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ACKNOWLEDGEMENTS

An audit of Title II food assistance programs in a specific country led to a request in June 2012 for an easy-reference guide for field practitioners. Despite frequent commodity management training for field practitioners, 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 carry out their day-to-day responsibilities much more efficiently and effectively.

This handbook primarily applies to Title II food. To create this handbook, TOPS reviewed a number of Regional Inspector General audit reports to identify frequently appearing commodity management-related issues across awardees and geographical areas. French and Spanish translations of this handbook will soon be available.

The handbook was developed with active participation of the TOPS Food Security and Nutrition (FSN) Network Commodity Management Task Force, a group composed of representatives of the USAID Office of Food for Peace (FFP), Title II grant...
awardees and their sub-awardees. TOPS is implemented by a consortium led by Save the Children Federation, Inc., the Prime, and sub-award partners the CORE Group, Food for the Hungry, Mercy Corps, and Tango International. This 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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADS</td>
<td>Automated Directives System</td>
</tr>
<tr>
<td>AER</td>
<td>Annual Estimate of Requirements</td>
</tr>
<tr>
<td>AOR</td>
<td>USAID Agreement Officer’s Representative</td>
</tr>
<tr>
<td>B/L</td>
<td>Bill of Lading</td>
</tr>
<tr>
<td>BSMP</td>
<td>Branding Strategy and Marketing Plan</td>
</tr>
<tr>
<td>BUBD</td>
<td>Best if Used By Date</td>
</tr>
<tr>
<td>CCC</td>
<td>Commodity Credit Corporation</td>
</tr>
<tr>
<td>CCX</td>
<td>USAID Commodity Credit (Fund)</td>
</tr>
<tr>
<td>CFR</td>
<td>U.S. Code of Federal Regulations</td>
</tr>
<tr>
<td>CSB</td>
<td>Corn-Soy Blend</td>
</tr>
<tr>
<td>CSR</td>
<td>Commodity Status Report</td>
</tr>
<tr>
<td>DMCR</td>
<td>Damaged and Misused Commodity Report</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>FIFO</td>
<td>First In First Out</td>
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<tr>
<td>FFP</td>
<td>USAID Office of Food for Peace</td>
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<tr>
<td>FFPIB</td>
<td>Food for Peace Information Bulletin</td>
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<td>FFW</td>
<td>Food For Work</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>--------------</td>
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<tr>
<td>GACAP</td>
<td>Generally Accepted Commodity Accountability Principles</td>
</tr>
<tr>
<td>gal.</td>
<td>Gallon(s)</td>
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<tr>
<td>IEE</td>
<td>Initial Environmental Examination</td>
</tr>
<tr>
<td>IG</td>
<td>Inspector General</td>
</tr>
<tr>
<td>ITSH</td>
<td>Internal Transport, Storage and Handling</td>
</tr>
<tr>
<td>KCCO</td>
<td>Kansas City Commodity Office (USDA/FSA)</td>
</tr>
<tr>
<td>kg.</td>
<td>Kilogram(s)</td>
</tr>
<tr>
<td>km</td>
<td>Kilometer(s)</td>
</tr>
<tr>
<td>lbs.</td>
<td>Pound(s)</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>LOC</td>
<td>Letter Of Credit</td>
</tr>
<tr>
<td>LSR</td>
<td>Loss Summary Report</td>
</tr>
<tr>
<td>MT</td>
<td>Metric Ton(s)</td>
</tr>
<tr>
<td>NICRA</td>
<td>Negotiated Internal Cost Recovery Agreement</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental Organization</td>
</tr>
<tr>
<td>PERSUAP</td>
<td>Pesticide Evaluation Report and Safer Use Action Plan</td>
</tr>
<tr>
<td>PREP</td>
<td>Pipeline and Resource Estimate Proposal</td>
</tr>
<tr>
<td>PVO</td>
<td>Private Voluntary Organization</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>--------------</td>
<td>-------------</td>
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<tr>
<td>QWICR</td>
<td>Quarterly Web Interfaced Commodity Reporting</td>
</tr>
<tr>
<td>RSR</td>
<td>Recipient Status Report</td>
</tr>
<tr>
<td>TA</td>
<td>Transfer Authorization</td>
</tr>
<tr>
<td>US$</td>
<td>United States dollar</td>
</tr>
<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
</tr>
<tr>
<td>USDA</td>
<td>U.S. Department of Agriculture</td>
</tr>
<tr>
<td>WBSCM</td>
<td>Web-Based Supply Chain Management</td>
</tr>
<tr>
<td>WSB</td>
<td>Wheat-Soy Blend</td>
</tr>
<tr>
<td>WFP</td>
<td>United Nations World Food Programme</td>
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</table>
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 Technical and Operational Performance Support (TOPS) Program for FFP awardees. The role of TOPS is to strengthen the capacity of FFP grantees and improve the quality and effectiveness of food aid implementation through 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

This is the legislation (or spending bill) that approves the annual operating budget. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act annually allocates United States (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 the cost for ocean freight and inland transport, as well as cash grants to support the administrative capacity of Awardees.

