of the diversion of food from intended beneficiaries.

In the areas of Ethiopia, Kenya, and Somalia that we selected for our review, WFP has implemented procedures for tracking food delivery and has made efforts to improve monitoring of food distribution in Somalia. However, weaknesses in its tracking of food assistance in implementing partners' custody, as well as UN security restrictions on WFP monitoring staff's access to high-risk areas such as Mogadishu, Somalia, limit its ability to verify that implementing partners distribute food assistance to intended beneficiaries and to accurately report any food assistance losses. Without reliable data on food assistance distributions and losses, WFP has limited ability to provide accurate reporting on its operations and to avoid reputational risks that could affect its credibility with its stakeholders and donors and compromise its humanitarian mission of providing food assistance to those who depend on it.

Recommendations for Executive Action

To strengthen WFP's ability to manage the risks inherent to operating in high-risk areas such as Somalia, we are making the following five recommendations.

We recommend that the Secretary of State work with WFP's Executive Board to

- develop a plan for more fully utilizing the WFP Audit Committee to assist the board in monitoring the effectiveness of WFP's risk management and internal control processes.

We also recommend that the Secretary of State work through WFP's Executive Board to ensure that WFP management

- provides comprehensive risk management guidance addressing key elements of the risk management process, such as identifying, assessing, and responding to risks;
- revises WFP's monitoring guidance to specify that field monitoring activities should be risk based;

- provides organization-wide guidance for addressing monitoring deficiencies in areas inaccessible to WFP monitors because of security restrictions; and
- requires periodic external evaluations to assess and improve the reliability of data on food assistance losses.

Agency Comments and Our Evaluation

We requested and received comments on a draft of this report from WFP and the Secretary of State. Both WFP and State—responding for itself, USAID, and the Department of Agriculture—provided written comments, which are reproduced in appendixes IV and V, respectively. In addition, State, WFP, USAID, and the U.S. Mission to the UN Agencies in Rome provided technical comments, which we incorporated in the report as appropriate.

In their written comments, both WFP and State agreed with our recommendations. WFP noted that strengthening its overall internal control framework and enterprise risk management will remain a priority. WFP also noted that it is currently addressing a number of the points raised in our report, as part of the overall organization-strengthening effort it launched in April. According to WFP, this effort includes a set of improvements to organization-wide monitoring and reporting, with an emphasis on putting in place a system that is succinct, resourced, and implementable at field level. WFP further noted that it will continue to consult with its member states, through its Executive Board, as it pursues further actions to ensure that its food assistance reaches intended beneficiaries in both high-risk and non-high-risk environments. In its written comments, State said that it will endeavor, through appropriate mechanisms—including the WFP Executive Board, bilaterally with WFP, and with partners—to implement all of our recommendations. State noted that USAID and USDA also agree with all of our recommendations and are prepared to support State as needed.

We are sending copies of this report to appropriate congressional offices, the Secretary of State and the Administrator of USAID, and relevant agency heads. The report is also available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Office 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 VI.

Thomas Melito
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine the extent to which (1) the design of the World Food Program's (WFP) internal controls related to the delivery and monitoring of food assistance reflects the Committee of Sponsoring Organization of the Treadway Commission's (COSO) principles and (2) WFP has implemented as designed certain controls related to the delivery and monitoring of food assistance in selected high-risk areas. We focused our review primarily on WFP's food assistance management from delivery at port-of-entry to distribution to intended recipients, because of WFP's vulnerability to risks such as the alleged food diversion in Somalia during these stages of food assistance management. We did not review other processes, such as procurement, finance, and budget.

Objective 1: Examine the Extent to Which the Design of WFP's Internal Controls Related to Delivery and Monitoring of Food Assistance Reflects COSO Principles

To address our first objective, we reviewed COSO's *Internal Control—Integrated Framework*; *Enterprise Risk Management—Integrated Framework*; *Internal Control—Integrated Framework: Evaluation Tools; Enterprise Risk Management—Integrated Framework: Application Techniques;* and *Guidance on Monitoring Internal Control Systems*.[1] We also reviewed other related international principles and guidelines, including the International Organization for Standardization's (ISO) *ISO 31000—Risk Management Principles and Guidelines*[2] and the UN Joint Inspection Unit's (JIU) "*Review of Enterprise Risk Management in the UN System—Benchmarking Framework*."[3] In addition, we reviewed WFP's internal control framework, relevant WFP policies and procedures, relevant documents, and data related to internal controls.

In choosing COSO criteria, or "points of focus," for our analysis, we followed guidance in COSO's *Internal Control—Integrated Framework: Evaluation Tools*, which suggests that evaluators tailor points of focus for each component of the framework to fit the entity's facts and

[1]Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control—Integrated Framework* (1992); *Enterprise Risk Management—Integrated Framework* (2004); *Internal Control—Integrated Framework: Evaluation Tools* (1992); *Enterprise Risk Management—Integrated Framework: Application Techniques* (2004); *Guidance on Monitoring Internal Control Systems* (2009).

[2]International Organization for Standardization, *ISO 31000 Risk Management—Principles and Guidelines* (2009).

[3]Cihan Terzi and Istvan Posta, *Review of Enterprise Risk Management in the United Nations System: Benchmarking Framework*, JIU/REP/2010/4 (Geneva, Switzerland: United Nations Joint Inspection Unit, 2010).

circumstances.[4] We selected points of focus that are relevant to our scope. Further, we took into consideration any points of focus in WFP's internal control framework that are not included in COSO's framework. Where possible or appropriate, we identified documents, such as policy manuals, guidance, and circulars, that WFP has developed to address particular points of focus. Our analysis was not intended to conclude whether WFP's internal control system overall is effective.

For each of WFP's internal control components, we examined information in the following documents, comparing it with criteria or points of focus in COSO's *Internal Control—Integrated Framework* and *Internal Control—Integrated Framework: Evaluation Tools* to determine whether the design of WFP internal controls related to the delivery and monitoring of food assistance reflects COSO principles.

- **Control environment.** We reviewed a number of WFP documents including, but not limited to, sections of WFP's Financial Resource Management Manual;[5] internal control framework;[6] strategic plan for 2008 through 2013;[7] annual reports for 2010 and 2011;[8] *General Regulations, General Rules, Financial Regulations, Rules of Procedures of the Executive Board*;[9] *Accountability Guide for*

[4]The five components of WFP's internal control framework are similar to the five components of COSO's internal control framework. According to COSO's *Internal Control—Integrated Framework: Evaluation Tools*, each element has substantive "points of focus" that represent some of the more important issues relevant to the component; not all points of focus are relevant to every entity, and additional issues will be relevant to some entities.

[5]We reviewed the following sections of WFP's March 2012 Financial Resource Management Manual: section 2, "Governance"; section 3, "Internal Control"; section 4, "WFP Oversight; and section 5, "Responsibilities and Authorities."

[6]World Food Program, "Executive Director's Circular EDD2011—Internal Control Framework" (2011).

[7]World Food Program, Division of Communications and Public Policy Strategy, *WFP Strategic Plan, 2008-2013*.

[8]World Food Program, *Annual Report 2010* (2011); *The Year in Review, 2011* (2012).

[9]World Food Program, *General Regulations, General Rules, Financial Regulations, Rules of Procedures of the Executive Board* (2012).

