



TOPS Commodity Management Handbook



May 2017

The TOPS Program was made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents of this handbook are the responsibility of the TOPS Program and do not necessarily reflect the views of USAID or the United States Government.

Recommended citation:

TOPS Program. 2017. *Commodity Management Handbook*, 2nd edition, Washington, DC: TOPS Program.

Contact information:

Technical and Operational Performance Support (TOPS) Program
Save the Children Federation, Inc.
899 North Capitol Street, NE
Suite 900
Washington, DC 20002

Contact Person:

B.K. De
Email: bkde@savechildren.org

Contents

Acknowledgements	i
Abbreviations and Acronyms	iii
Introduction	v
1. USAID Terminology	1
Annual Appropriations	1
Award	1
Awardee	1
Beneficiary	2
Commodity Diversion	2
Commodity Reference Guide.....	2
Commodity Reference Guide Fact Sheets	3
Commodity Title Transferred to the Awardee.....	3
Commodity Transfer	4
Farm Bill	4
Food for Peace Act.....	4
Internal Transport, Storage and Handling (ITSH) Funding	5
Letter of Credit (LOC).....	5
Recipient	6
Regulation 11	6
Section 202(e).....	7
Subject to Availability	9
Title II	9
Tolerance	10
Transfer Authorization (TA)	10
2. Planning and Ordering Commodities.....	12
What is an AER?.....	12
What is a call forward (or sales order)?.....	12
What is a commodity pipeline analysis?	13
What is a PREP?	13

3. Shipping	15
What is cargo?	15
How is commodity cargo shipped?	15
What are standard commodity container sizes? ..	16
How are commodity containers labeled?	16
What is the shipping contract?	17
What are incoterms?	18
What is an independent surveyor?	18
What is a survey report?	19
What is a clearing and forwarding (C&F) agent? ..	20
What is a through bill of lading (B/L)?	20
Who is responsible for customs clearance?	21
What is short landing of cargo?	23
Which records must be kept on ocean shipments of commodity?	23
4. Losses and Claims	25
What is commodity loss?	25
What is “damaged” commodity?	25
What is “unfit” commodity?	26
What is “missing” commodity?	26
What is “spillage”?	26
What is “short-delivered” commodity?	27
What is “misused” commodity?	27
What is a marine loss?	27
What is an inland loss?	28
What is an internal loss?	28
How are internal losses different from marine losses?	29
How much loss is acceptable/allowable?	29
What do I do if I discover a loss?	29
What information should be included on an individual loss report?	31

What supporting documents are required for loss reports?	33
Who pays for a commodity loss?.....	34
What is a loss claim?.....	35
When must a loss claim be filed?	36
How is a loss claim filed?	37
What are “reasonable attempts or efforts” to collect a claim?	37
When is legal action necessary to collect a claim?.....	38
What do I do with the proceeds from a claim?	39
How do I keep track of loss claims?	39
How are losses mitigated?.....	40
5. Storage.....	43
What is the “best if used by date” (BUBD)?	43
What is first in first out (FIFO)?.....	43
What are “adequate” storage procedures?.....	44
What does “protection from the elements” include?	45
What is controlled access?	45
What is “proper” stacking?.....	46
What is warehouse inspection?.....	48
What equipment is needed in a warehouse?	48
What is commodity inspection?	49
How do I prepare commodity samples for analysis?	50
How are insects and rodents controlled in the warehouse?	51
What is fumigation?	52
What is a fumigation management plan?	53
What do I do with commodity unfit for human consumption?	53
What is reconstitution?	55
Can food processors or recipient agencies repackage food for distribution?	56
6. Recordkeeping in Warehouses	57

Who must keep records?	57
What records must be kept?	57
What is a tally sheet?.....	58
What is a waybill?	58
What is a warehouse ledger?	59
What is a stack card?	59
How long must records be kept?	60

7. Distribution 61

What is recipient registration?	61
What is a master recipient (beneficiary) list?	61
What is a distribution (or beneficiary) list?.....	62
What is eligibility?	63
What is a recipient identification or ration card? .	63
What is a distribution plan?.....	64
What is ration size?.....	65
Who receives commodity at a distribution site from a warehouse/storage site?	65
How is commodity stored at distribution sites? ...	66
How are commodity rations measured out for distribution?	67
What do I do with empty bags or containers?	68
Which records must be kept on distributions?.....	69
What is branding?.....	70
What is distribution monitoring?.....	70
What is the role of a food monitor?	71
What are the specific food distribution monitoring activities?.....	72
Is every distribution monitored?	74

8. Reporting 75

Which commodity reports does USAID require? ..	75
What is FFPMIS?	76
What is QWICR?.....	77

What is a commodity status report (CSR)?	77
What is a Recipient Status Report (RSR)?	78
What is a loss summary report (LSR)?	78
What is a damaged or misused commodities report (DMCR)?.....	78
What is a Claims Report?.....	79
What commodity information is included in the close-out plan?	79
9. Recipient Agencies	81
What is a recipient agency?	81
What are the recipient agencies' responsibilities concerning commodity management?.....	81
What are the Awardee's responsibilities concerning recipient agencies?	83
What should be included in an agreement with a recipient agency?.....	84
10. Internal Controls	87
What is internal control?	87
What are internal control activities?	87
What does "adequate supervisory personnel" mean?	92
When is physical presence necessary?	92
What training do warehouse staff need?	93
When is USAID approval needed?	93
What is a physical count?	95
What will auditors examine?	97
What are the audit requirements concerning recipient agencies?	98
What is a USAID Inspector General audit of Awardees?	98
11. Resources	101
Index	102

Commodity Management Handbook

Acknowledgements

It was a country-specific audit of Title II food assistance programs that led, in June 2012, to a request for an easy-reference guide for field practitioners who manage food commodity. Despite frequent commodity management training, gaps in management and handling of commodities were repeatedly noted in program audits. Program donors and partners realized that a practical, user-friendly guide would enable all field-based commodity managers and staff to carry out their day-to-day responsibilities much more efficiently and effectively. The TOPS Program¹ was tasked with creating such a guide.

The Commodity Management Handbook primarily applies to Title II food. To create this handbook, TOPS reviewed a number of Regional Inspector General audit reports to identify commodity management problems that appeared frequently across Awardees and geographical areas.

The handbook was developed with active participation of the TOPS Food Security and Nutrition (FSN) Network Commodity Management Task Force, a group composed of

¹ The Technical and Operational Performance Support or TOPS Program is implemented by a consortium led by Save the Children Federation Inc. (the Prime), with sub-award partners the CORE Group, Food for the Hungry, Mercy Corps, and Tango International.

representatives of the USAID Office of Food for Peace (FFP), Title II grant Awardees and their sub-Awardees.

Since its initial publication in 2014, the steady demand for copies of this handbook has created the need for a second printing. In response to input from practitioners, this second edition includes revisions for clarity, and additional details in the **Loss and Claims** and **Reporting** sections to better reflect current USAID reporting procedures.

The Commodity Management Handbook is the result of a collective effort by many organizations working together world-wide to improve the quality of food assistance from the American people. TOPS is deeply grateful for their contributions.

Birendra Kumar De
Senior Specialist, Commodity Management
TOPS Program

Abbreviations and Acronyms

ADS	Automated Directives System (USAID policies)
AER	annual estimate of requirements
AOR	USAID agreement officer's representative
B/L	bill of lading
BSMP	branding strategy and marking plan
BUBD	best if used by date
CCC	USDA Commodity Credit Corporation
CFR	U.S. Code of Federal Regulations
CSB	corn soy blend
CSR	commodity status report
DMCR	damaged and misused commodity report
FAO	Food and Agriculture Organization of the United Nations
FIFO	first in first out
FFP	USAID Office of Food for Peace
FFPIB	Food for Peace Information Bulletin
FFW	food for work program
GACAP	Generally Accepted Commodity Accountability Principles
gal	gallon(s)
IEE	initial environmental examination
IG	Inspector General
ITSH	internal transport, storage, and handling
KCCO	Kansas City Commodity Office (USDA/FSA)

kg	kilogram(s)
km	kilometer(s)
lbs	pound(s)
LDC	least developed country
LOC	letter of credit
LSR	loss summary report
MT	metric ton(s)
NICRA	negotiated indirect cost rate agreement
NGO	nongovernmental organization
PERSUAP	pesticide evaluation report and safer use action plan
PREP	pipeline and resource estimate proposal
PVO	private voluntary organization
QWICR	Quarterly Web-Interfaced Commodity Reporting system
RSR	recipient status report
TA	transfer authorization
US\$	United States dollar
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WBSCM	Web-Based Supply Chain Management system
WSB	wheat soy blend
WFP	United Nations World Food Programme

Introduction

Dear Commodity Managers -

I am delighted to present to you the Commodity Management Handbook, a reference guide designed to provide you with fast and easy access to information that is instrumental in assuring effective management of USAID food commodities.

This handbook is prepared by the TOPS Program for FFP Awardees. The role of TOPS is to strengthen the capacity of Awardees and improve the quality and effectiveness of food aid implementation by fostering collaboration, innovation and knowledge sharing on food security and nutrition best practices.

USAID/FFP highly values the role that TOPS plays to facilitate dialogue and exchange among partners and distill better practices and lessons learned for all. This work is crucial to forging a shared vision of success and advancing the highest standards of programming as we work collectively to break the cycle of hunger and poverty affecting the vulnerable groups we serve.

We are pleased to facilitate this TOPS work and hope you find this handbook useful.

Sincerely,

Dina M. Esposito

Director

Office of Food for Peace

Bureau for Democracy, Conflict and

Humanitarian Assistance

USAID

1. USAID Terminology

Annual Appropriations

Formally called ‘The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act,’ this legislation (or spending bill) annually approves and allocates U.S. Government funds to USDA for Title II. Using these funds, USDA purchases commodities based on the needs of programs approved by USAID.

USDA also transfers a portion of these funds to FFP to cover non-commodity program costs, such as ocean freight, inland transport, and cash grants to support the administrative capacity of Awardees.

Award

An agreement between FFP and the applicant organization describing the proposed use of commodity. Awards typically include indicators and results, a budget, and other terms and conditions applicable to the work performed under the Award.

Awardee

The entity (such as a PVO, a cooperative, or another private or public agency) that enters into an agreement with the U.S.

Government to use Title II agricultural commodities and/or funds, including local currencies.

Beneficiary

One who benefits from a FFP-funded program, such as someone who receives training, technical assistance, or other services funded under a Title II program. If no food rations are provided, the beneficiary is not simultaneously classified as a recipient. (See **Recipient** definition below.) FFP currently uses the term **project participant** in place of beneficiary.

Commodity Diversion

A ship with commodity destined for a Development Food Assistance (or “regular”) Program is diverted to meet the immediate, extreme needs of an emergency program.