Award

An Award is 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

An Awardee is 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

A beneficiary is 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. However, if no food rations are provided the beneficiary is not classified as a recipient. (See Recipient definition below)

Commodity Diversion

A shipping vessel with commodity destined for a Title II development (or “regular”) program is diverted to meet the immediate, extreme needs of an emergency program.

Commodity Reference Guide

The USAID Commodity Reference Guide provides details on the food commodities used in Title II programs. The guide has three parts: Part One: Title II Food Aid Commodities and Fact Sheets, Part Two:
Guidelines for Selecting Food Aid Commodities, and Part Three: Annexes.

Part One contains four sections and is available online at the FFP website in the Resources section:

1. Section I: Commodities.
2. Section II: Food Commodity Fact Sheets.
3. Section III: Storage / Shelf life Specifications
4. Section IV: Controlling Damage to Food Commodities

Note: The Commodity Reference Guide is being revised as of August 2013. The commodity fact sheets have already been revised and are posted on the FFP website.¹

Commodity Title Transferred to the Awardee

Unless the Award states otherwise, title (which implies responsibility) to commodity passes from the USDA to the Awardee at the point in the United States where the shipping company takes possession of the


1. USAID Terminology
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 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

This legislation grants the USDA and USAID the authority to carry out food assistance programs. It is renewed roughly every five years, at which time the program’s next expiration date and other provisions are updated.
Food for Peace Act

The Food for Peace Act is the U.S. Government’s principal mechanism for implementing its international food assistance initiatives. The intent of this legislation is to combat world hunger, promote agricultural development and trade, and prevent conflict.

Internal Transport, Storage and Handling (ITSH) Funding

This U.S. dollar funding through FFP covers ITSH 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 abroad to storage and distribution sites
- Storing food aid commodities
- Distributing food aid commodities

All Title II emergency programs are eligible for ITSH funding; however, 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

1. USAID Terminology
Commodity Management Handbook

costs. Specific eligible uses for ITSH funding are detailed in FFPIB 12-03, or any subsequent revisions or released FFPIBs.

Letter of Credit (LOC)

An 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 a direct receiver of food assistance rations. A recipient is always a beneficiary under a Title II program.

Regulation II

This is the “shorthand” notation for 22 CFR Ch. II, the U.S. Code of Federal Regulations that provides the standard terms and conditions applicable to USAID.
Part 211 of this regulation (Transfer of Food Commodities for Food Use in Disaster Relief, Economic Development and other Assistance) includes 13 sections detailing the standard terms and conditions for all Title II programs:

- 211.1 General purpose and scope; legislation
- 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

1. USAID Terminology
• 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 this regulation 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)

Food for Peace Act Title II Section 202(e), as amended in the 2014 Farm Bill and related statutes, requires FFP to make U.S. dollar funding available to eligible organizations to assist in (among other things) enhancing programs, including through the use of local and regional procurement and other market based food assistance interventions; meeting the specific administrative,
management, personnel, storage, and distribution costs of programs; and implementing income-generating, community development, health, nutrition, cooperative development, agriculture, and other development activities; and, in cases where ITSH funding is not permitted, covering internal transportation, storage and handling costs.

FFP considers Section 202(e) funding requests from Awardees on a per-project basis. According to the 2008 Farm Bill, the Section 202(e) portion of most Title II programs will be between 7.5 and 13 percent (see footnote note below) of the approved program value, including the commodity cost, shipping cost, ITSH funding and Section 202(e) budgets.²

Specific eligible uses for Section 202(e) funding differ between: new and established programs, emergency and development programs, and programs implemented in LDCs and those implemented in non-LDCs. Complete details are provided in FFPIB 12-03, or any subsequent revisions or released FFPIBs.

² The 2014 Farm Bill increased this to up to 20%, but the FFPIB officially issuing this guidance had not yet been issued at the time of printing this edition.

1. USAID Terminology
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 the USDA.

The 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, which includes emergency and development food assistance programs that are implemented through a variety of Awardees including PVOs, NGOs and public international organizations, such as WFP.

Title II’s objective is to provide food assistance to vulnerable populations in emergency situations and to promote development programs critical to long-term food security.

Tolerance

The quantity of commodity delivered by the USDA to the Awardee at the point of title transfer must be within a “tolerance” of
plus or minus 5 percent for shipments below 10,000 MT and 2 percent for shipments over 10,000 MT of the quantity requested by the Awardee on the call forward. Such amounts are regarded by the 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.