Managers;[10] *Manager's Guide to Internal Control*;[11] *Internal Control Self-Assessment Checklists*;[12] and *Oversight Framework and Reports Disclosure Policy*.[13] To identify any findings related to the WFP control environment, we also reviewed WFP's annual audited accounts for 2008 through 2011,[14] the WFP Audit Committee's annual reports for 2011 and 2012,[15] the WFP Office of the Inspector General's annual reports for 2011 and 2012,[16] and the Food and Agriculture Organization of the United Nations (FAO) Finance Committee's 2012 report.[17] To identify points of integrity and ethical values, we reviewed the Code of Ethics for United Nations (UN) Personnel, WFP's Anti-Fraud and Anti-Corruption Policy,[18] and the UN Joint Inspection Unit's (JIU) *Ethics in the United Nations System*.[19] To review for best practices in examining the WFP Statement of Internal Control, we

[10]World Food Program, Resource Management and Accountability Department, *Accountability Guide for Managers: A Quick Reference Guide for Managers on the Responsibilities and Accountabilities within Key WFP Processes*, v. 1.0 (2011).

[11]World Food Program, Resource Management and Accountability Department, *Manager's Guide to Internal Control: WFP's Guide to Internal Control for Managers* (2011).

[12]World Food Program, Resource Management and Accountability Department, *Internal Control Self-Assessment Checklists: A tool to help managers control their business better*, v. 1.0 (2011).

[13]World Food Program, *Oversight Framework and Reports Disclosure Policy*, WFP/EB.A/2011/5-C/1 (2011).

[14] World Food Program, *Audited Annual Accounts, 2008*, WFP/EB.A/2009/6"A/1 (2009); *Audited Annual Accounts, 2009*, WFP/EB.A/2010/6‑A/1 (2010); *Audited Annual Accounts, 2010*, WFP/EB.A/2011/6‑A/1 (2011); *Audited Annual Accounts, 2011*, (WFP/EB.A/2012/6-A/1 (2012).

[15]World Food Program, *Annual Report of the Audit Committee*, WFP/EB.A/2011/6-C/1 (2011); *Annual Report of the Audit Committee*, WFP/EB.A/2012/6-D/1 (2012).

[16] World Food Program, Finance Committee, *WFP Report of the Inspector General*, FC 139/10 (2011); *Annual Report of the Inspector General*, WFP/EB.A/2012/6-E/1 (2012).

[17]United Nations Food and Agriculture Organization, *Report of the 144th Session of the Finance Committee, Rome, 11-15 June 2012* (2012).

[18]World Food Program, *WFP Anti-Fraud and Anti-Corruption Policy*, WFP/EB.2/2010/4‑C/1 (2010).

[19]United Nations Joint Inspection Unit, *Ethics in the United Nations System* (Geneva, Switzerland: 2010).

reviewed the World Bank's annual report for 2011[20] and the Inter-American Development Bank's annual report for 2011.[21] We also reviewed our 2007 report on UN oversight and accountability for historical information regarding the WFP Executive Board and Audit Committee.[22] In September 2011, we interviewed nine members of WFP's 36-member Executive Board—representatives of Cameroon, Canada, Guatemala, France, Germany, Netherlands, Sweden, United Kingdom, and the United States to the UN Food Agencies in Rome. We did not select the Executive Board members with whom we spoke; we requested a meeting with all available board members and met with those members who agreed to meet with us. In addition, we interviewed a director of the Comptroller and Auditor General of India—WFP's External Auditor—as well as the current Chairman of the WFP Audit Committee.

- **Risk management.** We reviewed a number of WFP documents, including, but not limited to, WFP's Enterprise Risk Management Policy; Financial Resource Management Manual, which includes WFP's risk management framework; Risk Management Guide;[23] internal control framework;[24] *WFP Strategic Plan, 2008-2013*; annual performance reports for 2010 and 2011; *Accountability Guide for Managers*;[25] *Manager's Guide to Internal Control*;[26] and Executive Board approval documents for protracted relief and recovery operations and emergency operations. We also reviewed WFP's annual audited accounts for 2008 through 2011, the WFP Audit Committee's annual reports for 2011 and 2012, and the Office of the

[20]World Bank, *The World Bank Annual Report 2011: Year in Review* (2011).

[21] Inter-American Development Bank, *Annual Report 2011: The Year in Review* (2012).

[22]GAO, *United Nations Organizations: Oversight and Accountability Could Be Strengthened by Further Instituting International Best Practices*, GAO-07-597 (Washington, D.C.: June 18, 2007).

[23]World Food Program, "Risk Management Guide" (2006).

[24]World Food Program, "Executive Director's Circular EDD2011—Internal Control Framework" (2011).

[25]World Food Program, Resource Management and Accountability Department, *Accountability Guide for Managers.*

[26]World Food Program, Resource Management and Accountability Department, *Manager's Guide to Internal Control.*

Inspector General's annual report for 2011 and 2012 to identify any findings related to the WFP risk management. In addition, we reviewed ISO's *ISO 31000—Risk Management Principles and Guidelines*; JIU's *Review of Enterprise Risk Management in the United Nations System—Benchmarking Framework*; and a Humanitarian Policy Group-commissioned paper, "Risk in Humanitarian Action: Towards a Common Approach?"[27] In addition, we interviewed WFP personnel regarding the risk management process. Further, we reviewed emergency and protracted relief and recovery operations documents for Ethiopia, Kenya, and Somalia to determine how risk management was covered.

- **Control activities.** We reviewed WFP's Transport Manual, Warehouse Management Handbook, and Program Guidance Manual for guidance that WFP has designed related to controls over handling of food assistance at the port-of-entry, during transportation, in WFP warehouses, during WFP distributions to beneficiaries, and in the custody of implementing partners. We also reviewed the WFP' External Auditor's report related to controls observed for WFP's COMPAS system.

- **Information and communication.** We reviewed WFP documents related to emergency operations and protracted relief and recovery operations for 2008 through 2015 for our case study countries—Ethiopia, Kenya, and Somalia. We also reviewed the corresponding standard project reports that inform stakeholders about the use of resources for a given project and the results that WFP obtained during the reporting year. In addition, we reviewed WFP updates on the Horn of Africa and separate monthly updates on WFP operations in Somalia, which it distributes to its member states and partner organizations, including those within the UN system. Further, we reviewed WFP documents showing WFP's risk management escalation process and procedures for managing potential diversion or wrong-doing of cooperating partners or transporters, which guides staff on what steps to take and whom to inform about a suspected case of diversion or wrongdoing. Last, we reviewed WFP's Transport Manual for guidance on developing food assistance loss reports, which quantify WFP losses during internal transport arranged by

[27]Victoria Metcalfe, Ellen Martin, and Sara Pantuliano, *Risk in Humanitarian Action: Towards a Common Approach?*, a report commissioned by the Overseas Development Institute's Humanitarian Policy Group, 2011.

country offices or regional bureaus and during storage, arranged and paid for by WFP. We also interviewed some members of WFP's Executive Board.

- **Monitoring.** We reviewed and analyzed WFP manuals and guidance related to field monitoring of WFP food assistance, including WFP's Monitoring and Evaluation Guidelines and Program Guidance Manual. We focused on guidance related to distribution monitoring and post-distribution monitoring, not on performance monitoring or evaluations. We compared WFP's guidance and manuals with monitoring criteria in COSO's *Internal Control—Integrated Framework*; *Internal Control—Integrated Framework: Evaluation Tools;* and *Guidance on Monitoring Internal Control Systems*. We also interviewed WFP staff in Rome, Ethiopia, Kenya, and Somalia to discuss how they develop their monitoring plans and goals. We reviewed internal and external oversight reports as well as WFP documents and reports related to the design of field monitoring.