Commodity Reference Guide

The USAID *Commodity Reference Guide* (currently under revision) provides details on the food commodities used in Title II programs.

Commodity Reference Guide Fact Sheets

Relevant, concise, and up-to-date information about each currently available commodity in the FFP catalogue. Each Fact Sheet, posted on the FFP website,² contains a General Information section with descriptions of the food, a Programming Guidance section, a Nutrition/Preparation Information section, a Nutritional Content section, and sections providing USDA commodity specifications, ordering considerations, and links to the relevant industry groups for more information.

Commodity Title Transferred to the Awardee

Unless the Award states otherwise, title (which implies responsibility) to commodity passes from USDA to the Awardee at the point in the United States where the shipping company takes possession of the cargo, either on the dock or on the ship itself.

Unless otherwise agreed in writing, the Awardee retains title (which implies responsibility) to all commodities it subsequently transfers to a recipient agency

² <https://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/resources/implementation-tools/commodity>

for distribution to recipients or other use in accordance with the terms of the Award.

Commodity Transfer

A commodity allocated to one approved Title II program is used by another approved Title II program. In addition to meeting emergency needs or temporary shortages due to delays in ocean transport, transfers may be used to improve the efficiency of operation, such as to rapidly distribute stocks in danger of deterioration.

Commodities transferred between programs are not replaced by the U.S. Government unless USAID authorizes such replacement.

Farm Bill

A comprehensive bill passed every five years or so by the U.S. Congress reauthorizing, amending, or repealing provisions of previous Acts, including the Food for Peace Act. The Farm Bill is the primary agriculture and food policy tool of the U.S. Government.

Food for Peace Act

U.S. Government legislation, also known as **Public Law (P.L.) 480**, that created the Office of Food for Peace. This legislation, signed in 1954 and periodically reauthorized through

the Farm Bill, describes the authority of USAID and USDA to implement international food assistance initiatives.

Internal Transport, Storage and Handling (ITSH) Funding

U.S. dollar funding through FFP that covers specific expenses in country of operation. In general, ITSH is used to cover costs directly associated with:

- Moving Title II food commodities from designated ports or points of entry to storage and distribution sites
- Storing food aid commodities
- Distributing food aid commodities

All Title II emergency programs are eligible for ITSH funding. Development programs only qualify for ITSH funding if they operate in LDCs, as described by the World Bank's list of the International Development Association's-eligible borrowers. FFP does not support the application of NICRA rates against ITSH costs. Specific eligible uses for ITSH funding are detailed in FFPIB 14-01, or any subsequent revisions or released FFPIBs.

Letter of Credit (LOC)

A LOC is a financing mechanism for development food assistance programs whereby FFP advances funds for ITSH costs

and Section 202(e) grants to an Awardee's U.S. bank account. The Awardee then draws funds from its LOC account and reports expenditures against these advances to FFP on a quarterly basis.

Recipient

A recipient is an individual who directly receives food assistance rations. A recipient is always a beneficiary under a Title II program.

Regulation II

This is the "shorthand" notation for **22 CFR 211** (or title 22 of the U.S. Code of Federal Regulations part 211) which provides the standard terms and conditions applicable to all Title II programs. These terms and conditions are divided into 13 sections:

- 211.1 General purpose and scope
- 211.2 Definitions
- 211.3 Awardee agreements; program procedure
- 211.4 Availability and shipment of commodities
- 211.5 Obligations of Awardee

- 211.6 Processing, repackaging, and labeling commodities
- 211.7 Arrangements for entry and handling in foreign country
- 211.8 Disposition of commodities unfit for authorized use
- 211.9 Liability for loss, damage, or improper distribution of commodities
- 211.10 Records and reporting requirements
- 211.11 Suspension, termination, and expiration of program
- 211.12 Waiver and amendment authority
- 211.13 Participation by religious organizations

Note: In their proposals, Awardees may request, and must justify, the waiver of any part of Regulation 11 that is not required by statute. If FFP approves the waiver, the specific section or subsection waived will be identified in an attachment to the operational plan.

Section 202(e)

The Food for Peace Act, Title II, Section 202(e) allows FFP to make U.S. dollar funding available to Awardees for (among other things):

- Branding and marking
- Storage-related costs such as warehouse leases, fumigation, and security
- Meeting specific administrative, management, personnel and, in cases where ITSH funding is not permitted, internal transportation and distribution costs
- Enhancing programs through local and regional purchase of commodities

Eligibility of specific costs for Section 202(e) funding is detailed in the most recent FFPIB titled “Eligible Uses of Section 202(e), ITSH, CDF, and Monetization Proceeds for FFP Projects.” According to FFPIB 14–01, the Section 202(e) portion of most Title II programs will be between 7.5 and 30 percent of the approved program value, including commodity and shipping costs, ITSH funding and 202(e) budgets.

Note: Some eligible costs may be subject to restrictions and/or waivers, eligibility does not guarantee funding, and eligibility is subject to change with each new Farm Bill. Decisions about the availability of funding in a particular award will be determined by the FFP Agreement Officer, taking into account

the availability of funding, statutory requirements, and program and policy considerations.

Subject to Availability

Each year the FFP agreement providing commodities to an Awardee is subject to the availability of funding to purchase the commodities (which depends on the annual appropriations) and the availability of agricultural commodities in the U.S. for purchase by USDA.

USDA provides an annual list of the types of commodities and tonnages available for Title II programs for the upcoming year.

Title II

FFP manages Title II of the Food for Peace Act (P.L. 480), which includes emergency and development food assistance programs that are implemented through a variety of Awardees including PVOs, NGOs, and intergovernmental organizations such as WFP.

Title I (Economic Assistance and Food Security, administered by USDA) and Title III (Food for Development, administered by USAID), both implemented primarily by developing country governments, are no longer funded.

The mission of Title II programming is to reduce hunger and malnutrition and assure that people have enough food at all times for healthy, productive lives.

Tolerance

Tolerance is the allowable amount of variation (plus or minus) in **the quantity of commodity delivered by USDA** compared to the quantity requested by the Awardee on the call forward. **At the point of title transfer** from USDA to the Awardee, the quantity delivered must be within a tolerance of 5 percent for shipments below 10,000 MT and 2 percent for shipments over 10,000 MT.

Such amounts are regarded by USDA as completion of delivery. There is no tolerance allowed with respect to the ocean carrier's responsibility to deliver the entire cargo loaded as cited on the bill of lading (B/L), nor for internal transporters to deliver the entire cargo stated on the waybill.

Transfer Authorization (TA)

The document signed by the Awardee and FFP describing commodities and the program in which they will be used. The TA incorporates Regulation 11 and authorizes

USDA Commodity Credit Corporation (CCC) funds to ship commodities. In some cases, the TA is referred to as the Cooperative Agreement.

2. Planning and Ordering Commodities

What is an AER?

The AER (annual estimate of requirements) is a statement of how much tonnage of commodities is proposed by the Awardee for approval for the upcoming fiscal year, and when during the year the commodity will be called forward from the US. The AER is based on a commodity pipeline analysis.

While the AER requests data for one full fiscal year, estimated requirements for the period October 1 to January 30 of the following year (in other words, a total estimate for 16 months) is required to ensure a continuous pipeline.

What is a call forward (or sales order)?

Awardees use a call forward to request from FFP delivery of a specified amount of commodity to a particular country program for use during a specified period of time. Calls forward should be made only for commodity amounts authorized on the AER.

A minimum 45-day lead time is required by KCCO to complete procurement of commodities, but it is estimated that at least

60–120 days are required to purchase, ship to U.S. port(s), and deliver **bulk** commodities to destination countries. A minimum of 90–120 days is required for **processed** commodities.

Awardees enter calls forward online through USDA's WBSCM commodity procurement system.

What is a commodity pipeline analysis?

Each Awardee conducts a commodity pipeline analysis to prepare the AER and calls forward.

This analysis assesses all commodities that are on order, in transit to the country, at the port, in inventory at local warehouses, in transit to distribution sites, and available at distribution sites during a designated period of time. This analysis helps determine the quantities of commodity that need to be ordered to keep the warehouse(s) or distribution site(s) adequately stocked to meet program needs.

What is a PREP?

Each Awardee submits a PREP (pipeline and resource estimate proposal) electronically each year.

The PREP describes an Awardee's resource needs and activities over the course of the upcoming implementation year. The PREP includes, among other things, an AER and commodity pipeline analysis. Changes in allocation of metric tonnage among technical sectors greater than 10 percent must be discussed with FFP before PREP submission.

3. Shipping

Shipping, in the context of this handbook, is transportation of commodities by ship.

What is cargo?

Cargo is the generic term for all goods (including commodities) while being carried on a ship, aircraft, or motorized vehicle.

How is commodity cargo shipped?

- **Bulk** commodity is not pre-packaged in the U.S. Instead, it is either bagged in the ship's hold before discharge or transferred by vacuum equipment from the hold and bagged by machine on the dock. Bags may be shipped with the commodity or, with FFP approval, purchased locally. Bagging is not done for monetization commodities because typically the title transfers to the buyer at the receiving port.
- **Break bulk** cargo is pre-packaged in individual containers (e.g., bags, tins), stacked in the ship's hold and discharged from the ship to the dock by crane or by manual labor.
- **Containerized** cargo is shipped in 20- or 40-foot containers sealed in the country of export so that no entry is possible without being detected. Containers are

either opened and the contents removed for customs clearance at the port, or they are transported to a receiving warehouse for inspection and storage. Shipping commodity in containers greatly reduces handling-related losses and may protect from moisture-related damage. However, containers should be ventilated or desiccants used to absorb moisture inside.

What are standard commodity container sizes?

Commodity	Standard Container Size
Grains and pulses	50 kg bag
Blended and vitamin-fortified grain products, e.g., CSB, WSB	25 kg bag
Vegetable oil	4 liter plastic tins (3.7 kg)
	20 liter pail (18.5 kg)
	208 liter steel drum (194.5 kg)

How are commodity containers labeled?

Labels on each container should include, in an appropriate language:

- Commodity name

- Net weight (in kg)
- Date of production
- BUBD (PVOs should request at the time of ordering that BUBD be printed on the commodity containers)

If commodities will be distributed without cost, containers must also include:

- The USAID logo
- The words “Not to Be Sold or Exchanged”

What is the shipping contract?

This is a contract between a shipping company and the Awardee (or “consignee”) to transport commodity from the country of export to the country of import. Specific information in such a contract includes:

- Arrival site and date
- Type and volume of cargo
- Time period allowed and manner of discharging (off-loading) cargo
- Information on whether the consignee (Awardee) staff or agents may board vessels (if applicable) to inspect the holds (In general, Awardee or its agent should be present whenever possible.)
- The party responsible for payment of handling charges

- The documents required from the shipping company

What are incoterms?