Transfer Authorization (TA)

This document signed by the Awardee and FFP describes commodities and the program in which they will be used. The TA incorporates Regulation 11 and authorizes CCC to ship commodities.
2. PLANNING AND ORDERING FOOD

What is an annual estimate of requirements (AER)?

The AER is a statement of the tonnage of commodities proposed by the Awardee for approval for the upcoming fiscal year, as well as when during the upcoming year the commodity will be called forward from the US. The AER is based on a commodity pipeline analysis.

While the AER basically 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 this 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 a
total of 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.

Calls forward are entered online through USDA’s WBSCM commodity procurement system.

**What is a commodity pipeline analysis?**

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 the 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.

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

**What is a pipeline resource and estimate proposal (PREP)?**

Awardees submit the PREP each 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.

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 vessel 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 it from moisture-related damage. However, containers should be ventilated or desiccants used to absorb moisture inside.

What are standard commodity container sizes?

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Standard Container Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grains and pulses</td>
<td>50 kg bag</td>
</tr>
<tr>
<td>Blended and vitamin-fortified grain products, e.g., CSB, WSB</td>
<td>25 kg bag</td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>1 gal metal tins</td>
</tr>
<tr>
<td></td>
<td>5 gal metal tins or pail</td>
</tr>
<tr>
<td></td>
<td>55 gal metal drum</td>
</tr>
</tbody>
</table>

How are commodity containers labeled?

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

- Commodity name
- Net weight (in kg and lbs)
- 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 staff or agents may board vessels (if applicable) to inspect the holds. In general, awardee or its agent should be present as much as 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 help interpret the chief terms of delivery used in foreign trade contracts. They define the rights and obligations of the seller and the buyer with respect to the party responsible for packing, transport, insurance, handling, and customs clearing and 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 used to fix responsibility for marine losses.

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

The Awardee must engage the service 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.

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

If practicable, Awardee and ocean carrier representatives should also attend the examination of the commodity and the survey report should be signed by all parties.
What is a survey report?

A survey report is a written evaluation or report of the cargo examination that factually states conditions at the time of examination and accurately and independently states the condition and quantity of food aid cargoes at the time of examination. The purpose of the report is to document the condition and quantity of cargo to fix responsibility for losses or damages occurring while cargo is under the care, custody and control of the vessel so that claims for such losses may be pursued from a position of strength and knowledge.

Survey reports should include, but are not limited to:

- **Shipment data**
  - Vessel name
  - Manifested quantity
  - Commodity name
  - Stowage location
  - Port of discharge
  - Inland destination

- **Dates, times and places for vessel discharge**
  - Vessel arrival
  - Vessel commencing discharge
  - Vessel completed discharge
- Surveyor viewing cargo
- Cargo reviewed by customs
- Cargo delivered to consignee, if other than shipment data
- Reconstitution of damaged commodity

- Dates, times and places for inland delivery
  - Cargo arrival (rail, truck, container or other)
  - Unloading commenced
  - Unloading completed
  - Surveyor viewing cargo
  - Cargo reviewed by customs
  - Cargo delivered to consignee, if other than in shipment data
  - Reconstitution of damaged commodity

- Amount of cargo, at discharge, and if applicable at inland destination
  - Discharged/delivered in sound condition
  - Discharged/delivered in damaged condition
  - Actual weight or, if no weigh scales are available, estimated weight of the damaged commodity
  - Shortlanded, not discharged from the vessel or delivered to the inland destination
– Weight remaining in damaged bags after reconstitution
– Weight missing from damaged bags after the reconstitution
– Determined unfit for human consumption (units and weight)
– Destroyed, donated or sold as unfit for human consumption

- Narrative analysis of who did what, when and where
- Narrative analysis of how, when and where losses occurred

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. So, 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 shipper.

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 the process. The Awardee usually is responsible for obtaining all
necessary import permits, licenses and other appropriate documents and ensuring prompt approvals for entry and transit of commodities in the foreign country. In some instances, C&F agents may obtain the import permits, licenses and other documents on behalf of the Awardee. Customs clearance may take place at the receiving port or, if it is a landlocked country, at the border of the receiving country, or at the warehouse in the receiving country if it is by a through B/L.

The following documents are usually needed for customs clearance, but requirements vary from one country to another. Always check local requirements.