Objective 2: Examine the Extent to Which WFP Has Implemented as Designed Certain Controls Related to Delivery and Monitoring of Food Assistance in Selected High-Risk Areas

To address our second objective, we reviewed WFP procedures to verify the implementation of WFP policies and guidelines at the organizational level and at the country level for our three case study countries—Ethiopia, Kenya, and Somalia. We selected these countries on the basis of a range of criteria, including the amount of U.S. contributions, the total amount of food assistance received, high-risk and non-high-risk environments, and logistics and budget constraints. Because WFP operates in more than 70 countries and implements many different activities in each country, our case studies are not intended for generalization to all WFP countries and operations. We focused our review on emergency operations and protracted relief and recovery operations, which represent about 80 percent of WFP's operations, and on general food distribution activities within these programs. We focused primarily on general food distribution activities because it is generally the largest program under our case study countries' operations.

For each country, we reviewed numerous documents that reflect some of the controls that WFP has implemented in selected areas. We also reviewed numerous documents for the three countries that show, for each country, the movement of a selected food commodity shipment from port-of-entry to distribution sites during the period January to June 2011. We selected these shipments after discussion with WFP.

We conducted fieldwork in Ethiopia and Kenya, selecting sites in each country after discussion with WFP; based on the shipment data we

reviewed; and according to available time, logistical constraints, and security concerns. We also selected the sites to reflect a range of UN Department of Safety and Security (UNDSS) security levels, in order to examine any similarities or differences in WFP's operations at the various security levels. We did not conduct fieldwork in Somalia, owing to logistical constraints and security concerns.

For the purposes of this report, we use the term "selected areas" to include the sites we visited in our case study countries, the areas covered in the documents we reviewed, the areas covered in interviews we conducted in our selected countries, and other reviews related to internal controls in our case study countries that we determined were appropriate for our researchable objectives. The areas we selected for review, like the countries we visited, are not generalizable to all areas in the selected countries or to the broader universe of WFP programs and operations.

- **Control activities.** To assess WFP's implementation of its policies and guidelines related to control activities, we reviewed supporting documents showing the movement of the selected shipments in each case-study country: 13,970 metric tons of wheat for Ethiopia; 2,880 metric tons of vegetable oil for Kenya; and 45 metric tons of split peas for Somalia. According to the supporting documents, all of the noted shipments were delivered to the respective countries between January and June 2011. In the field, we interviewed WFP East and Central Africa Regional Bureau staff, country staff, implementing partners, and transporters in Ethiopia and Kenya.[28] In addition, we visited WFP warehouses and an implementing partner warehouse in each country, and we visited one food distribution site in Ethiopia and two in Kenya, where we interviewed the beneficiaries. We also observed an implementing partner's use of controls during a food distribution at one of the sites in Kenya. We interviewed staff from the U.S. Agency for International Development (USAID) and Department of State (State) in Ethiopia and Kenya, as well as staff from the UN High Commissioner for Refugees (UNHCR) and the UN Office for the Coordination of Humanitarian Affairs in Ethiopia, to obtain their insights on WFP operations in the country. We also reviewed the following WFP documents: *Protracted Relief and Recovery*

[28]We visited the WFP Somalia country office located in Nairobi, Kenya.

Operation—Ethiopia 200365,[29] *Summary Report of the Joint UNHCR/WFP Impact Evaluation on the Contribution of Food Assistance to Durable Solutions in Protracted Refugee Situations—Ethiopia*;[30] a February 2012 biweekly report on Ethiopia;[31] *WFP Management Response to the Report of the External Auditor on WFP Operations in Somalia*;[32] standard operating procedures for Somalia, dated April 2010; *Summary Evaluation Report—Kenya Country Portfolio*;[33] *Audited Annual Accounts, 2011*;[34] and *Report on the Implementation of the External Auditor Recommendations*.[35]

- **Monitoring.** To assess WFP's implementation of, and challenges related to, distribution and post-distribution monitoring in Ethiopia, Kenya, and Somalia and the extent to which monitoring helps assure the delivery of food assistance to intended beneficiaries in selected high-risk environments, we reviewed numerous WFP program and monitoring documents related to WFP operations in Ethiopia, Kenya, and Somalia. Some of these documents included WFP's country monitoring plans, monitoring reports, and written responses to our questions. We also reviewed internal and external oversight and program reports for information on implementing field monitoring and related challenges. We also reviewed WFP's evaluations published from 2010 through 2012 for findings related to field monitoring. Further, we conducted interviews in Ethiopia and Kenya with WFP staff and monitors, implementing partners, USAID, UNHCR, the UN Office for the Coordination of Humanitarian Affairs, and WFP beneficiaries. We were not able to assess the data on monitoring that

[29]World Food Program, *Protracted Relief and Recovery Operation: Ethiopia 200365*, WFP/EB.1/2012/8/3 (2012).

[30]World Food Program, *Summary Report of the Joint UNHCR/WFP Impact Evaluation on the Contribution of Food Assistance to Durable Solutions in Protracted Refugee Situations—Ethiopia*, WFP/EB.1/2012/6-E (2012).

[31]World Food Program, *Ethiopia Biweekly Report No. 3 (10 February 2012)*.

[32]World Food Program, *WFP Management Response to the Report of the External Auditor on WFP Operations in Somalia*, WFP/EB.1/2011/5-B/1/Add.1 (2011).

[33]World Food Program, *Summary Evaluation Report—Kenya Country Portfolio*, WFP/EB.2/2011/6-D.

[34]World Food Program, *Audited Annual Accounts, 2011*, WFP/EB.A/2012/6-A/1 (2012).

[35]World Food Program, *Report on the Implementation of the External Auditor Recommendations*, WFP/EB.A/2012/6-H/1 (2012).

WFP staff provided to us, because we did not have full access to information about the data's sources. Therefore, we present a few examples of WFP-reported monitoring data in our report that we attribute to WFP and, for additional context, two tables of WFP's reported data in appendix III.

- **Food assistance losses.** To assess the reliability of WFP's data on losses of food assistance after arrival at ports-of-entry, we reviewed WFP's policies and procedures and other documents on food assistance losses; a 2004 International Food Policy Research Institute report on food assistance losses;[36] The WFP External Auditor's 2006 report on food assistance losses;[37] WFP's Office of Investigations and Inspections' December 2009 report on Somalia;[38] the UN Monitoring Group on Somalia's March 2010 and July 2012 reports;[39] and the WFP External Auditor's January 2011 report on Somalia and 2012 annual report.[40] We compared our case study countries' loss rates with the global loss rate and compared Somalia's loss rate in 2009 with other accounts of losses in Somalia for 2009. To calculate WFP's global food assistance loss rates, the food assistance loss rates for Kenya, Ethiopia, and Somalia, and the top reasons reported for losses for 2007 through 2011, we analyzed data compiled from WFP's

[36]Akhter U. Ahmed, Shahidur Rashid, Manohar Sharma, and Sajjad Zohir, *Food Aid Distribution in Bangladesh: Leakage and Operational Performance*, FCND Discussion Paper No. 173 (Washington, D.C.: International Food Policy Research Institute: 2004).

[37]United Kingdom National Audit Office, *World Food Programme: Review of the Arrangements for Reporting Post Delivery Food Losses to the Executive Board*, WFP/EB.1/2006/6-B/1 (Rome, Italy: 2006).

[38]World Food Program, Office of Inspections and Investigations, *Investigation of Allegations of Food Diversions in Somalia*, OSDI/51/09-I 29/09 (2009).

[39]UN Security Council, *Report of the Monitoring Group on Somalia Pursuant to Security Council Resolution 1853 (2008)* S/2010/91 (2010); *Report of the Monitoring Group on Somalia and Eritrea Pursuant to Security Council Resolution 2002*, S/2012/544 (2012).