Incoterms are a set of international rules issued by the International Chamber of Commerce to spell out the chief terms of delivery used in foreign trade contracts. They define the rights and obligations of the seller and the buyer, and clarify which one is responsible for packing, transport, insurance, handling, and customs clearing. They also explain the point and time at which possession of shipped items passes from seller to buyer.

What is an independent surveyor?

This person is an objective third party who observes the discharge of cargo from a ship at a port. The surveyor prepares a report called a **discharge (ex-tackle) survey**, which documents the condition of the cargo, the amount delivered against the B/L, and the cause and nature of any excess, shortages or damages to the cargo while it is in the control of the shipping company. The discharge survey is essential to determine who is responsible for any marine loss.

When a through B/L is used, an independent surveyor also carries out a survey at the time the shipping company transfers custody of the cargo to the Awardee at a designated inland warehouse. This report is called a **delivery survey report**.

The Awardee must engage the services of an independent surveyor for the discharge survey unless FFP communicates (in writing) that such surveys are not feasible in the specific port, or USAID's CCC has made other provisions for such examinations and reports.

If practicable, Awardee and shipping company representatives should attend the examination of the commodity, and the survey report should be signed by all parties.

In addition to survey reports to determine marine loss and damage, Awardees in landlocked countries should arrange for an independent survey at the point of entry into the receiving country or at the destination warehouse in the receiving country, and make a report containing the same type of information contained in a discharge report.

What is a survey report?

A survey report is a written evaluation of the cargo. It accurately and independently states the external conditions and the condition

and quantity of the cargoes at the time of examination. The purpose of the survey report is to fix responsibility for losses or damages that occur while cargo is under the care, custody, and control of the shipping company so that claims for such losses may be pursued from a position of strength and knowledge. (A detailed list of the contents of a survey report is available in the *CM Toolkit*.)

What is a clearing and forwarding (C&F) agent?

A C&F agent is a third party who facilitates the receipt, customs clearance, and forwarding of international consignments to the Awardee at designated destinations.

What is a through bill of lading (B/L)?

A “regular” B/L is the legal document used by shipping companies to define the terms and conditions under which they accept cargo. A through B/L allows (with local government permission) internationally procured commodity to be delivered to an inland destination prior to clearance. All B/Ls for ocean shipment are issued by the Awardee’s freight agent at the time of export.

Three locations are specified on a through B/L: the cargo origin, the port of discharge, and the final destination or point of delivery at which the shipper has agreed to deliver the cargo. (On a “regular” B/L the final destination is the port of discharge.)

On a through B/L, the shipping company retains custody of the commodity until it arrives at the final destination. The responsibility for cost of port operations and all losses sustained during discharge and inland transportation up to this final destination are the responsibility of the shipping company.

A through B/L is often used in landlocked countries, countries that have experienced very high losses of commodity in port, or when commodity is transshipped, i.e., discharged at a main port and then directly loaded onto local ships for delivery to other coastal or inland ports.

Who is responsible for customs clearance?

The C&F agent contracted by the Awardee usually facilitates customs clearance, which may take place at the receiving port, at the border of the receiving country if a landlocked country, or at the warehouse in the receiving country if a through B/L is used.

Either the C&F agent or the Awardee obtains all necessary import permits, licenses, and other appropriate documents and ensures prompt approvals for entry of commodities in the receiving country.

The following documents are usually needed for customs clearance, but requirements vary from one country to another. Always check receiving (and if applicable transit) country requirements.

- B/L or air way bill, rail consignment note or international consignment note, depending on the transport mode
- Commercial invoice/pro-forma invoice: a document stating the quantity, cost, insurance, and freight value of the cargo delivered to the port, generally used as the basis for custom declaration and insurance even if the commodity is a gift and no money was paid for the cargo
- Phytosanitary certificate: a certificate issued by USDA stating that the cargo is fit for human consumption and free of disease and pests
- Gift certificate/letter of donation: a document usually generated by the shipper stating that the cargo will be

used for free distribution and/or for relief program and is not intended for resale in the country

What is short landing of cargo?

Any negative difference between the quantity of cargo loaded onto the ship and the quantity discharged or delivered at the receiving point is termed short landing of cargo. Claim to recover for loss of cargo due to short landing is vigorously pursued.

Which records must be kept on ocean shipments of commodity?

Commodity arriving at a port is treated and accounted for in the same manner as commodity arriving at a warehouse. A file for each shipment that arrives in country should therefore contain the following documents:

- Shipping contract
- Booking note or charter party
- All transmittal notices
- All correspondence with the shipping company, FFP, government authorities and transporter
- B/L
- Certificate of origin
- Commercial or pro-forma invoice
- Gift certificate or letter of donation

- Phytosanitary certificates and/or applicable health certifications
- Fumigation certificate
- Export certificate
- All commodity-specific documents
- Ship's manifest
- All signed customs authorizations and clearances
- Inventory ledgers for each type of commodity offloaded
- Waybills and loss reports to account for all commodities described on the B/L (and dispatched from the port)
- Port fee documents
- Independent discharge and/or delivery survey reports (including customs receipts, port authority reports, short or excess landing certificates, cargo booking notes, stevedores' tallies, etc., where applicable) and invoices
- Ship and port out turn reports

4. Losses and Claims

What is commodity loss?

A loss is an **incident** in which commodities are discovered to be damaged, missing, or misused. An incident is defined as a loss discovered at a particular time and location (such as during a physical inventory in a specific warehouse) or a loss occurring as part of a contract with a third party (such as a transport contract). An incident of loss could include more than one type of commodity.

There are three kinds of losses, distinguished by where in the supply chain they occur: Marine, Inland, or Internal. The kind of loss is important because it determines who is responsible for the loss and how a loss claim will be pursued.

A commodity loss can be further distinguished by what makes it a loss, also referred to as “loss reason.” Loss reasons include unfit, theft/missing, reconstitution/rebagging, short-landed, spillage, and short-delivered.

What is “damaged” commodity?

Damage is deterioration in the quality of a commodity. Damage includes commodity spoilage, contamination, or infestation of insects. Damaged commodity should be

certified as fit for human consumption before it is distributed. (See Section 5., **How do I prepare commodity samples for analysis?**)

What is “unfit” commodity?

Damaged commodity is considered unfit when it has been analyzed by a public health inspector (or an authorized chemist or laboratory) and has been certified to be inedible for humans. (See Section 5., **What do I do with commodity unfit for human consumption?**)

What is “missing” commodity?

Missing commodity refers to a decrease in the quantity of commodity units (e.g., bags or tins) stated on a document (such as a ledger) in comparison to the actual physical quantity. Missing commodity is often discovered when a discrepancy is found between a physical inventory and the warehouse ledgers.

What is “spillage”?

Spillage describes the difference between the true weight of commodity bags or tins, and the weight stated on the packaging. Spillage (or partially filled bags or tins) may

result from torn bags of grain, leakage from cans of oil, or from weighing commodity on scales that have not been accurately calibrated. Spillage is often discovered when random sample weighing indicates bags or tins weigh less than the weight stated on the packaging.

What is “short-delivered” commodity?

Short-delivered commodity refers to a decrease in the quantity of commodity units, typically discovered when tallying results indicate fewer units are delivered to a warehouse or distribution point than stated on the waybill.

What is “misused” commodity?

Misuse occurs when a commodity is used for purposes not permitted under the operational plan. Loss resulting from misuse is often discovered during monitoring: detection, for example, of distributions made to persons not eligible to receive commodities (such as those not registered), or to registered people who do not meet the eligibility requirements.

What is a marine loss?

A marine loss is a loss in quantity or quality of commodities that occurs between the time the B/L is issued to the shipping company and the time the shipping

company turns over custody and control of the commodities to the Awardee (or the Awardee's designated C&F agent), usually at the discharge port.

What is an inland loss?

An inland loss may occur when commodities destined for a landlocked country are received in an intermediate country and then transported to the recipient country. They may include warehouse handling losses at the discharge port and losses that occur during transportation through the intermediate country to a designated point in the recipient country.

What is an internal loss?

An internal loss is a loss in quantity or quality of commodities that occurs between the time the Awardee takes custody from the shipping company and the time of distribution to recipients. This includes commodity losses during transport within the country, while in storage, or during distribution.

How are internal losses different from marine losses?

The main distinctions between the two are the parties liable for the loss and the method of pursuing claims.

How much loss is acceptable/allowable?

No loss is acceptable or allowable. Every loss must be investigated, documented, and reported.

What do I do if I discover a loss?

For **marine losses**:

- Immediately file a written notice of loss (letter of protest) with the shipping company representative.
- Record the names and addresses of individuals who were present at the time of discharge and during the independent survey who can verify the loss.
- Notify the FFP AOR if the loss is greater than US\$ 500.
- Inform USDA of the quantity, type, and cause of loss. If loss is estimated at greater than US\$ 5,000, provide a narrative chronology to assist in the adjudication of claims.

- Prepare a claim package and assign claim rights to USDA.

For **internal losses**:

- Report all identified or suspected commodity losses to your immediate supervisor.
- Promptly investigate every loss to determine how it occurred and who was responsible.
 - If a suspected loss is the result of an accounting error or oversight, reconcile the loss according to the standard procedures of your organization.
 - If you suspect a pattern or trend in the loss, inform FFP.
 - If you suspect a loss has occurred as a result of criminal activity, promptly report the circumstances to FFP in country and in Washington. The latter may need to contact the USAID Inspector General (IG). Also contact local police or appropriate authorities, unless instructed not to do so by USAID for safety reasons.
- Complete an individual loss report for every confirmed case of

commodity loss. Attach all supporting documents to the loss report.

- Take actions to recover the value of commodities lost. This usually will involve filing a claim.
- If applicable, follow standard procedures for disposal of damaged commodity.

What information should be included on an individual loss report?

- Shipment number
- Commodity name
- Loss category (marine, inland, or internal)
- Loss type (warehouse, transportation, or distribution loss)
- Loss reason (unfit, theft/missing, reconstitution/rebagging, short landed, spillage/partially filled bags or tins, or short-delivered)
- Total quantity of loss (in kgs)
- Estimated U.S. dollar value of the loss (based on C&F or local market value)
- Transfer Authorization (TA) number
- Number and size of containers/bags
- Time, date and place the loss was discovered

- Current location or disposition of commodities
- Circumstances/explanation of the loss
- Who, if anyone (person or organization), had possession of the commodities at time of loss
- Who, if anyone (person or organization), might be responsible for the loss
- Action taken to recover or dispose of commodities, including:
 - Filing a claim against a third party
 - Taking legal action against a person or organization
 - Processing a claim, which results in receipt of a claim payment
 - Arranging for local health authority's inspection and certification that the damaged food was unfit for human consumption
 - Requesting USAID approval to sell or destroy unfit food
 - Requesting USAID approval to take no action
 - Investigating what happened to the unfit commodity

What supporting documents are required for loss reports?