- **B/L or air way bill, rail consignment note or international consignment note**, according to 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**: for commodity shipped from the U.S., 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 the relief program and is not intended for resale in the country

**What is short landing of cargo?**

Any difference in the quantity of cargo loaded onto the vessel and the quantity actually discharged or delivered at the receiving point is termed as 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. As such, a shipment file should contain the following documents related to each shipment that arrives in country:

• All transmittal notices
• All correspondence with the shipping company, FFP, government authorities and transporter

• B/L

• Phytosanitary certificates and/or applicable health certifications

• 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)

• Independent discharge and/or delivery survey reports (including customs receipts, port authority reports, short or excess landing certificates, cargo booking notes, stevedore’s tallies, etc., where applicable) and invoices

• Ship and port out turn reports
4. LOSSES AND CLAIMS

What is commodity loss, damage or misuse?

The generic term “commodity loss” is often used to refer to not only commodity that has gone missing, but commodity that has been damaged or misused as well.

A **loss** is a decrease in quantity of commodities. It is often defined as an incident in which commodities are discovered to be missing. Loss is the difference between the amount on the document (such as way bill or stock ledger) and the physical quantity. Losses are often the result of short-landing, spillage from torn bags of grain, leakage from cans of oil or theft. A loss in documented quantity may also result from inaccurate tallying or recordkeeping or from weighing commodity on scales that have not been calibrated. Some examples of losses are marine loss, port loss, transit loss, warehouse loss or distribution center loss.

**Damage** is generally deterioration in the quality of a commodity. Damage includes commodity spoilage or contamination, and infestation of insects.
Misuse occurs when a specific commodity is used for purposes not permitted under the operational plan.

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, storage or distribution.

What is an inland loss?

An inland loss pertains to landlocked countries only where commodities are received at a port in an intermediate country and then transported to the recipient country. They may include warehouse handling losses at the port of entry and losses that occur during transportation through the intermediate country to a designated point in the recipient country.

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 clearing and forwarding [C&F] agent), usually at the port.

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.

How are losses discovered?

Internal losses may be discovered when tallying results indicate less commodities are delivered to a warehouse than stated on the waybill, a discrepancy is found between a physical count and the warehouse inventory ledgers or between the amounts dispatched from a warehouse and received at a distribution point, or a warehouse inspection uncovers damaged inventory, or other.

Marine losses may be discovered when the independent surveyor (as required) attends the discharge of the commodity from the
ship, counts or weighs it, examines its condition and produces a survey report.
What do I do if I discover a loss?

- Report to your immediate supervisor all identified or suspected commodity loss, damage or misuse.

- Promptly investigate every loss to determine how the loss occurred and who was responsible.
  - If a suspected commodity 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, damage or misuse of commodities, inform FFP and also your immediate supervisor.
  - If you suspect a loss, damage or misuse has occurred as a result of criminal activity, promptly report the circumstances to FFP in the field and in Washington, who 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 concerns.
• Complete an individual loss report for every confirmed case of commodity loss, damage or misuse. Attach all supporting documents to the loss report.

• Take actions to recover the value of commodities lost, damaged or misused. 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?

• Type and quantity of commodity

• Size and type of containers

• Type of loss, damage or misuse

• Who had possession of the commodities at time of loss, damage or misuse

• Who, if anyone, might be responsible for the loss, damage or misuse

• Time, date and place the loss, damage or misuse occurred and/or was discovered
• Current location of the damaged inventory (if applicable)

• Commodity Credit Corporation (CCC) contract number, if known; if not known, other identifying numbers printed on the commodity containers

• Program name (and number, if applicable)

• Estimated value of the lost, damaged or misused commodity

• Reason(s) for either instituting or not instituting claim action

• 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 for USAID approval to sell or destroy unfit food
  – Requesting for USAID approval to take no action
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- Investigation of what happened to the unfit commodity

- Any other details to explain the circumstances under which the loss, damage or misuse took place

What supporting documents are required for loss reports?

<table>
<thead>
<tr>
<th>Type/location of loss</th>
<th>Supporting Documentation Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine loss during shipping</td>
<td>Independent survey discharge report and protest letters to the shipping company</td>
</tr>
<tr>
<td></td>
<td>If loss is estimated greater than US$5,000, a narrative chronology and other commentary to assist in the adjudication of the claim</td>
</tr>
<tr>
<td>Loss at port warehouses or during dispatch to inland warehouses</td>
<td>Independent survey delivery report</td>
</tr>
<tr>
<td></td>
<td>Waybills</td>
</tr>
<tr>
<td>Inland transport loss</td>
<td>Waybill</td>
</tr>
<tr>
<td>Loss or damage in warehouse</td>
<td>Physical count summary sheet</td>
</tr>
<tr>
<td>Misuse</td>
<td>Distribution lists</td>
</tr>
<tr>
<td>Repackaging</td>
<td>Invoices</td>
</tr>
<tr>
<td>Type/location of loss</td>
<td>Supporting Documentation Required</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Commodity declared unfit for human consumption</td>
<td>Declaration of unfit food by competent authority</td>
</tr>
<tr>
<td></td>
<td>Waybills</td>
</tr>
<tr>
<td></td>
<td>Documents for dispatching unfit food</td>
</tr>
</tbody>
</table>

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

**Who pays for lost, damaged or misused commodity?**

If a third party had custody of the commodity when the loss, damage or misuse occurred, it must pay for the value of the commodity. A third party may be a person, company or 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 result from its failure.
to exercise reasonable care. However, the awardee remains liable to FFP as per award.