[40]Comptroller and Auditor General of India, *External Audit Reports: World Food Programme's Somalia Operations*, WFP/EB.1/2011/5-B/1 (2011); *Report of the External Auditor on the Financial Statements: World Food Programme for the Year Ended December 2011*, WFP/EB.A/2012/6-A/1 (2012).

annual reports on food assistance losses for 2007 through 2011.[41] We also assessed these food assistance loss reports for consistency across years. We examined WFP's data collection process via WFP's policies and procedures, such as WFP's Transport Manual[42] and COMPAS user guide,[43] and other WFP documents, such as WFP's 2008 information note on the development and qualification of sampling methodology and statistical analysis for measuring food assistance losses.[44] We interviewed cognizant WFP officials in Washington, D.C.; Rome, Italy; Kenya; Ethiopia; and Somalia regarding COMPAS data. We also interviewed representatives of the International Food Policy Research Institute regarding its report on food assistance losses.[45] As a result of our assessment, we determined, for reasons that we discuss in our report, that WFP's data on food assistance losses were not sufficiently reliable for the purpose of accurately reporting losses for all countries.

For both objectives, we met with WFP officials in Rome, Italy, and in Washington, D.C. In addition, we conducted site visits in Ethiopia and Kenya and met with WFP country officials for Ethiopia, Kenya, and Somalia and officials from WFP's East and Central Africa Regional Bureau in Nairobi. During our site visits, we also met with representatives of UNHCR and the UN Office for the Coordination of Humanitarian Affairs, WFP's partners in some food assistance activities. In addition, in Rome, we met with the U.S. Mission to the UN Agencies in Rome; FAO;

[41]World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2007*, WFP/EB.A/2008/13-A (2008); World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2008*, WFP/EB.A/2009/13-A (2009); World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2009*, WFP/EB.A/2009/13-A/Rev.2 (2010); World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2010*, WFP/EB.A/2010/13-A (2011); World Food Program, *Report on Post-Delivery Losses for the Period 1 January–31 December 2011*, WFP/EB.A/2012/13-A (2012).

[42]World Food Program, *Transport Manual* (2011).

[43]World Food Program, *Commodity Movement Processing and Analysis System: User Guide* (2004).

[44]World Food Program, *Information Note on the Development and Qualification of Sampling Methodology and Statistical Analysis for Measuring Post-Delivery Losses*, WFP/EB.A/2008/INF/6 (2008).

[45] Ahmed, Rashid, Sharma, and Zohir, *Food Aid Distribution in Bangladesh: Leakage and Operational Performance.*

some of WFP's donor and recipient country representatives who are members of WFP's Executive Board; a member of WFP's Audit Committee; and a senior official of the Comptroller and Auditor General of India, which is WFP's External Auditor. We also met with officials from State, USAID, and the U.S. Department of Agriculture in Washington, D.C., and during site visits.

We conducted our work from July 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Appendix II: World Food Program Governance, Oversight, and Management Structure

WFP's General Regulations establish the governance and oversight structure for WFP with clear distinctions among (1) governing bodies that involve member states,[1] including WFP's Executive Board; (2) independent external oversight bodies; and (3) independent internal oversight bodies. WFP's management is headed by an Executive Director and includes functional offices, regional bureaus, and country offices.

WFP Governance and Oversight Bodies

Several external and internal WFP governance and oversight bodies are responsible for providing oversight and helping to manage WFP risks.

- **UN governing bodies.** Several UN entities, comprising representatives of the UN's 193 member states, provide governance to WFP. These entities include the UN General Assembly, the FAO Conference, the UN Economic and Social Council, the FAO Council, the UN Advisory Committee on Administrative and Budgetary Questions, and the FAO Finance Committee.

- **WFP's Executive Board** is a governing body that includes 36 of the UN's 193 member states. According to WFP regulations, the board is responsible for providing intergovernmental support and specific policy direction to, and supervision of, WFP's activities in accordance with the overall policy guidance of the General Assembly of the UN, the FAO Conference, the Economic and Social Council, and the Council of FAO. The board is also responsible for intergovernmental supervision and direction of WFP's management. In addition, the Executive Board exercises an oversight function over WFP's Office of Evaluation by providing strategic guidance, reviewing and approving the work plan and budget, and reviewing the independence of the evaluation function.

- **WFP's Office of Evaluation** and **Oversight Office** provide independent internal oversight. Both offices are independent from WFP's management, and they conduct audits, investigations, and inspections on the systems, processes, operations, and activities WFP undertakes. The Director of the Office of Evaluation is responsible for implementing the evaluation policy, in particular for making institutional arrangements for independent evaluations and

[1]Member states are involved in WFP's governance and oversight through various bodies and at different levels.

ensuring adherence to the evaluators' code of conduct. The Director of the Office of Evaluation is also accountable for ensuring the quality, credibility, and utility of evaluations. The Director of the Oversight Office, with the combined roles of inspector general and chief audit executive, has the responsibility for ensuring the integrity, efficiency, and effectiveness of WFP's management, administration, and operations. The Director of the Office of Oversight is also responsible for preparing an annual report on the office's activities, including a summary of significant oversight findings and the implementation status of recommendations, and for submitting this report to the Executive Director and the Executive Board.

- **Independent external oversight bodies** include the WFP External Auditor, the WFP Audit Committee, and JIU.
  - The WFP External Auditor is appointed by, and reports to, the Executive Board. According to WFP regulations, the External Auditor is responsible for auditing WFP's accounts, including all trust funds and special accounts, as deemed necessary to ensure that internal controls, including the internal audit, are adequate in light of the extent to which they are relied upon. The board may request the External Auditor to perform specific examinations and issue separate reports thereon.
  - The WFP Audit Committee serves in an expert advisory capacity to assist the Executive Board and the Executive Director in exercising their governance responsibilities for the financial reporting, internal control arrangements, risk management processes, and other audit-related matters. The board approves the Audit Committee's terms of reference. The committee's mandate includes reviewing and advising on policies significantly affecting accounting and financial reporting issues and the effectiveness of WFP's internal controls, internal audit function, and operational procedures; providing a forum to discuss internal control and risk management issues, operational procedures, and matters raised by internal and external audits; and providing comments on the work plans of the internal and external audit functions.
  - JIU is an independent external oversight body of the UN system, mandated to conduct evaluations, inspections, and investigations system-wide. Its reports are submitted to the UN General Assembly and the governing bodies of participating specialized agencies, funds, and programs of the UN. The WFP Executive

Board reviews JIU's recommendations on a regular basis and also reviews reports by the WFP secretariat on the implementation of these recommendations.