Type/Location of Loss	Supporting Documentation
Marine loss during shipping (short-landed)	Independent survey discharge report and protest letters to the shipping company
	If loss is estimated to be > US\$5,000, a narrative chronology
Loss at port warehouses or during dispatch to inland warehouses	Independent survey delivery report
	Waybill(s)
Commodity declared unfit for human consumption	Declaration of unfit food by competent authority
	Waybills
	Documents for dispatching unfit food
	Commodity disposal report with photographs
Missing	Physical inventory report
Reconstitution/rebagging	Commodity reconstitution report
Inland transport loss (short-delivered)	Waybill(s)
Misuse	Distribution lists

Note: Newspaper clippings or government reports are helpful in case of damages due to natural calamities like flood or cyclone.

Who pays for a commodity loss?

If a third party had custody of the commodity when the loss occurred, that party must pay for the value of the commodity. A third party may be a person, company, governmental, or nongovernmental organization, including recipient agencies (such as a Sub-Awardee who distributes the commodity for the Awardee).

Note: Any agreement with a Sub-Awardee must require the Sub-Awardee to pay for a commodity loss that results from its failure to exercise reasonable care. However, the Awardee remains liable to FFP as per award.

The Awardee must pay if:

- The loss results from a failure on its part (directly or via Sub-Awardee or contractor) to adequately protect or handle the commodity. (The USAID mission will determine whether the loss or damage could have been prevented, based on local conditions and practices.)
- It used the commodity for a purpose not permitted under the approved operational plan.

- It failed to make every reasonable effort to collect a claim against a negligent third party. (See **What are reasonable attempts or efforts to collect a claim**)

What is a loss claim?

A loss claim is a request by the Awardee for payment or reimbursement from a third party for damaged, unfit, missing, or short-landed commodities, for which the third party is responsible.

Note: If an Awardee has one contract with a transporter and losses occur during a single movement of commodities from points A to B (an event), the Awardee has **one claim against the transporter**. The amount of the claim will be based on the total value of the commodities lost during the movement from points A to B, even though some of the loss might have occurred on each of several trucks or by subcontractors used by the transporter to satisfy its contract responsibility to deliver the commodities.

For marine losses, an event is the loss of or damage to commodities that are shipped on the same voyage of the same ship to the same port destination, irrespective of the kinds of commodities shipped or the number of different B/Ls issued by the carrier.

When must a loss claim be filed?

Every loss must be reviewed to determine if a claim is warranted against a third party. It is extremely important for Awardees to consult and discuss with the USAID mission, and to review the criteria that are being used to determine if claim action is justified.

Unless otherwise approved by FFP in writing, Awardees should file a claim (against the third party responsible) to recover all commodities lost, or the equivalent monetary value of the commodity, except in the following cases:

- The loss is caused by *force majeure*, or events beyond the control of the parties responsible that could not have been avoided by the exercise of due care, such as a flash flood.
- The value of the loss is less than US\$ 500 (for internal claims) or US\$ 300 (for marine claims) and failure to pursue the claim would not be detrimental to the program.

Note: For marine loss, the Awardee must send information and/or documentation on shipments to CCC, even when no claim is to be filed.

Failure to file a required claim may leave the Awardee liable to FFP for the cost and freight value of the commodity in question.

How is a loss claim filed?

For **inland and internal losses**:

1. Prepare a claim letter (demand for restitution) and send to the person(s) or organization responsible for the loss.
2. Send a copy of the claim letter to USAID.
3. Make reasonable attempts to collect claims.

For **marine losses**:

1. Provide to USDA information on the commodity quantity, loss reason, and (if applicable) cause of damaged cargo.
2. If loss is estimated at greater than US\$ 5,000, provide a narrative chronology or other commentary to assist in the adjudication of the claim.
3. Prepare a claim package and assign claim rights to USDA.

What are “reasonable attempts or efforts” to collect a claim?

A reasonable attempt or effort constitutes sending the initial claim (demand) letter and, if no suitable response is received, sending up to three additional, progressively

stronger claim letters with not more than a 30-day interval between each one.

When is legal action necessary to collect a claim?

If reasonable attempts fail to elicit a satisfactory response, legal actions must be pursued in the country where the loss occurred unless:

- Liability of the third party is not provable
- Costs of pursuing the claim would exceed the amount of the claim
- The third party would not have sufficient assets to satisfy the claim
- Maintaining legal action in the country's judicial system would seriously impair the Awardee's ability to conduct an effective program in the country
- It is inappropriate for reasons relating to the judicial system of the country

Note: Any decision not to take legal action and the reasons therefore must be submitted in writing to FFP for review and approval.

What do I do with the proceeds from a claim?

Any settlement proposed by the negligent third party for less than the full amount of the claim must be approved by FFP.

All commodity claim proceeds (reimbursements for losses) paid in the country of distribution should be transferred by wire to CCC. This means, for example, that the value of a claim against a local transport company for the loss of commodities in its custody cannot be reimbursed through a “discount” to be applied on future transport costs.

Contact the local USAID mission for the current wire transfer form.

Awardees may retain US\$ 150 of any amount collected on an individual internal loss claim (US\$ 200 on marine claims); claims may not be artificially broken down in order to increase the amounts retained.

Additionally, with the written approval of USAID, Awardees may retain special costs such as reasonable legal fees they have incurred in the collection of a claim.

How do I keep track of loss claims?

All losses must be reported to FFP quarterly through the QWICR system (see Section 8: **Reporting**). To facilitate this, Awardees

should maintain a file for each loss, containing copies of all related documents including the:

- Loss report
- Claim letter(s)
- Status reports and follow-up process (may also include quarterly claim status report along with loss status report)

How are losses mitigated?

The practices described in Sections 5 to 8 of this handbook detail the minimum standards for reducing or eliminating loss in quantity and quality, and for preventing the misuse of commodity. Awardees should make all possible efforts to mitigate losses to ensure that maximum quantity of commodity reaches the intended beneficiaries. Pay special attention to the following:

- Clearly detail commodity handling responsibilities and liabilities for loss in all transporter contracts.
- Physically count all commodity containers delivered to each warehouse, and spot-check the weight of containers as they are offloaded. Immediately

record the results on the corresponding waybill. If there are insufficient full-time warehouse staff to conduct this count during the arrival or dispatch of large shipments, temporarily engage additional staff from other functions or projects.

- Ensure that all staff (including recipient agency staff) are trained in adequate storage procedures. Once trained, supervise staff and immediately correct any non-compliance with these procedures.
- Ensure segregation of duties as an internal control measure. Checks and balances will make misappropriation difficult.
- Always keep warehouses clean and pest free. Conduct surprise inspections to ensure warehouses are being properly maintained and commodity is not infested.
- Treat all infested commodities immediately after observation to avoid further damage.
- Promptly dispose of commodity unfit for human consumption to prevent cross infestation with good commodity in the same warehouse.

- Closely monitor all reconstitution processes to prevent any further loss due to torn bags or leaky tins.
- Regularly spot check the accuracy of inventory ledgers, stock cards and their corresponding source documents at all warehouses (including those at recipient agencies). Immediately reconcile any discrepancies and correct any non-compliance with standard procedures.
- Promptly complete loss reports and investigate every loss. Implement a system to ensure regular follow-up on every loss claim until it is closed.
- Periodically revalidate recipient eligibility and update the master recipient list to prevent ineligible recipients from receiving food rations.
- Monitor commodity distributions.
- Verify the accuracy and consistency of the data included in all distribution plans and reports.

5. Storage

What is the “best if used by date” (BUBD)?

The BUBD is the date until which the commodity is expected to retain its quality. BUBD is based on the commodity shelf life, or the average amount of time a specific commodity may be stored without nutritional or organoleptic (sensory) deterioration. Although commodity may be good even after the BUBD, its shelf life, and therefore the BUBD, can be shortened by poor storage practices.

Regardless of BUBD, if there is any question concerning ‘fitness’ for human consumption, get the commodity tested before deciding to distribute it.

What is first in first out (FIFO)?

FIFO is an inventory management method where the first units received into the warehouse are the first units dispatched or distributed. The method is used to prevent commodity spoilage due to prolonged storage.

While FIFO is the recommended good practice, warehouse managers must use their judgment and consider other factors in deciding which stocks to distribute. For example:

- **Reconstituted and damaged commodity.** If there is a risk of spoilage or re-infestation, commodity that has been infested (and fumigated) may be dispatched before other commodity that arrived earlier but has not been infested.
- **Commodity with a shorter BUBD.** Items that are close to their BUBD may be dispatched before other items that arrived earlier but have a later BUBD.

What are “adequate” storage procedures?

Adequate procedures refer to all those necessary to protect the quality of stored commodities and guard them against undue spoilage, damage, theft or other loss.

Awardees (and their recipient agencies) are responsible for maintaining all commodities in their possession in a manner that assures distribution in good condition to eligible recipients. Awardees may be financially liable for losses caused by any failure to implement storage procedures that are considered to be adequate by local commercial standards.

Adequate storage procedures and practices by any standards include:

- Protection from the elements

- Sufficient storage space
- Controlled access
- Proper commodity stacking
- FIFO inventory management
- Routine warehouse and commodity inspections
- Control of insects and rodents
- Accurate recordkeeping and reporting

What does “protection from the elements” include?

Storage structures should be:

- Free from leaks or holes in the roof, walls, or windows that potentially expose commodities to rain or other elements
- Situated in a location free from any potential drainage problems
- Ventilated to prevent excess build-up of heat or humidity

What is controlled access?

Controlled access means limiting who or what can enter the storage facility. This can be accomplished by ensuring:

- Windows and doors can be securely locked and the storage facility is locked

(and guarded, if necessary) during non-working hours.

- There are no holes or gaps in the structure that could allow entrance of unauthorized persons.
- Windows and vents are screened to prevent entrance of birds or animals.
- In higher risk areas, the compound around the storage facility is fenced.
- Only persons designated by management have keys. The person(s) with keys is accountable for all losses within the storage facility.
- All visits are recorded in the guest register.
- Storage of non-program commodities or other materials is prohibited (to control number of non-commodity staff in the warehouse).

What is “proper” stacking?

Proper stacking is the systematic placement of commodity within the storage facility in order to reduce damage and facilitate inspection and control.

- Allow space (at least 1 meter) all around each stack for easy inspection, pest control and air circulation.
- Place individual items in an organized manner to make counting easier.
- Limit the height of vegetable oil stacks to no more than 10 cartons to avoid crushing tins at the bottom of the stack.
- Never store chemicals, pesticides, fuels, or other potentially toxic substances near commodity stacks.
- Create separate stacks for:
 - Type of commodity
 - Shipment number
 - FFP commodity (and for any other donor commodities)
 - BUBD
 - Damaged commodity awaiting reconstitution
 - Reconstituted commodity
 - Commodity suspected or declared to be unfit for human consumption (these should be moved to a separate storage, if possible, to avoid affecting good stock)
 - Commodity received as repayment for a loan

What is warehouse inspection?