The Awardee must pay if:

- The loss or damage results from a failure on its part (directly or via subawardee or contractor) to adequately protect or handle the Title II commodities
- It used the commodity for a purpose not permitted under the approved operational plan
- It failed to make every reasonable effort to pursue collection of a claim against a negligent third party, e.g., if the Awardee lets third-party claims languish to the point that enforcement is difficult or impossible, statutes of limitations applicable to such claims have run out, or the negligent companies have gone bankrupt or been dissolved

**Note:** If USAID determines that the loss, damage or misuse could not have been prevented by the Awardee, the Awardee is not responsible to pay the value of that commodity. The USAID mission has the authority and responsibility to determine whether the loss or damage could have
been prevented. In making this determination, USAID will consider the normal commercial practices in the country of distribution, and the limitations inherent in the Awardee’s administrative capabilities and financial resources.

What is a loss claim?

The loss claim is the right to reimbursement that the Awardee has against a third party as a result of an event that caused a loss, damage or misuse of commodity 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 or damage to commodities that are shipped on the same voyage of the same vessel 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 that consultation and discussions with the USAID mission take place on a regular basis 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 to recover all commodities lost, damaged or misused by a third party or the equivalent monetary value of the commodity, except in the following cases:

- The loss is caused by force majeure, i.e., 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; these limits apply to each contract under which the losses occur,
e.g., if commodities are lost by a contracted transporter, the amount of the loss is based on the entire shipment specified in the contract, not the loss attributable to each individual truck.

**Note:** For marine loss, the Awardee must still send to CCC information and/or documentation on shipments 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?**

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.

Additionally, for marine losses on ocean transport contracted by the Awardee:

4. File notice with the ocean carrier immediately upon discovery of any loss and/or damage.

5. Send copies of all claims to CCC.
If USAID (or USDA) contracted the ocean transport, they will file the marine claim. The Awardee must promptly forward survey reports and all required support documentation to the USAID mission and (if applicable) remove damaged commodities.

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.

Provide FFP with copies of all follow-up claim letters and other relevant claim information. 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.

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

**What do I do with the proceeds from a loss claim?**

All commodity claim proceeds (reimbursements for losses) paid in the country of distribution should be wire transferred to CCC. This means, for example, 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. PVOs should use “Wire transfer of funds from Title II Awardees to the Commodity Credit Corporation” to transfer loss claim.
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proceeds. Awardee should contact AOR for the 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?

It is important that losses be reported to FFP at least quarterly so the agency is able to detect patterns or trends in the loss, damage or misuse of commodities, which may need to be addressed. To facilitate this, it is essential to have a system to adequately track commodity losses and claims. At minimum, a file should be maintained for each loss, and the file should contain copies of all related documents including the following:

• 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 5–8 detail the minimum standards aimed at reducing or eliminating loss in quantity and quality and at preventing the misuse of commodity. Efforts should be made to mitigate losses to ensure that maximum quantity of commodity reaches the intended beneficiaries. Pay special attention to the following.

• Physically count and spot check the weight of all commodity containers delivered to each warehouse. 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, engage additional staff from other functions or projects.

• Ensure 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 no single staff should be responsible for managing the warehouse, maintaining accounts and preparing reports. Checks and balances will make misappropriation difficult.

- Always keep warehouses clean and pest free. Conduct regular surprise inspections to ensure warehouses are being properly maintained and commodity is not infested.

- Promptly dispose of commodity unfit for human consumption to prevent cross infestation with good commodity in the same warehouse.

- Closely monitor all repackaging processes to prevent any further loss due to torn bags or leaky tins.

- Promptly complete a loss report and investigate every loss. Implement a system to ensure regular follow-up on every loss claim until it is closed.

- 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.

- 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. Commodity may be good even after the BUBD, but it is advisable to get the product tested after this date before deciding to distribute it. 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. The shelf life, and therefore the BUBD, can be shortened by poor storage practices.

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.

Under exceptional circumstances last in first out (LIFO) method may also be followed. As such, 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 use by date.

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 so as to assure 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
- Recordkeeping

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 issues
- Ventilated to prevent excess build-up of heat or humidity
How is the required amount of storage space determined?