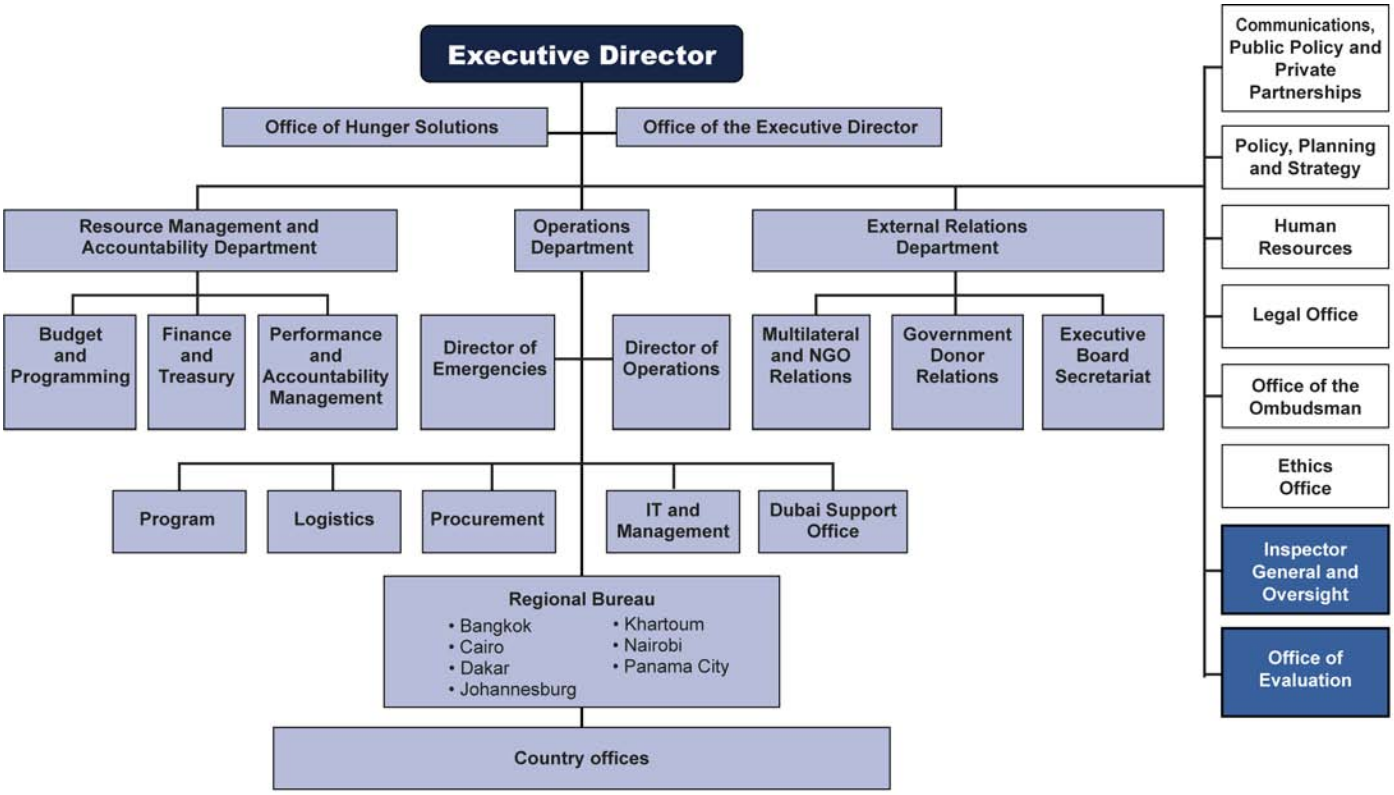
- The FAO Finance Committee assists the FAO Council in exercising control over the financial administration of WFP. The committee's functions include reviewing reports submitted by the WFP Secretariat and providing advice to the Executive Board.

WFP Management Structure

WFP's management is headed by an Executive Director who is responsible and accountable to the board for the administration of WFP and the implementation of WFP programs, projects, and other activities. The Executive Director is also responsible for establishing effective internal controls in management and an effective system of independent internal oversight through the Office of Evaluation and the Oversight Office.

WFP has a three-tier organizational structure, including headquarters in Rome, Italy; seven regional bureaus; and 77 country offices. WFP's headquarters is in charge of governance, strategic planning, policy making, and macro-level monitoring. The regional bureaus provide technical assistance to the country offices and perform oversight over the country offices on adherence to corporate guidelines, practices, and procedures. Figure 8 reflects WFP's management structure.

Figure 8: WFP Management Structure



Source: GAO analysis of UN data.

Appendix III: Information on Case Study Countries—Ethiopia, Kenya, and Somalia

In examining whether the World Food Program (WFP) has implemented as designed certain controls related to delivering and monitoring food assistance in selected high-risk environments—our second objective—we focused our review on three countries: Ethiopia, Kenya, and Somalia. (App. I provides a description of our methodology for choosing these three as our case study countries.) The following provides background information on each country, including the UN Development Program's (UNDP) Human Development index ranking, UNDSS security levels, statistics on food insecurity and malnutrition, percentage of the population requiring emergency food assistance, and WFP's direct expenses.[1] In addition, we present a timeline of security and humanitarian events in Somalia as well as investigations into allegations of control weaknesses in WFP operations in Somalia, including food diversion. Further, we include beneficiary and monitoring data for the three countries, including the areas where we conducted site visits, including number of monitors, number of distribution sites, and security levels.

Ethiopia

State estimates that Ethiopia has a total population of about 84 million. Ethiopia is one of the world's poorest countries, ranking 174 out of 187 countries on the 2011 UNDP Human Development Index, with 23 million people living below the national poverty line. UNDSS has assessed security threats in the regions of Ethiopia at levels ranging from 1 (minimal) to 4 (substantial).

WFP reports that malnutrition and food insecurity are significant problems in Ethiopia and that undernutrition contributes to 57 percent of deaths of children younger than 5 years. WFP also reported that from the end of 2010 to the end of 2011, the food security situation deteriorated in Ethiopia, with 4.5 million people requiring emergency food assistance. In addition, UNHCR reports that, as of January 2012, Ethiopia was hosting more than 288,000 refugees from neighboring countries, such as Eritrea and Somalia.

In 2011, WFP's direct expenses in Ethiopia totaled about $392 million, most of which was used to support the implementation of protracted relief and recovery operations (PRROs), as shown in table 1. One of the

[1]We are providing the data on WFP expenses for background purposes only and therefore did not assess their reliability.

PRROs addresses acute food insecurity through relief, safety nets, supplementary feeding, and HIV programs, while the other provides food assistance to refugees in Ethiopia. WFP Ethiopia's guiding principle is to support government programs in addressing hunger by using food assistance where it adds value. WFP further assists the Ethiopian government through capacity building projects, such as Purchase for Progress (P4P), a food management improvement project, and vulnerability and assessment mapping. WFP is also a major contributor to supporting disaster risk management capacity in Ethiopia.

Table 1: WFP Direct Expenses for Ethiopia, 2007-2011

	2007	2008	2009	2010	2011
Relief[a]	$148,862,000	$261,831,000	$354,215,000	$416,298,000	$339,050,000
Development[b]	17,836,000	19,658,000	26,414,000	26,247,000	27,029,000
Special operations[c]	164,000	2,578,000	4,041,000	3,125,000	3,837,000
Bilateral trust funds and others[d]	2,040,000	3,337,000	15,178,000	32,859,000	21,981,000
Total	**$168,902,000**	**$287,404,000**	**$399,847,000**	**$478,529,000**	**$391,897,000**

Source: WFP's 2011 Annual Performance Report, May 14, 2012.

Note: Expenses do not include program support and administrative costs.

[a]Includes activities under protracted relief and recovery programs, such as relief activities for both Ethiopians and refugees residing in Ethiopia, according to WFP.

[b]Development activities are intended to temporarily free the poor from the need to provide food for their families and to develop assets such as better houses and new agricultural skills, according to WFP.

[c]Special operations typically involve short-term logistics and infrastructure work, according to WFP.

[d]Includes all expenses for WFP's bilateral trust funds, General Fund, and Special Accounts.

Kenya

State estimates that Kenya had a population of approximately 39 million people in 2010. In the UNDP Human Development 2011 Index, Kenya ranked 143 out of 187 countries. UNDSS has assessed security threats in the regions of Kenya at levels ranging from 2 (low) to 4 (substantial).

In 2011, a complex crisis unfolded as severe drought affected the Horn of Africa and deepened into famine in parts of Somalia. WFP reported that in mid-2011, tens of thousands of Somalis arrived in Kenya's Dadaab refugee camps each month, fleeing famine conditions and insecurity in southern Somalia. In addition, according to UNHCR, in September 2011 the Kakuma refugee camp was home to more than 80,000 refugees and asylum-seekers, over half of them from Somalia, and the Dadaab and Kakuma camps had a combined population of more than half a million,

predominantly Somalis. Further, WFP reports that the drought made about 4 million Kenyans acutely food insecure.