Inspection is the systematic verification of a warehouse (and surrounding compound) for cleanliness, security, maintenance of the structure, storage practices and recordkeeping. Monthly inspections by management are common, but FFP may require more frequent inspections if problems have become audit issues.

What equipment is needed in a warehouse?

The following items are generally needed (this list is not exhaustive):

- Brooms, mops, and buckets
- Fire extinguishers
- First aid kit
- Ladders
- Pallets
- Reconstitution materials, e.g., empty bags, needles and twine or stitching machine, oil tins, cartons
- Sampling spears/probes
- Shovels
- Sieves
- Tarpaulins
- Torches/flashlights
- Weighing scales

What is commodity inspection?

A commodity inspection verifies the quantity and quality of commodity. Commodity inspection includes weighing a random sample of all bags and tins, and checking for insect infestation, rodent damage, or spoilage.

Inspect commodity:

- When it is received at or dispatched from a warehouse
- As part of routine warehouse inspection
- As part of the routine (monthly, quarterly) or annual physical count
- Any time quantity or quality is suspect

Correct problems encountered during an inspection as soon as possible.

- Document all under- or overweight units found during inspection and reconstitute to ensure units are standardized to weight stated on packaging.
- Contact pest control service if signs of infestation are found.
- Segregate any suspect commodities (such as commodity that looks or smells bad) and prepare samples for analysis to determine if commodity is fit for human consumption.

How do I prepare commodity samples for analysis?

Best practice is to take samples from as many bags as possible, blend them thoroughly, and then take a sub-sample that can be analyzed to provide an average result. The more samples that are taken, the closer the average will be to accurately reflecting any characteristic of the lot. In general, sampling the commodity should be done by a professional company and includes the following steps:

1. Identify bags for sampling. FAO recommends the following number of bags from which to sample.

Number of Bags in the Lot	Number of Samples
1–10	Each bag
11–25	5 bags
26–50	7 bags
51–100	10 bags
101–999	The square root of the total
1000+	1% of the total

2. Stand the bags on end, insert the probe into a top corner of the sack, and move

it diagonally through the bag until the end of the probe touches the opposite bottom corner. Withdraw the sample.

3. Combine all probe samples to produce an aggregate sample, mix thoroughly.
4. Obtain a representative sample (from the mixed aggregate) of between 1 and 5 kg and seal it in a bag to protect the integrity of the sample.
5. Label the sample and send to a qualified testing laboratory.

Handle each sample in a manner that minimizes the post-collection production of aflatoxin (toxic by-products of mold growth). Place moist samples in cloth or paper bags, cool if feasible, and transport them to drying facilities as soon as possible. Avoid using plastic bags, or storing samples in a confined area where humidity and temperature can increase around them.

How are insects and rodents controlled in the warehouse?

- Ensure the warehouse and surroundings are always clean. This includes sweeping under pallets.
- Routinely inspect the warehouse and commodity for any visual signs of infestation.

- Segregate damaged or infested commodity.
- Contract qualified pest control services.

What is fumigation?

Fumigation is the use of a highly toxic gaseous pesticide (fumigant) to control pests in stored commodities. It is a critical part of integrated pest management, as it is the only means of killing all life stages of insects (from egg to adult) in bagged commodities.

Commodity stacks are covered with gas-proof tarps and carefully sealed to each other (e.g., with tape) and to the floor to minimize gas leakage. The fumigant is then released under the tarps. Fumigation will kill insects even inside grain kernels, but it will not eliminate risks from mold, aflatoxins, or bacteria, especially at high humidity. Also, insects or rodents may re-contaminate the commodity immediately after fumigation.

Fumigation is a dangerous process that should only be performed by trained professionals. Staff may be poisoned or killed if fumigants are used improperly. All personnel involved in fumigation activities must wear properly functioning, full face canister gas masks.

Note: USAID requires that a pesticide evaluation report and safer use action plan, or PERSUAP, be submitted as an attachment to the IEE for any program that procures or uses fumigants. All fumigation standards are described in the USAID Fumigation Programmatic Environmental Assessment, including templates for PERSUAPs and the Fumigation Management Plan³. Fumigation must be carried out by professionals who can meet these standards.

What is a fumigation management plan?

A fumigation management plan records fumigation supplies (chemicals, tarps, personal protective equipment), notification of emergency responders and bystanders, gas monitoring plans, placarding, and disposal of fumigant containers.

What do I do with commodity unfit for human consumption?

Commodity certified unfit for human consumption is considered a loss. Complete a loss report, notify FFP, and dispose of the commodity in the following order of priority.

If commodity is certified fit for other use:

1. Sell it via approved tender process (at the highest obtainable price) for the

³ available at <http://www.usaidgems.org/fumigationpea.htm>

most appropriate use. Possible uses include animal feed, conversion into fertilizer, or industrial use.

2. If sale is not possible, transfer commodity to an approved FFP program for use as livestock feed.
3. If sale or transfer to an approved FFP program are not possible, donate commodity to a governmental or charitable organization for use as animal feed or for other non-food use.

Note: Before commodity can be considered for animal feed, it should be certified free from aflatoxins. Aflatoxin-contaminated feed may leave toxic residues in the meat and milk produced by the animals consuming the feed.

If commodity is certified unfit for any use (or attempts to sell, transfer or donate commodity are unsuccessful):

4. Destroy commodity in a manner (such as burning or burying) that is approved by both local government officials and FFP. Dry the commodity to promote complete burning or bury it in such a way that it cannot be later accessed by

unauthorized individuals. If commodity is valued at US\$500 or more:

- Request USAID concurrence for the method of destruction.
- Request the presence of a USAID representative at the destruction.
- Following destruction, provide FFP with a written report (including photographs) describing the exact quantity of commodity destroyed and the manner of destruction.

What is reconstitution?

Reconstitution takes commodities from damaged, underweight, or overweight containers (bags, cartons or tins) and puts them in new (undamaged) containers to the standard weight or volume specified on the B/L.

If the cost of reconstitution will exceed US\$ 500, seek prior approval from FFP. If approval is not granted, reimbursement for the costs may be denied.

Weigh all full containers resulting from reconstitution. The difference in new total weight, when compared to total weight of original containers **had they all been full**, is considered loss due to reconstitution/rebagging. Complete a loss report.

Can food processors or recipient agencies repackage food for distribution?

Yes, with a written agreement for such services. The agreement must include a clause stating that the party providing such services will:

- Fully account to the Awardee for all commodities delivered to their possession, and be liable for the value of all commodities not accounted for
- Return or dispose of the containers in which the commodity is received, according to instructions from the Awardee
- Plainly label cartons, bags or other containers containing the end product with the USAID logo and (if practicable) with the following information in the language of the country:
 - Name of commodity
 - “Not to be sold or exchanged”
 - Emblems or other identification of the Awardee (if desired)

Note: Refer to your approved BSMP for container labeling requirements specific to your program. Awardees themselves may repackage if the situation warrants, and quality and measurement can be ensured.

6. Recordkeeping in Warehouses

Who must keep records?

Awardees, Sub-Awardees (including distribution centers), and any commercial facilities used for processing commodities must keep records to fully account for all commodities in their possession.

What records must be kept?

Records that accurately reflect the receipt, inspection, dispatch/issuance, loss and balance of every unit of commodity (e.g., bags of grain, tins of oil) must be kept. These documents include:

- Receiving waybills/notes
- Approved distribution plans
- Dispatch authorizations (or release orders)
- Dispatch waybills
- Tally sheets (loading and offloading)
- Stack cards (by commodity and by shipment)
- Separate warehouse ledgers for:
 - each commodity type & shipment number
 - damaged/unfit commodities
 - commodity loans/transfers
- Commodity reconstitution records

- Commodity disposal/destruction records
- Warehouse fumigation records/reports
- Warehouse inspection reports
- Warehouse physical inventory counts sheets/reports
- Loss (damage) reports

What is a tally sheet?

A tally sheet records the running count (tally) of all commodities as they are loaded onto or offloaded from transport.

Transporters should simultaneously conduct their own count, and any differences should be resolved before a waybill is signed and the truck leaves the warehouse.

What is a waybill?

A waybill is the primary document for the receipt and dispatch of commodity into and out of all warehouses. All commodity received at or issued from a warehouse must be accompanied by a waybill, including return of undistributed stock from the distribution center to the warehouse.

Waybills for incoming and outgoing commodities should be filed separately.

What is a warehouse ledger?

The warehouse ledger records all transactions related to the receipt into, dispatch from, or loss of commodity in, the warehouses. The source documents that support entries onto the ledger are waybills and loss (or adjustment) reports.

Separate ledgers should be maintained for each of the following:

- Each type of commodity
- Each commodity shipment number (i.e., separate ledgers are kept for different shipments, even if the commodity is of the same type)
- Commodity suspected or declared to be unfit for human consumption
- Empty containers

What is a stack card?

A stack card, sometimes called a bin card, documents all commodity quantities added to (received) or removed from (dispatched) the stack to which it is attached. A stack card is attached to every commodity stack in the warehouse and updated after every transaction.

How long must records be kept?

Awardees and recipient agencies must retain records and documents that accurately reflect receipt, storage, fumigation, dispatch, distribution, inspection, and use of commodities for a period of three years from the close of the U.S. fiscal year to which they pertain or longer upon request by USAID for cause, such as in the case of litigation of a claim or an audit concerning such records.

USDA requires Awardees to retain independent survey reports for five years.

Note: Please refer to the specific program operational plan, your own organization's record retention policies, and the host country law, any of which may require longer storage. The same applies for disposal of such records.

7. Distribution

What is recipient registration?

Recipient registration is a reliable and repeatable process for identifying individuals (or households) who are eligible to receive distributed commodities, and recording necessary information about them.

The process is:

- Labor-intensive. It must be well planned and executed to ensure accuracy and to prevent recipients from registering more than once
- Repeated periodically to ensure individual (or household) eligibility remains in accordance with program requirements

The list of registered recipients is used to create a master recipient (beneficiary) list.

What is a master recipient (beneficiary) list?

This list includes all recipients' names, eligibility criterion, how eligibility was verified, identification/ration card numbers, and all additional demographic information collected during registration that is essential for evaluating eligibility for a specific program.

- The list should be computerized and password-protected.
- The list should be updated regularly (usually monthly) to account for births, deaths, recipients leaving the area, other changes in eligibility criteria, or lost or stolen cards.
- The master recipient list is used to create distribution lists of eligible recipients at a given location prior to each distribution.