Storage space requirement is determined by:

- The maximum amount (volume) of commodity that needs to be stored at one time
- The number of separate commodity stacks required

If one knows with a high degree of certainty the quantity and timing of receipts and dispatches/distributions, it is possible to more accurately estimate storage space requirements. In the face of uncertainty, additional space will be required to adequately handle unexpected stock accumulations.

What is controlled access?

Controlled access is 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
- Only persons designated by management have keys, as the
person(s) with keys is accountable for all losses within the storage facility

- All visits are recorded in the guest register
- There are no holes or gaps in the structure that could allow entrance of unauthorized persons
- No non-program commodities are allowed to be stored
- Windows and vents are screened to prevent entrance of birds or animals
- In higher risk areas, the compound around the storage facility is fenced

What is “proper” stacking?

Proper stacking reduces risk of damage or spoilage and facilitates inspection and control.

- Allow space 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 avoid tins at the bottom being crushed.
• Create separate stacks for:
  – Type of commodity
  – Shipment number
  – FFP (and for any other donor)
  – BUBD
  – Damaged commodity awaiting reconstitution
  – Repackaged 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 a systematic verification of warehouse (and surrounding compound) 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?

This is not an exhaustive list, but following items are generally needed in a warehouse:

- Brooms
- Fire extinguishers
- First aid kit
- Ladders
- Reconstitution materials, e.g., empty sacks, needles and twine or stitching machine, oil tins, cartons
- Sampling spears
- Shovels
- Sieves
- Torch
- Weighing scale

What is commodity inspection?

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

Commodity is inspected:
• When it is received at a warehouse
• As part of routine warehouse inspection
• As part of routine or annual physical count
• Any time quantity or quality is suspect

If problems are encountered during an inspection:
• Document all under- or overweight units found during inspection and repackage to ensure units are of proper weight as soon as possible
• Fumigate if signs of infestation are found
• Segregate any suspect commodities and prepare samples for analysis to determine if commodity is unfit for human consumption

In general, sampling the product should be done by a professional company and include the following steps:

1. Take samples from as many bags as possible to test the products. However, FAO recommends the following sample method.
### Number of bags in the lot vs. Number of samples

<table>
<thead>
<tr>
<th>Number of bags in the lot</th>
<th>Number of samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–10</td>
<td>Each bag</td>
</tr>
<tr>
<td>11–25</td>
<td>5 bags</td>
</tr>
<tr>
<td>26–50</td>
<td>7 bags</td>
</tr>
<tr>
<td>51–100</td>
<td>10 bags</td>
</tr>
<tr>
<td>101–999</td>
<td>The square root on the total</td>
</tr>
<tr>
<td>1000+</td>
<td>1% of the total</td>
</tr>
</tbody>
</table>

2. Label the sample and prepare it for analysis.

3. Determine the condition of the food stock.


5. Take action according to the regulations.

How are insects and rodents controlled in the warehouse?

- Ensure the warehouse is always clean including its surroundings.

- Routinely inspect the warehouse and commodity for any visual signs of infestation.

- Fumigate to destroy all stages of insects that may be present.
• Segregate damaged commodity.

What is fumigation?

During fumigation a gas fumigant is used to destroy all stages of insects and rodents present in the material treated. Fumigants, in contrast to other pesticides, are capable of diffusing and penetrating tightly-packed materials and can reach pests even inside grain kernels. Fumigation will not eliminate mold or bacteria. Also, because there is no residual kill, insects or rodents may re-contaminate the commodity immediately after fumigation.

Fumigation carried out under gas-proof sheets (which retain fumigant vapors) is the most common technique used to treat bagged commodities inside the warehouse. For successful fumigation, sheets must be carefully sealed to each other (e.g., with tape) and to the floor (preferably with sandbags) to keep fumigant vapor leakage to a minimum.

Note: USAID requires a PERSUAP be submitted as an attachment to the IEE for any program that uses pesticides (e.g., insecticides, fumigants). Refer to the PERSUAP/IEE document for complete details on the type(s) of pesticides.
allowable; appropriate methods of pesticide handling, storage, transport, use and disposal; and training required for staff that will be responsible for using the pesticide(s). Fumigation should be carried out by professionals.

What is commodity unfit for human consumption?

Commodity is unfit for human consumption when it has spoiled, expired, infested or damaged; has been analyzed by a public health inspector (or an authorized chemist or laboratory); and has been certified to be inedible for humans. To obtain this certification, the Awardee must prepare samples of all suspected commodity for analysis. These samples must be:

- Representative of the total suspect quantity
- Identified by shipment of origin
- Sealed to protect the integrity of the sample

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 of the
circumstances pertaining to the damage and loss. Dispose of the commodity in the following order of priority:

1. **Sale** for the most appropriate use (e.g., animal feed, fertilizer, industrial use) at the highest obtainable price (This may require additional test[s] in some countries. Before sale, obliterate, remove or cross out all FFP markings.)