In 2011, WFP's direct expenses in Kenya totaled about $252 million, with most of this money used to support relief programs, including PRROs, as shown in table 2. WFP reported that, through one of the PRROs, it provided food assistance to refugees living in Dadaab and Kakuma camps and their host communities. The second PRRO supported families most affected by drought and rising food prices in the arid or semi-arid land, according to WFP. Both PRROs implemented general food distributions, nutrition support programs, and projects that paid in food for beneficiaries to build productive assets, such as those focused on harvesting and managing rainwater and conserving soil. In addition, where market conditions allowed, WFP delivered assistance through conditional and unconditional cash transfers.

Table 2: WFP Direct Expenses for Kenya, 2007-2011

	2007	2008	2009	2010	2011
Relief[a]	$153,561,000	$136,528,000	$222,834,000	$191,706,000	$228,590,000
Development[b]	28,532,000	25,022,000	23,722,000	21,655,000	21,702,000
Special operations[c]	8,205,000	681,000	0	0	0
Bilateral trust funds and others[d]	0	61,000	449,000	1,264,000	1,373,000
Total	**$190,298,000**	**$162,293,000**	**$247,005,000**	**$214,625,000**	**$251,665,000**

Source: WFP's 2011 Annual Performance Report, May 14, 2012.

Note: Expenses do not include program support and administrative costs.

[a]Includes activities under protracted relief and recovery programs, such as general food distribution for both Kenyans and refugees residing in Kenya, according to WFP.

[b]Development activities are intended to temporarily free the poor from the need to provide food for their families and to develop assets such as better houses and new agricultural skills, according to WFP.

[c]Special operations typically involve short-term logistics and infrastructure work, according to WFP.

[d]Includes all expenses for WFP's bilateral trust funds, General Fund, and Special Accounts.

Somalia

State estimates that Somalia had a population of approximately 9.9 million people in 2011. Due to a lack of data on Somalia, the UNDP's Human Development Index does not include Somalia in its ranking. WFP reports that Somalia has been affected by conflict and without a functioning government for more than two decades. UNDSS has assessed security threats in the regions of Somalia at levels ranging from 3 (moderate) to over 5 (high).

According to WFP, Somalia is classified as among the poorest and most food-insecure countries in the world. Six regions of southern Somalia were declared as famine zones by the Food Security and Nutrition Analysis Unit in 2011. Three of these regions were still classified as famine zones at the end of 2011. In many regions of Somalia, the global acute malnutrition rate remains near or above famine levels, and death rates remain high, especially for children, mainly because of continued outbreaks of measles, cholera, and malaria. WFP reports that current levels of malnutrition and mortality remain two to four times higher than typical levels in Somalia for this time of the year and six times the typical level for Sub-Saharan Africa.

In 2011, WFP's direct expenses in Somalia totaled about $137 million, with most of this money used to support relief programs, including emergency operations, as reflected in table 3. WFP supported vulnerable Somalis through an emergency operation and three special operations.[2] The main pillars of WFP's emergency operations are general food distribution and nutrition programs to provide support to families living in emergencies and ensuring their adequate food consumption. An emergency school meals program provides a daily meal while increasing access to education of vulnerable children. Early recovery activities, including institutional feeding, and Food for Assets projects, including training, support the reestablishment of basic livelihoods of targeted households.

[2]To support the provision of emergency humanitarian food assistance, WFP implemented three special operations in Somalia: (1) emergency rehabilitation of logistics and infrastructure, (2) humanitarian air service, and (3) logistics and emergency telecommunications.

Table 3: WFP Direct Expenses for Somalia, 2007-2011

	2007	2008	2009	2010	2011
Relief[a]	$64,508,000	$168,086,000	$247,236,000	$104,916,000	$116,098,000
Development[b]	0	0	0	0	0
Special operations[c]	3,169,000	10,696,000	20,057,000	13,362,000	20,657,000
Bilateral trust funds and others[d]	0	0	596,000	1,611,000	728,000
Total	**$67,678,000**	**$178,781**	**$267,889**	**$119,889,000**	**$137,483,000**

Source: WFP's 2011 Annual Performance Report, May 14, 2012.

Note: Expenses do not include program support and administrative costs.

[a]Includes activities under emergency operations, such as general food distribution for Somalis, according to WFP.

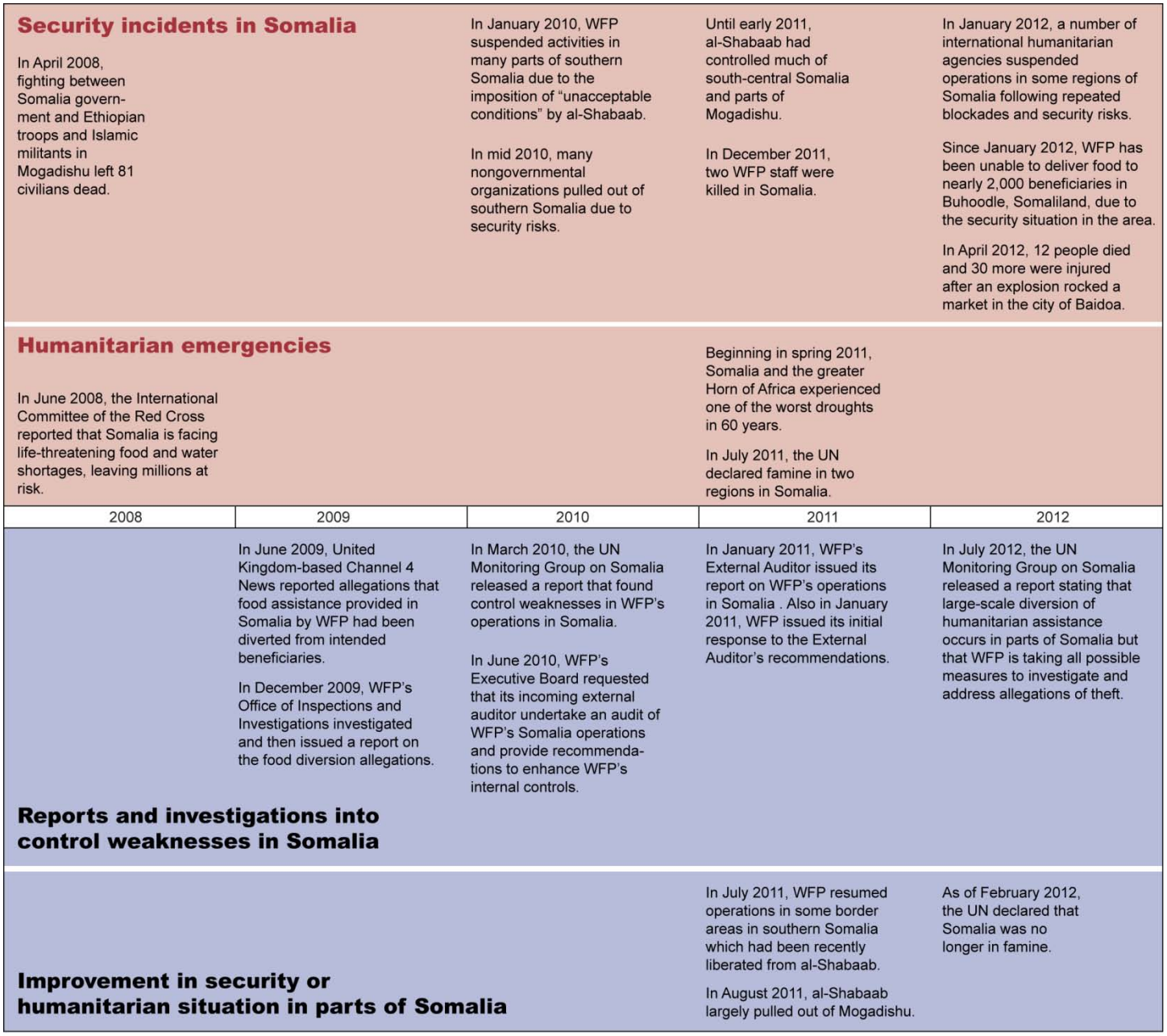
[b]Development activities are intended to temporarily free the poor from the need to provide food for their families and to develop assets such as better houses and new agricultural skills, according to WFP.