What is a distribution (or beneficiary) list?

The distribution list is a subset of the master recipient list. It contains data on only those individuals or households eligible to receive commodities at a given location on a given date. The distribution list contains the name of the recipient, their ration card number (if applicable), the total number of eligible household members (or household size), and total ration quantities by commodity. Often, a distribution list is also used to record the signatures or thumb prints of individuals who have received their commodities at a distribution.

What is eligibility?

Beneficiaries are eligible to receive Title II commodities when they meet the requirements or targeting criteria stipulated in the program description section of the operational plan. Large programs may serve different types of recipients, with different eligibility criteria for each type. Awardees must ensure that recipient agencies also determine the eligibility of recipients to whom they distribute commodities.

In no case can eligibility be based on a recipient's:

- Ability to make a financial contribution to the Awardee for any purpose
- Political affiliation
- Ethnic, tribal or religious identity
- Agreement to provide any non-financial favors (sexual or non-sexual)

Except when FFP agrees in writing, Title II food cannot be distributed to, handled by, or allocated by any military forces.

What is a recipient identification or ration card?

This card is prepared by the Awardee (or recipient agency). It is held by an eligible recipient, who presents it at time of

distribution to demonstrate eligibility. The card prevents misuses of commodities.

If possible, the card should:

- Be made of durable paper or plastic
- Be printed with the USAID logo and a unique card number
- Contain some form of identification, such as a photograph, physical description, thumbprint or barcode to discourage forgery

Each card should include spaces for:

- Name of cardholder
- Eligibility starting and exit date
- Name/location of distribution point
- Household size or recipient type (if applicable)
- Dates rations were received

What is a distribution plan?

A distribution plan is a document detailing a distribution date and place, the total quantity of commodity to be distributed, the expected number of recipients to be served, and the per person ration size. It is used to

authorize a dispatch of commodity from warehouse to the distribution site.

Distribution plans should only be prepared by program managers, commodity managers, or logistics coordinators (depending on program structure).

Warehouse managers, storekeepers, or others in direct control of inventory are never authorized to draft or approve distribution plans.

What is ration size?

A ration is the amount of commodity an eligible recipient is entitled to receive for a specified time period. The program description section of the operational plan should describe approved ration size, composition, and a rationale for this size and composition.

Who receives commodity at a distribution site from a warehouse/storage site?

Only authorized Awardee staff or community delegates can receive the commodity. A list of authorized signatories may be verified for internal control purposes. These individuals perform the following tasks when receiving commodity:

1. Inspect and physically count all units of commodity off-loaded from transport.
2. Record the count on a tally sheet.

3. Weigh (and document) a sample percentage of all commodities received to detect possible loss during transport.
4. Note any shortages or damaged commodities on the waybill and confirm receipt of delivered quantity by signing the waybill.

How is commodity stored at distribution sites?

Many of the same procedures necessary to protect the quality of stored commodities and guard them against theft or other loss at warehouses apply to distribution storage sites. The main difference between the two is that storage facilities at distribution sites should contain little (if any) commodity after distribution has been completed. In other words, commodities are delivered and accumulated at distribution site storage locations only prior to and expressly for distribution.

- If the storage facility at a distribution site is not suitable for long-term storage or is unsafe, any leftover commodity after the completion of a distribution should be returned to the warehouse

(via waybill) from where it was dispatched.

- A ledger should be maintained at each distribution site even if storage is not possible.
- Fumigation with toxic gases (like phosphine) is not recommended at distribution sites. If pest infestation warrants treatment, use lower risk solid or liquid pesticides.
- If the storage facility at a distribution site operates as a true warehouse, all standard warehouse storage and recordkeeping procedures apply.

How are commodity rations measured out for distribution?

The most commonly used methods are:

Recipient division/shared. Small groups of recipients are called into a distribution area and presented with the ration, packaged in its original bags and tins, equivalent to the ration scale times the number of recipients in the group. The group then divides the commodities among themselves (often under the guidance and observation of a food monitor).

Scooping. Standard, calibrated, volume measuring cups, tins or bottles designed for the established ration for a particular

commodity are used to provide rations to recipients. For example, if the ration for maize meal is 400 g/person/day and distribution is conducted every 15 days, a scoop for maize meal is manufactured to hold exactly 6 kg of maize meal when filled to the top and leveled off ($400 \text{ g} \times 15 \text{ days} = 6 \text{ kg}$). During distribution, commodities are then scooped into containers brought by the recipients. Scoops must be clean during food distribution.

Weighing. A hanging pan-type scale is used to calculate a per-person/per-distribution ration.

Pre-measured packages. Packages of commodity with the correct ration amount are prepared in advance of the distribution.

Note: Pre-measured packages must be branded with the same markings as the original containers from which the commodity is taken.

What do I do with empty bags or containers?

Retain an adequate supply of empty bags/containers for reconstitution needs. Dispose of excess containers in which commodities are received in a manner agreed upon with USAID. Maintain a ledger

to account for all empty containers and related documents, detailing the disposition of the containers if applicable. Common methods of disposal include:

- Sale through a bidding process (If the containers will be used commercially, remove, obliterate or cross out all the USAID markings on the containers prior to sale)
- Distribution (free of charge) to eligible food recipients for their personal use

Which records must be kept on distributions?

For every distribution, keep the following:

- Approved distribution plans
- Tally sheets (offloading)
- Signed waybills for commodities received and (if applicable) returns (i.e., if undistributed stock has been returned to the warehouse)
- Loss reports (if applicable)
- Signed distribution lists, distribution receipt sheets, beneficiary feeding registers, approved payroll sheets (for FFW programs), or other applicable documents detailing the recipients served and the commodities consumed or distributed

What is branding?

The objective of branding is to ensure the recipients know commodities they receive have been provided by the American people. See the USAID mission's current BSMP and the BSMP attached to the Awardee's operational plans for additional requirements or waivers.

Branding displays (in this instance at distribution sites and feeding centers) require a display board, banners, posters, or similar media that contain the following information:

- Name(s) and quantity (quantities) of commodity (commodities) being distributed at that time
- "Provided through the friendship of the American people" (This can also be communicated verbally)
- "Not to be sold or exchanged"
- The USAID logo and, if applicable, the logos of the Awardee and/or recipient agency

What is distribution monitoring?

Monitoring the actual distribution process is important: it ensures recipient eligibility and

verifies that recipients are receiving the planned quantity and quality of commodity (their ration) to which they are entitled. Monitoring also includes assessing the distribution practices at distribution sites.

To ensure segregation of duties, distribution monitors should not be the same staff responsible for selecting or registering recipients or for managing or supervising the receipt, storage, or dispatch of commodity.

What is the role of a food monitor?

The primary role of a food monitor is to verify compliance with the Awardee and FFP program requirements and accountability standards. Food monitors should be trained in:

- Principles of internal control
- Basic inventory accounting
- Physical counts of inventory
- Community-level store management practices
- Recipient registration procedures
- Methods to detect fraud and theft
- Sampling of goods or commodity to assess quality
- Sampling of documentation for review
- Commodity distribution procedures such as scooping and weighing
- Reporting procedures

What are the specific food distribution monitoring activities?

Before distribution begins:

- Compare quantities of items actually received at the distribution site (per off-loading tally sheets) to the quantities on the corresponding waybill(s).
- Visually check the quality of commodities.
- Conduct sample weighing of commodity bags and tins.
- Interview recipients about any irregularities in food commodities received.
- Verify that banners/posters stating entitlements are present and appropriate for recipients.
- Verify the existence of drinking water, sanitation, and first aid facilities for recipients.
- Verify cleanliness of area (such as tarps) on which commodities will be placed for distribution.
- Verify the accuracy of scoops and weighing scales.

During food distribution:

- Observe and record security and crowd control.
- Observe and document performance of local authorities, community representatives, community group leaders, etc., participating in distribution management.
- Observe the performance of distribution team members and document instances of non-compliance with distribution procedures.
- Re-verify the accuracy of weighing scales (if applicable).
- Randomly weigh commodities received by recipients as they exit the distribution area.
- Conduct exit interviews with a sample of recipients after they have collected their rations.
- Verify that the help desk is functioning to provide information and record recipient problems/complaints.

Upon completion of distribution:

- Record any difference between planned number of recipients and actual attendance.
- Record the names and ration/ID card numbers of all recipients on the distribution list who did not appear, and follow-up during post distribution

monitoring to determine the reason(s) for their absence.

- Reconcile total quantities distributed with any remaining stock at the end of the distribution.
- Have local volunteers clean up the area.
- Prepare a written report and have two witnesses from the community management committee who attended the distribution sign the report. (**Note:** The distribution team leader should countersign the report.)

Is every distribution monitored?

Discuss with USAID the desired method of sampling (or how to determine which sites to monitor at a specific point in time) and the required confidence level for selecting sample sizes. For example, in some cases priority may be assigned to sites with large numbers of recipients, or sites where significant problems have been previously noted.

8. Reporting

Which commodity reports does USAID require?

The terms and conditions of the Award will prescribe the type and frequency of reports. In general, reports will not be required more frequently than quarterly or less frequently than annually.

The table below summarizes the standard commodity reports required in most Title II programs.

Type of Report	Timing of Submission
Submitted into FFPMIS:	
Pipeline and resource estimate proposal (PREP)	Annually, date (generally between Aug & Nov) negotiated with the AOR
Close-out schedule	Attachment to final PREP
Submitted into QWICR:	
Commodity status report (CSR)	Quarterly
Recipient status report (RSR)	Quarterly
Loss summary report (LSR)	Quarterly (for all losses)
Damaged and Misused	Quarterly (for all losses)

Commodity Report (DMCR)	valued at US\$ 500 or more)
Claims report	Quarterly (for all losses valued at US\$ 500 or more)
Submitted electronically to AOR:	
Close-out plan	Submission date negotiated between AOR and Awardee

Notes: Quarterly reports are due within 30 days of the close of the calendar quarter.

NGOs often prepare reports on a monthly basis for internal use and control purposes.

What is FFPMIS?

The Food for Peace Management Information System (FFPMIS) is a comprehensive online program, proposal, and financial management system. Among other things, the FFPMIS system is used to submit the ARR (Annual Results Report) and the PREP, including the ration calculator, AER (Annual Estimate of Requirements) and CP (Commodity Pipeline).

Note: A user name and password is required to access the FFPMIS site.

What is QWICR?

QWICR (for Quarterly Web-Interfaced Commodity Reporting) is FFP's secure, online commodity reporting system accessible to USAID Washington, USAID missions and Title II Awardees. It enables Awardees to submit online Regulation 11-required commodity reports (CSR, RSR, LSR, and DMCR) to their respective USAID missions in an accurate and timely manner. It contains standardized formats for required reports and a robust mechanism for generating ad-hoc, consolidated analysis reports. It allows the user to analyze submissions, track loss trends and create tables to proactively comply with Regulation 11 monitoring, oversight and accountability requirements.