2. **Transfer** to an approved FFP program for use as livestock feed

3. **Donation** to a governmental or charitable organization for use as animal feed or for other non-food use

4. **Destruction** in a manner such as by burning or burying preventing use for any purpose (It is a good practice or may be required by local regulations to inform the government of damage commodity disposal.)

If commodity is valued at more than US$500:

- Request approval from FFP prior to disposal.
- If commodity will be destroyed, include in the approval request the proposed manner of destruction, the local
authorities who will witness the destruction and the date when commodity will be destroyed.

- Destroy under the observation of a USAID representative. Get written concurrence from USAID before destruction if they are unable to observe.

- Provide FFP with a written report (including photographs) describing the exact quantity of the damaged commodity disposed of because it was determined to be unfit for any use and the manner in which the commodities were destroyed.

What is repackaging?

Repackaging takes commodities from damaged containers (bags, cartons or tins) and puts them in new (undamaged) ones to the standard weight or volume specified on the B/L. The term “reconstitution” also is used.

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

Complete a loss report detailing the amount lost during repackaging, if any.
Can food processors or recipient agencies repackage food for distribution?

Yes, but the Awardees must have 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 carton, sacks 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:

- Please refer to your organization’s BSMP approved by USAID for container labeling requirements specific to your program.

- Awardees themselves also may repackage commodities if the situation warrants.
6. RECORD KEEPING 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 notes/waybills
- Tally sheets
- Dispatch authorization or release order
- Dispatch waybills
- Inventory (or stock) ledgers
- Stack cards by commodity
- Stack cards by shipment
- Physical inventory counts
- Loss reports
Commodity Management Handbook

- Distribution plans, dispatch or issue notes, and any other documents that authorize the movement of commodity out of the warehouse

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 inventory received at or issued from a warehouse must be accompanied by a waybill. This also includes return of undistributed stock from the distribution center to the warehouse. Waybills for incoming or outgoing consignments should be filed separately.

What is an inventory (or stock) ledger?

An inventory ledger records all transactions related to the receipt, dispatch 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 are maintained for:

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

What is a stack card?

A stack card, sometimes referred to as a bin card, documents all commodity quantities added to (received) or removed from (dispatched) the stack to which it is attached. A stack card must be 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, 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.

6. Record Keeping in Warehouses
by USAID for cause, such as in the case of litigation of a claim or an audit concerning such records.

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

What is recipient registration?

Recipient registration is a reliable and repeatable process to identify and record necessary information on individuals (or households) who are eligible to receive distributed commodities.

The process is:

- Labor-intensive and 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 updated regularly (usually monthly) to account for births, deaths, recipients leaving the area, other changes in eligibility criteria, or lost or stolen cards.

Use the master recipient list to create distribution lists of eligible recipients at a given location prior to each distribution. If possible computerize and password-protect the list.

What is a distribution (or beneficiary) list?

This list is a subset of the master recipient list containing 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, the total number of eligible household members and the type and total quantities by commodities. A distribution list is often used to record individuals (through signature or thumb print) who have received their 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. For large programs, there may be different types of recipients and, therefore, different eligibility criteria for each type. Awardees also must ensure that recipient agencies 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

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), held by an eligible recipient and presented at time of distribution to verify eligibility and prevent misuses of commodities.

If possible, the card should:

- Be made of durable paper or plastic
- Be pre-numbered sequentially
- Be printed with the USAID logo
- Contain some form of identification, such as a photograph, physical description, thumbprint or barcode to discourage forgery
- Provide space to indicate distributions received

Information on the card should include:

- Name of cardholder
- Names, gender and ages of household members (if special programs are available to specific demographic segments)
- Recipient type (if applicable)
- Address (e.g., village name, camp sector)
- Spaces to indicate distributions received
- Starting date and exit date of eligibility

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 the dispatch of commodity from warehouse to the distribution site.

Warehouse managers, storekeepers or others in direct control of inventory are never authorized to draft or approve distribution plans. (Distribution plans only should be prepared by program managers, commodity managers or logistics coordinators, depending on program structure.)

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 and composition and a rationale for this size and composition. A display board or banner in the distribution center with ration entitlement is a good practice.

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

Only authorized Awardee staff can receive the commodity. List of authorized signatories may be verified for internal
control purposes. These staff perform the following tasks when receiving commodity:

- Inspect and physically count all units of commodity off-loaded from transport
- Record the count on a tally sheet
- Weigh a sample percentage of all commodities received to detect possible loss during transport
- 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?