[c]Special operations typically involve short-term logistics and infrastructure work, according to WFP.

[d]Includes all expenses for WFP's bilateral trust funds, General Fund, and Special Accounts.

In June 2009, the United Kingdom-based Channel 4 News reported on allegations that WFP food assistance in Somalia had been diverted from intended beneficiaries. Since that time, the UN Monitoring Group on Somalia, WFP's Office of Inspections and Investigations, and WFP's External Auditor have conducted audits and investigations of these allegations and related control weaknesses. The allegations of food diversion and ensuing investigations added to the challenges WFP faced in Somalia due to drought, famine, and increased security risks and conflict related to the al-Shabaab terrorist group. Increased security risks in Somalia led many nongovernmental organizations, including WFP, to suspend their operations in some parts of Somalia in 2010. In 2011, WFP began providing assistance to some of the areas in Somalia it had exited in early 2010. Figure 9 shows a timeline of security and humanitarian events in Somalia as well as internal and external investigations into allegations of control weaknesses in WFP's operations there, including food diversion.

Figure 9: Timeline of Security and Humanitarian Events and Investigations into WFP Control Weaknesses in Somalia



Source: GAO summary based on our review of WFP and USAID documents.

Monitoring Data Reported by WFP

WFP country offices in Ethiopia, Kenya, and Somalia set their own monitoring goals and monitoring plans. Tables 4 and 5 provide monitoring data reported by WFP, such as planned numbers of beneficiaries, UNDSS security levels, numbers of distribution sites, and numbers of monitors, for Ethiopia, Kenya, and Somalia as well as for selected fieldwork sites in Ethiopia and Kenya and high-risk areas in all three countries.

Table 4: Monitoring Data Reported by WFP for Ethiopia, Kenya, and Somalia

	Number of planned beneficiaries	UNDSS security level	Number of distribution sites	Number of monitors for all program	Monthly distribution monitoring coverage goal	Monthly post-distribution monitoring coverage goal
Ethiopia	3,033,000	1 (minimal) to 4 (substantial)	3,053 sites and 16 refugee camps for all relief and recovery programs	81	100 percent of all refugee camps[a]	100 percent of all refugee camps[a]
Kenya	2,780,000	2 (low) to 4 (substantial)	2,668 sites for General Food Distribution and Food for Assets activities within relief and recovery programs	49	For nonrefugee general food distribution activities within relief and recovery programs - 10 percent of all sites[a]	120 households for each distribution site for non-refugee general food distribution activities within relief and recovery programs[a]
Somalia	1,900,000	3 (moderate) to over 5 (high)	1,241 sites for all programs	64 (39 WFP and 25 third-party)	40 percent; 30 percent for areas covered by third-party monitoring[b]	40 percent; 30 percent for areas covered by third-party monitoring

Source: WFP.

Note: Data shown under "Number of planned beneficiaries" are as of May 2012. All other data shown are as of August 2012.

[a]The WFP country offices in Ethiopia and Kenya have established different monitoring goals for the various programs operating in their respective countries (e.g., relief and recovery, refugees, school feeding, HIV/AIDS). We show the monitoring goals for the programs that we focused on and the sites that we visited during our fieldwork.

[b]According to WFP, WFP area offices in Somalia were also required to monitor each distribution site once every 3 months in 2011.

Table 5: Monitoring Data Reported by WFP for Selected GAO Fieldwork Sites and High-Risk Areas in Ethiopia, Kenya, and Somalia

	UNDSS security level	Number of distribution sites	Number of beneficiaries	Number of monitors
Tigray, Ethiopia	1 (minimal) to 3 (moderate)	332 distributions sites and 3 refugee camps	386,529	4
Somali, Ethiopia	3 (moderate) to 4 (substantial)	869 distribution sites and 5 refugee camps	2,374,374	40
Garissa, Kenya (includes Mwingi)	2 (low) to 4 (substantial)	764[a]	694,832	6
Turkana, Kenya	4 (substantial)	273	427,400	5
Mogadishu, Somalia	5 (high)	93	433,664	13 (4 WFP monitors and 9 third-party monitors)
Puntland, Somalia	4 (substantial)	312	337,346	11 (all WFP monitors)

Source: WFP.

Note: Data shown are as of August 2012.

[a]According to WFP, although the WFP Garissa field office oversees 764 distribution sites, only 148 of these sites are monitored by WFP Garissa staff.

Appendix IV: Comments from the World Food Program

WFP
wfp.org

World Food Programme

Programme Alimentaire Mondial

Programa Mundial de Alimentos

برنامج الأغذية العالمي

The Executive Director

Fighting Hunger Worldwide

Via Cesare Giulio Viola, 68/70
00148 Rome, Italy

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24 August 2012

Mr. Thomas Melito
Director, International Affairs and Trade
Government Accountability Office
Washington, DC
USA

Dear Mr. Melito,

Re: Draft Report of the United States Government Accountability Office on WORLD FOOD PROGRAM: Stronger Controls Needed in High-Risk Areas (GAO-12-790)

Thank you for the opportunity to review the draft GAO report on WFP's internal controls and to provide our comments prior to its publication.

We agree with the overall conclusions of the report that WFP has designed and implemented internal controls for the delivery and monitoring of its food assistance that reflect COSO principles but that further actions are needed in some areas. We believe the GAO report is an accurate assessment of the status of our internal controls and risk management related to the areas reviewed and that it provides constructive recommendations.

As you acknowledge in the report, WFP often operates in the most difficult environments in the world. Over time, we have put in place a number of controls aimed at protecting our staff and ensuring that our food assistance reaches its intended beneficiaries in these high-risk contexts. For the most part these controls have been effective, as you also acknowledge. At the same time, we agree that more can and should be done.

As we move forward, strengthening our overall internal control framework and enterprise risk management will remain a priority for WFP. A number of the points raised in your report are already being addressed as part of the overall organization strengthening effort launched in April. This includes a set of improvements to corporate monitoring and reporting, with an emphasis on putting in place a system that is succinct, resourced and implementable at field level. We will continue to consult with our Member States, through the WFP Executive Board, as we pursue further actions to ensure WFP food assistance reaches its intended beneficiaries in both high-risk and non high-risk environments. Your recommendations will be useful in this regard.