What is a commodity status report (CSR)?

The CSR is a record of the commodity transactions that occur within a reporting quarter. The report includes opening and closing balances in warehouses and in transit; commodities received, borrowed, or loaned; commodities distributed or monetized; and commodities lost, damaged, or misused. It shows the total quantities of commodities, and it records discrepancies.

Awardees prepare one consolidated CSR for all program warehouses (including recipient agency warehouses) each quarter.

What is a Recipient Status Report (RSR)?

The RSR is a summary of all commodities distributed to recipients during the reporting period, and the gender-disaggregated numbers of recipients who were provided food in each program category.

The RSR also records the annual amounts of commodities the Awardee plans to distribute and the annual number of recipients the Awardee intends to reach.

What is a loss summary report (LSR)?

The LSR is used to record incidents of missing or damaged commodities. Awardees submit the LSR on a quarterly basis for all losses occurring during the quarter. The report captures the type of commodity affected, where the loss occurred, the reason for the loss, and the quantity and dollar value of the commodity lost.

Note: Include all incidents of loss during a quarter in the same LSR.

What is a damaged or misused commodities report (DMCR)?

The DMCR is a required report for any loss that occurs as a result of a post-shipping incident if the missing, damaged, or misused

commodities are valued at US\$ 500 or more. The DMCR records information regarding the loss incident, including the type of commodities affected, the type of loss, and the reason for the loss. The report also captures information regarding liability for the loss and claims filed by the Awardee. In addition to completing the DMCR, the Awardee must also submit a claims report.

Note: When entering an inland or internal loss greater than \$500 on the LSR, a link to the DMCR will appear automatically in the report table.

What is a Claims Report?

The Claims Report is required for every post-shipment loss valued at more than US\$ 500. The report documents the value of the claim, communication between the Awardee and FFP officers regarding the claim, amounts paid on the claim, and administrative costs incurred by the Awardee to pursue the claim.

Note: When entering an inland or internal loss greater than US\$ 500, a link to the claims report will appear automatically in the DMCR report table.

What commodity information is included in the close-out plan?

- Warehouse closing schedule

- Personnel contracts termination
- Commodity distribution schedule
- Proposed use of undistributed commodities (if any)
- Inventory of equipment (with a current fair market value per piece of \$5,000 or more and a useful life estimated to exceed one year)
- Proposed disposition of equipment
- Proposed disposition of supplies (with a current aggregate value of US\$5,000 or more and a useful life estimated to exceed one year)
- Outstanding claims, financial obligations and invoices
- Close-out budget for disposition of commodities, equipment, and supplies; personnel severance, reassignment or unpaid leave; completion of audits; legal resolution of claims; payments of financial obligations

9. Recipient Agencies

What is a recipient agency?

Recipient agencies are NGOs, welfare agencies (such as orphanages and centers for street children), schools, disaster relief organizations, and public or private agencies that are sponsored by and responsible to the Awardee for handling Title II commodities within the Awardee's distribution system. Recipient agencies receive commodities for approved project activities to distribute to eligible recipients. Recipient agencies are commonly referred to as partners, Sub-Awardees or distributing agencies.

What are the recipient agencies' responsibilities concerning commodity management?

- Establish and use appropriate storage and handling procedures to protect the quality of commodities and guard them against undue losses.
- Maintain documents and records of all transactions involved in the receipt, storage, and disposition of commodities, until the commodities are issued for distribution/consumption. These records must:
 - Be accurately kept

- Reflect at all times the quantities on hand and the amounts disbursed
- Meet the needs of internal and external audits
- Fully account to the Awardee for all commodities delivered to their possession and submit periodic reports.
- Use commodities only for the purposes stated in the agreement with the Awardee, including maintaining accurate, up to date recipient lists and distributing commodities only to eligible recipients.
- Follow all branding and commodity package marking (labeling) requirements.
- Adhere to the terms and conditions of Regulation 11, unless USAID and the Awardee agree it would not be appropriate or feasible.
- Pay the Awardee the value of any commodities that are lost or damaged as a result of the recipient agency's failure to exercise reasonable care with respect to such commodities, or of any commodities that are used for purposes not permitted.

- Return or properly dispose of the containers in which the commodity is received from the Awardee according to Awardee instructions.

What are the Awardee's responsibilities concerning recipient agencies?

- Assess the capacity of the recipient agency to store and handle commodity and to carry out program activities.
- Sign a written agreement with the recipient agency prior to the transfer of commodities to the recipient agency for distribution.
- Conduct regular site visits to review the books and records maintained by recipient agencies and verify the accuracy and consistency of the data included in reports.
- Supervise and/or train recipient agency employees to ensure that they follow adequate storage and handling procedures and use commodities only for the purposes stated in the agreement.
- Investigate all commodity losses by recipient agencies and report them to USAID.

Failure to adequately execute its responsibilities may leave the Awardee responsible for the recipient agency's loss.

What should be included in an agreement with a recipient agency?

At a minimum, the agreement must include:

- Description of the approved use(s) of commodities in a manner consistent with the approved operational plan, including the number of recipients, eligibility criteria, total amount of commodities, and ration size
- Requirement that the recipient agency pay the Awardee the value of any commodities that are used for purposes not permitted under the recipient agency agreement or that are lost, damaged or misused as a result of the recipient agency's failure to exercise reasonable care with respect to such commodities
- Incorporation by reference or otherwise the terms and conditions set forth in Regulation 11

Note: The operational plan may indicate those terms and conditions for which the Awardee and FFP agree that a recipient

agency agreement would not be appropriate or feasible. In any case, the Awardee will remain ultimately responsible for all commodities in accordance with the terms of Regulation 11 and the operational plan.

10. Internal Controls

What is internal control?

Internal control is all the measures taken by the Awardee for the purpose of:

- Protecting resources (including commodities) against loss, damage and misuse
- Ensuring accuracy and reliability in recordkeeping and reporting data
- Securing compliance with the policies of the organization
- Securing compliance with the terms and conditions of the Awardee's agreement with USAID

Internal controls are simply good business practices that provide reasonable assurance of achieving the objective of distributing commodity in good condition to eligible recipients.

What are internal control activities?

Internal control activities are the policies establishing what should be done to protect commodities and the procedures to affect these policies. They can be divided into five types, as outlined in the following table.

Control Activity Type	Examples
<p>Personnel</p>	<ul style="list-style-type: none"> • Provision of adequate supervisory personnel • Physical presence • Staff training
<p>Segregation of duties (a staffing structure that ensures an individual is not responsible for more than one transaction component: custody, record keeping or authorization)</p>	<ul style="list-style-type: none"> • Individuals with physical custody of commodities (e.g., warehouse managers, storekeepers) never determine or authorize where the commodity will be sent or distributed, nor arrange for commodity dispatch on their own • Monitoring personnel are sufficiently independent of warehousing, recipient registration, distribution, and accounting functions • Individuals who prepare a loss report are not the same as those who authorize changes in inventory records

Control Activity Type	Examples
<p>Authorization and verification (to ensure propriety, validity, and accuracy of transactions)</p>	<ul style="list-style-type: none"> • FFP approval per terms and conditions • Signature of waybill by receiver verifying quantity actually delivered, quantity lost, and quantity damaged • Signature of distribution plans/lists to ensure recipient numbers and eligibility correspond to those stipulated in the agreement • Management review of all reports to ensure accuracy and completeness of data and reconciliation against source documents • Verification that: stack card balances correspond to ledger balances; ledger entries correspond to source documents (e.g., waybills, B/L); commodity dispatch and distribution correspond to distribution plans; and the master recipient/beneficiary list is accurate and complete

Control Activity Type	Examples
<p>Documentation and record retention (to provide reasonable assurance that all information and transactions of value are recorded and available for future inspection)</p>	<ul style="list-style-type: none">• Tally and receipt sheets used to document all distributions• List of signatories who are authorized to receive commodities at the distribution sites• Periodic reports by warehouses and distribution sites/centers detailing all receipts and dispatches/distribution of commodity• Documentation of all verification activities• On-site retention of waybills, loss reports, distribution plans/lists and recipient receipt sheets

Control Activity Type	Examples
<p>Monitoring (performed by those not directly involved in commodity storage or distribution to verify that controls are operating properly)</p>	<ul style="list-style-type: none">• Physical counts• Audits• Warehouse inspections• Periodic visits and review of books and records at sites maintained by recipient agencies• Surprise visits to distribution sites to ensure standard procedures are followed

What does “adequate supervisory personnel” mean?

“Adequate” means there is a sufficient number of staff (in addition to warehouse managers and storekeepers) to control the transport, storage, and distribution of commodities in order to ensure that Title II food reaches its intended recipients.

In addition to the commodity staff, the program management staff must also know commodity management to effectively spot check warehouses or cross check control measures. These staff must periodically:

- Inspect warehouses
- Verify inventory records
- Take physical inventories
- Verify recipient eligibility
- Make end-use checks on distributions

When is physical presence necessary?

Physical presence is necessary to observe:

- Loading or off-loading of all commodity at warehouses and distribution sites
- Reconstitution (to ensure quality work and to detect any possible misappropriation)

What training do warehouse staff need?

Warehouse staff need to understand and be able to perform the tasks listed below. If not already skilled, they must be trained, either on-the-job by pairing an inexperienced person with an experienced staff member or through formal training sessions.

- Commodity storage and handling systems and procedures
- Commodity accounting (ledgers and stack cards) and reporting
- Security system(s) and procedures
- First aid and fire safety
- Quality control
- Pest control
- Disposal of unfit commodities
- Fraud prevention

When is USAID approval needed?

Documentation requirements may vary; always consult your Award for the complete terms and conditions applicable to your program, and discuss with your AOR. In general, USAID approval is needed before carrying out the following activities or actions:

- Changes in scope, such as program objectives, key activities, geographic area, or # of recipients
- Changes in allocation of metric tonnage between technical sectors greater than 10%
- Sub-awards or agreements with recipient agencies
- Annual obligation of resources (PREP)
- Procurement/use of restricted goods (vehicles, pesticides)
- New budget line items
- Changes in key personnel
- Changes in planned international travel
- Changes to the BSMP
- Increase/decrease in commodity amounts or types [Update in FPMIS needed]
- Commodity loan/transfer/swap
- Reconstitution (ex-tackle) that costs over \$500
- Disposal of commodities unfit for human consumption
- Disposal of containers in which commodities are received

- Decision **not** to file a claim on internal losses over \$500
- Decision **not** to take legal action against a third party on a loss claim after four progressively stronger claim letters have been sent without resolution
- Any proposed claim settlement for less than the full amount of the claim
- Retention from claim proceeds of special costs (such as reasonable legal fees) that were incurred in the collection of a claim
- Settlement of claims/losses in QWICR (payment or waiver)
- Disposition plan for excess commodities
- Change in award period of performance (termination, extension)
- Closeout plan (submitted with PREP in FFPMS)

What is a physical count?

A physical count is the count of all commodities in the warehouse. The actual amount of commodity counted is the true balance. After commodities are counted and documented, true balances are compared to and reconciled with stock cards and warehouse ledgers.

Warehouse staff conduct periodic physical counts of all commodities as part of their

commodity management responsibilities. At least quarterly, usually in preparation for the quarterly CSR, staff who are not directly connected to the warehousing operation (e.g., project manager, administration staff, staff from other projects or agencies) conduct an independent physical count of all commodities.

If a physical count is being conducted as part of an investigation into suspected loss, stacks must be dismantled and each unit counted (and possibly weighed).

Staff should reconcile every difference between the true balance (in other words, the physical count) and the ledger balance by examining the source documents (e.g., waybills, loss reports) and checking for transcription errors.

If the physical counts and ledgers do not reconcile and there is no justifiable reason for discrepancies, the person responsible for maintaining the warehouse keys will be held liable for the value of any lost commodity. Staff will prepare a loss report for every difference that cannot be reconciled. Any excess stock also will have to be investigated, accounted for and documented.

What will auditors examine?

Auditors will examine the following:

- Activities and records of the Awardee, recipient agencies, processors, or others pertaining to the receipt, storage, distribution, processing, reconstitution, sale, and use of commodities by recipients
- Commodities in storage or the facilities used in the handling or storage of commodities
- Books and records pertaining to storage, transportation, processing, reconstitution, loss, and distribution of commodities
- Compliance with Regulation 11 and any additional terms or conditions specified in the operational plan
- Compliance with *Generally Accepted Commodity Accountability Principles* (GACAP), if the Awardee uses them
- Compliance with the procedures stated in the commodity management procedures manual, if the Awardee has one

What are the audit requirements concerning recipient agencies?

The Awardee must arrange for periodic audits of its recipient agencies in accordance with Office of Management and Budget Circular A-133. An Awardee may satisfy the audit responsibilities with respect to its recipient agencies by:

- Relying on independent audits of recipient agencies or on appropriate procedures performed by the Awardee's internal audit or program staff
- Expanding the scope of the independent financial and compliance audit of the Awardee to encompass testing of recipient agency charges
- A combination of these procedures

What is a USAID Inspector General audit of Awardees?

Each year the Inspector General (IG) selects certain Title II programs to test the integrity of planning, procedures, and controls. The Awardee is notified of the date when IG auditors will arrive. When they arrive, the Awardee is included in an entrance

conference to set out the scope of the audit, the support required, and the documents needed for review. Awardees should likewise be included in the exit conference when the audit is completed and audit findings set forth.

Draft audit reports are distributed to the Awardees, FFP staff, and the USAID mission for comments to be taken into account in the final audit report. In responding to the recommendations contained in IG audit reports, Awardees must address:

- Deficiencies noted by the IG that have been corrected
- Corrective actions planned and underway addressing deficiencies that cannot be corrected immediately
- Reasons for not taking corrective actions (if applicable), along with alternative proposals deemed suitable to remedy deficiencies

Any recommendations that have not been acted upon within six months following an IG audit will be the subject of a special report from the USAID mission. These will be taken into account in future consideration of the program in question.

II. Resources

Regulation 11:

<http://www.usaid.gov/sites/default/files/documents/1866/Regulation%2011.pdf>

FFP Commodity Reference Guide Fact Sheets:

<http://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/resources/implementation-tools/commodity>

Food for Peace Information Bulletins (FFPIBs):

<http://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/guidance/food-peace-information-bulletins>

Audits and Special Reports from the USAID Office of Inspector General (IG):

<http://oig.usaid.gov/auditandspecialbyyear>

USAID Development Experience Clearinghouse:

<https://dec.usaid.gov/dec/home/Default.aspx>

ADS Chapter 320 Branding and Marking:

<http://www.usaid.gov/sites/default/files/documents/1868/320.pdf>

Humanitarian Charter and Sphere Minimum Standards in Humanitarian Response:

<http://www.sphereproject.org/handbook>

Generally Accepted Commodity Accountability Principles (GACAP):

http://pdf.usaid.gov/pdf_docs/pnadd540.pdf

Index

2

202(e) 6, 7–9

A

AER 12, 13, 14, 76
aflatoxin 51, 52, 54
audit 48, 60, 80, 97–99, 101
Awardee (definition) 1–2

B

beneficiary 2, 6, 69
beneficiary list *See* recipient list, distribution list
bill of lading (B/L) 10, 18, 22, 23
 through bill of lading 20–21
branding 8, 70, 82, 101
break bulk cargo 15
BUBD 17, 43, 44, 47

C

C&F agent 20, 21–22, 28
call forward 10, 12
commodity
 diversion 2
 inspection 32, 45, 46, 49, 57, 60
 title transfer 3, 10, 15
 transfer 4, 54, 57, 94
 unfit 7, 25, 26, 32, 33, 41, 47, 53–55, 59, 93, 94
commodity status report (CSR) 75, 77, 96

container	
empty	59, 68–69
labeling	<i>See also branding</i>
standard sizes	16
containerized cargo	15–16
controlled access	45–46
customs clearance	16, 20, 21–23

D

distribution	
list	33, 62, 69, 74
plan	42, 57, 64–65, 69
site	13, 66–67, 70, 71, 72, 92

F

Farm Bill	4, 8
FIFO	43–44, 45
fumigation	8, 24, 52–53, 58, 60, 67

I

Incoterms	18
independent survey	18–19, 29, 33, 60
inland loss	28, 37
inspection	
commodity	<i>See commodity inspection</i>
warehouse	41, 45, 47, 48, 58
internal control	65, 71, 87–91
internal loss	28, 29, 30–31, 37, 39, 79, 95
ITSH	5, 8

L

ledgers	24, 26, 42, 57, 59, 67, 69, 93, 95, 96
Letter of Credit (LOC)	5–6

loss

claim	23, 29, 35–40, 42, 79, 80, 95
damaged or misused commodities report (DMCR)	78
definition	25
mitigation	42
report	31–33, 40, 58, 69
summary report (LSR)	78

M

marine loss	18, 27–28, 29, 33, 35–36, 37
misuse	27, 33, 64
monitoring	74

O

operational plan	7, 27, 34, 60, 63, 65, 70, 84, 85, 97
------------------	---------------------------------------

P

physical count	49, 71, 95–96
physical presence	92
phytosanitary certificate	22, 24
pipeline analysis	12, 13
PREP	13–14, 75, 76, 94, 95

R

ration

calculator	76
card	61, 62, 63–64
size	65, 67–68, 84
reasonable attempt	37–38
recipient	
agency	3, 41, 42, 56, 60, 63, 70, 77, 81–85, 94, 98

definition	6
eligibility	27, 42, 63–64, 71, 84, 92
eligibiliyu	61–62
list	42, 61–62
registration	61, 71
recipient status report (RSR)	75, 78
reconstitution	25, 33, 42, 47, 48, 55, 57, 92, 94, 97
Regulation 11	6–7, 10, 77, 82, 84–85, 97, 101
repackaging	7, 56

S

sales order	<i>See call forward</i>
segregation of duties	41, 71
Segregation of duties	88
shipping contract	17, 23
stack card	57, 59, 93
stacking	46–47
stock ledger	<i>See ledger</i>
subject to availability	9

T

tally sheet	57, 58, 65, 69, 72
tolerance	10

U

USAID approval	93–95
----------------	-------

W

warehouse inspection	<i>See inspection: warehouse</i>
waybill	24, 33, 41, 57, 58, 59, 69

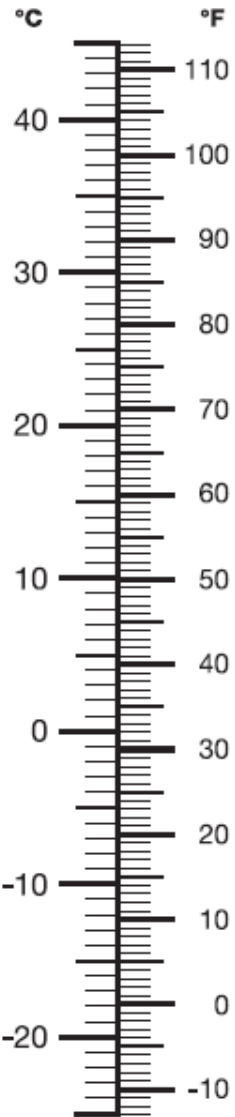
Notes

Notes

Pounds to Kilograms	
Pounds (lb)	Kilograms (kg)
1	0.453
2	0.906
3	1.359
4	1.812
5	2.265
6	2.718
7	3.171
8	3.624
9	4.077
10	4.53
11	4.983
12	5.436
13	5.889
14	6.342
15	6.795
16	7.248
17	7.701
18	8.154
19	8.607
20	9.06

Kilograms to Pounds	
Kilograms (kg)	Pounds (lb)
1	2.205
2	4.409
3	6.614
4	8.818
5	11.023
6	13.228
7	15.432
8	17.637
9	19.841
10	22.046
11	24.251
12	26.455
13	28.660
14	30.864
15	33.069
16	35.274
17	37.478
18	39.683
19	41.887
20	44.092

Veg. Oil Liters to Kilograms	
Liters (l)	Kilograms (kg)
0.50	0.472
1.00	0.944
1.50	1.416
2.00	1.888
2.50	2.360
3.00	2.832
3.50	3.304
4.00	3.776
4.50	4.248
5.00	4.720
5.50	5.192
6.00	5.664
6.50	6.136
7.00	6.608
7.50	7.080
8.00	7.552
8.50	8.024
9.00	8.496
9.50	8.968
10.00	9.440
NOTE: 1L of Veg. Oil = 0.944 kg	



High praise for the *TOPS Commodity Management Handbook* by field and headquarters staff from food assistance programs around the globe...

"The TOPS Commodity Management Handbook is a great new tool that will help experts and novices alike." - *Juli Majernik, USAID*

"The book looks...comprehensive and cover[s] all aspects of USAID food commodity management." - *Yemane Kahssay, CRS*

"This will prove to be a very useful tool for Commodity Managers" - *Berry Elkin, ACDI/VOCA*

"The Assets and Livelihoods in Transition office loves this document. It's extremely relevant, clear, and accessible." - *Jason Taylor, USAID*

"This handbook is very well conceived" - *Manuel Januario, World Vision*

"Thank you for giving me a chance to add to your already intense and well-researched handbook" - *Mary Florence Ngima, USAID*

"I see the enormous effort which has been given to this document" - *Govindaraj Prabhu, CARE*