/2

WFP
wfp.org

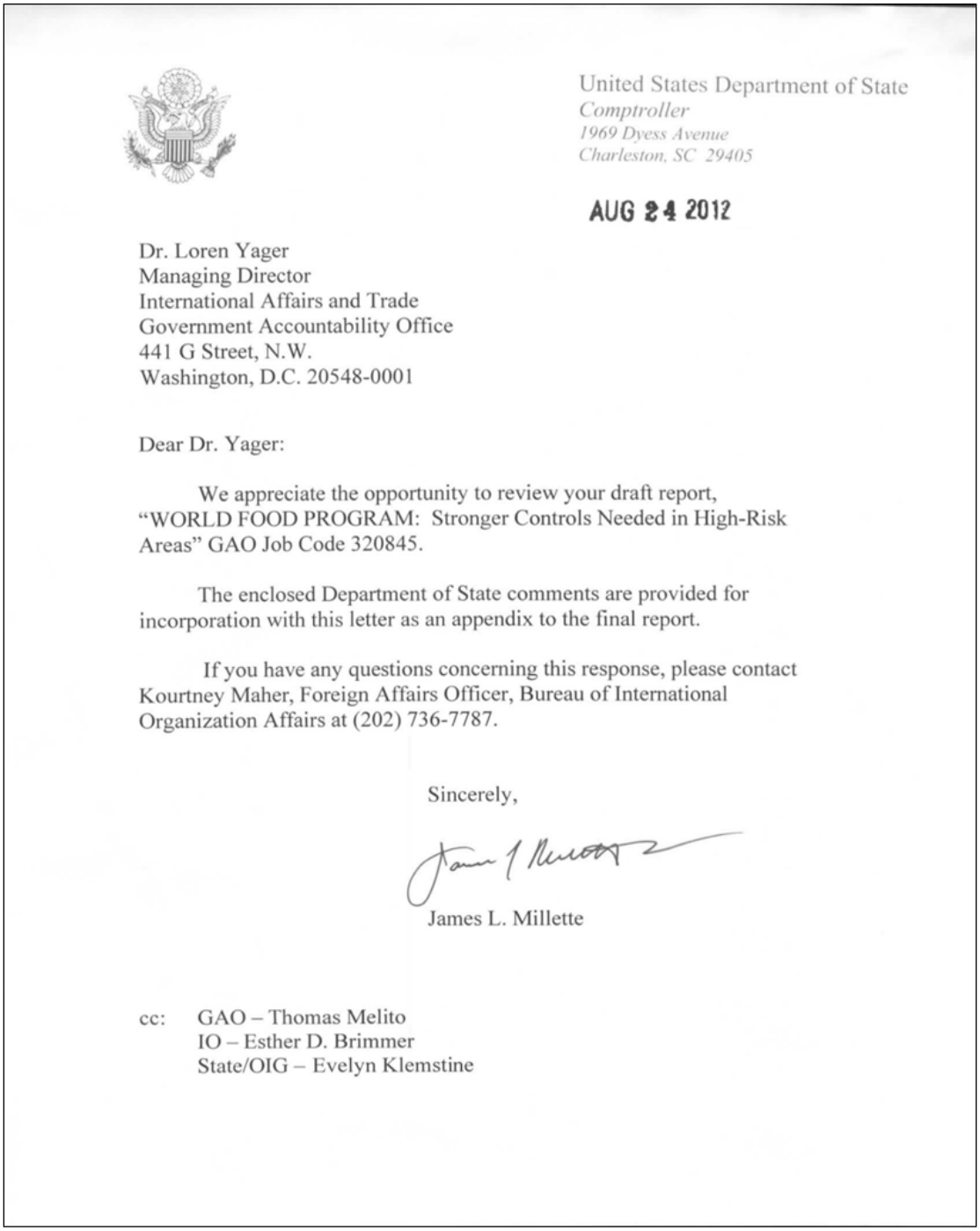
We appreciate the efforts and professionalism of the GAO team involved in this review and believe that WFP's actions and views on the areas addressed by the review have been fairly reflected in the report.

Sincerely,

Ertharin Cousin

cc: Ambassador David Lane, US Representative to the United Nations Food and Agriculture Agencies in Rome

Appendix V: Comments from the U.S. Department of State



United States Department of State
Comptroller
1969 Dyess Avenue
Charleston, SC 29405

AUG 24 2012

Dr. Loren Yager
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "WORLD FOOD PROGRAM: Stronger Controls Needed in High-Risk Areas" GAO Job Code 320845.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Kourtney Maher, Foreign Affairs Officer, Bureau of International Organization Affairs at (202) 736-7787.

Sincerely,

James L. Millette

cc: GAO – Thomas Melito
IO – Esther D. Brimmer
State/OIG – Evelyn Klemstine

Department of State Comments on GAO Draft Report

World Food Program, Stronger Controls Needed in High-Risk Areas
(GAO-12-790; GAO Code 320845)

The Department of State, along with the United States Agency for International Development and the United States Department of Agriculture, has reviewed the GAO's draft report entitled "*World Food Program: Stronger Controls Needed in High-Risk Areas.*" We appreciate the opportunity to comment. The report provides timely and useful information for continuing the work already begun by the WFP to establish improved systems of internal control and risk management. There are several areas of this GAO report that will be of great assistance in reinforcing those positions the United States has already presented in the WFP Executive Board and independently on internal controls, risk management and monitoring at the WFP. The report will also serve to inform future U.S. Government positions on WFP matters related to these topics.

We would like to acknowledge that WFP has developed risk management policies and guidance as recommended. These are solid steps; however, we would encourage WFP to finalize their efforts to establish these systems as GAO's report recommended. In particular, WFP must ensure that an understanding of the systems and procedures it institutes at headquarters are shared widely throughout the organization, especially country offices. WFP should provide concrete and proper guidelines, as the GAO report states, on the implementation of its risk management plan. Detailed guidance is needed to instruct staff in addressing risks, especially at the country level where WFP is most vulnerable. At the same time, we recognize that in high-risk conflict areas, where WFP's food assistance remains vital, these systems and procedures take time to implement and can depend largely on the capacity of implementing partners to track food in their custody. In some cases, this capacity is lacking.

We welcome the GAO's recognition of the work WFP has already carried out in implementing an internal control framework. USUN Rome has consistently emphasized to the WFP Secretariat the importance of its implementation following the Audit Committee's recommendation in their 2009 annual report; the first report under new terms of reference adopted in that year which was presented to the Board. This recommendation had been made to WFP in previous Audit Committee reports, which were not presented to the Executive Board.

The Department of State agrees with GAO's conclusions and with its five recommendations. We will endeavor, through appropriate mechanisms, including the WFP Executive Board, bilaterally with WFP, and with partners, to implement all of the recommendations. USAID and USDA agree with all recommendations and are prepared to support the Department of State as needed. However, the U.S., on its own, is not in a position to direct either the Executive Board or WFP management to take specific actions. We believe a more accurate phrasing of the recommendations below would be "To work within the WFP Executive Board which would then encourage WFP management…"

- **Recommendation 1: Direct WFP's Executive Board to develop a plan to more fully utilize the audit committee to assist the board in monitoring the effectiveness of WFP's risk management and internal control processes.**

- **Recommendation 2: Direct WFP management to provide comprehensive risk management guidance addressing key elements of the risk management process, such as identifying, assessing and responding to risks.**

- **Recommendation 3: Direct WFP management to provide comprehensive risk management guidance to specify that field monitoring activities should be risk based.**

- **Recommendation 4: Direct WFP management to provide organization-wide guidance for addressing monitoring deficiencies in areas inaccessible to WFP monitors because of security restrictions.**

- **Recommendation 5: Require periodic external evaluations to assess and improve the reliability of data on food assistance losses.**

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

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

Staff Acknowledgments

In addition to the individual named above, Phillip Thomas (Assistant Director), Barbara Shields (Analyst-in-Charge), Martin De Alteriis, Mark Dowling, Etana Finkler, Fang He, Teresa Heger, Sabur Ibrahim, Jeffrey Isaacs, Reid Lowe, and Kimberly McGatlin made key contributions to this report. Other contributors include Ming Chen, Joy Labez, Armetha Liles, and Jeremy Sebest.

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