The same procedures and practices necessary to protect the quality of stored commodities and guard them against undue spoilage, damage, theft or other loss at warehouses apply to distribution storage sites. The main difference between the two is site storage facilities should contain little (if any) commodity remaining 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. As such:
A separate ledger is required for each commodity type, but it is not necessary to have separate ledgers for each shipment number as with the warehouses.

The ledgers at the distribution site remain open and carry a running balance through the life of the program; they are only closed when the program is completed.

Note:

- If the storage facility at a distribution site operates as a true warehouse, all standard warehouse storage and recordkeeping procedures apply.

- 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. An account must be maintained at each distribution site even if storage is not possible.
How are commodity rations measured out for distribution?

The most commonly used methods are:

- **Recipient division.** 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 g × 15 days = 6 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?**

Dispose of containers in which commodities are received in a manner agreed upon with USAID. Maintain a ledger to account for all empty containers and documents detailing the disposition of the containers, if applicable. Common methods 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 such use

- Distribution (free of charge) to eligible food recipients for their personal use
What records must be kept at distribution sites?

- Tally sheets
- Signed waybills for deliveries (i.e., evidence that the site received the commodity) or returns (i.e., if undistributed stock has been returned to the warehouse)
- Loss reports (if applicable)
- Inventory ledger for each type of commodity and empty container
- 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, or a copy of the memorandum of understanding that was signed with the community

What is publicity and branding?

The objective of publicity and branding is to assure 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 the distribution and feeding centers) require 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 done by verbally expressing the food comes from the American people)
- “Not to be sold or exchanged”
- The USAID logo (and, if applicable, those of the Awardee and/or recipient agency)

What is distribution monitoring?

Monitoring the actual distribution process is important to ensure beneficiary eligibility and to verify recipients are receiving the planned quantity and quality of commodity (their ration) to which they are entitled. This 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 therefore be trained in:

- Principles of internal controls
- Basic inventory accounting at end-use centers
- 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
• Observation of actual distribution of commodity, such as scooping procedures and measures
• Reporting procedures

What are the specific processes of monitoring food distribution 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)
• Sample the commodities for quality
• Conduct sample weighing of commodity containers
• Interview those responsible for receiving food commodities about any irregularities in items received
• Verify the accuracy of weighing scales
• 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
During food distribution:

- Observe and record security and crowd control
- Observe and record performance of local authorities, community representatives, community group leaders, etc., participating in distribution management
- Observe and record the performance of tally clerks, distributors and receipt clerks, and note incidences 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
- Verify that the help desk is functioning to record beneficiary complaints

Upon completion of distribution:

- Reconcile tally sheet totals to receipt sheet totals
- Record any difference between planned number of recipients and actual attendance
• Record the names and ration card/identification numbers of all recipients on the receipt sheet who did not appear; add three names to lists for follow-up during post distribution monitoring to determine the reason(s) they failed to appear to attain a sample of reasons recipients were unable to appear

• Reconcile total quantities distributed with any remaining stock at the end of the distribution

• Have local volunteers clean up the area

• Draft a thorough written report and have two witnesses from the community management committee (the village elders/leaders who assist with registering beneficiaries or distributing food) who attended the distribution sign the report

What is distribution site storage monitoring?

Distribution site storage is periodically assessed to determine the adequacy of storage facilities, inventory management and recordkeeping.
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. Priority may be assigned to, for example, sites with large numbers of recipients or sites where significant issues have been previously noted.
8. REPORTING

Which commodity reports are required by USAID?

The terms and conditions of the Award will prescribe the type of reports and frequency they are submitted. 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. All reports must be in sufficient detail to enable FFP to make recommendations as to the ability of the Awardee(s) to effectively manage and control the commodity under their administration.

<table>
<thead>
<tr>
<th>Type of Report</th>
<th>Timing of Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline and resource estimate proposal (PREP) [Refer to PREP description in Section 2]</td>
<td>Annually, submission date will be negotiated between the AOR and the Awardee</td>
</tr>
<tr>
<td>Loss summary report (LSR)</td>
<td>Quarterly (within 30 days of the close of the calendar quarter)</td>
</tr>
<tr>
<td>Commodity status report (CSR)</td>
<td>Quarterly (within 30 days of the close of the calendar quarter)</td>
</tr>
<tr>
<td>Type of Report</td>
<td>Timing of Submission</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Recipient status report (RSR)</td>
<td>Quarterly (within 30 days of the close of the calendar quarter)</td>
</tr>
<tr>
<td>Close-out plan</td>
<td>Submission date negotiated between the AOR and the Awardee</td>
</tr>
</tbody>
</table>

**Note:**

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

- FFP has introduced an online reporting system called QWICR which is a 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 ad-hoc consolidated analysis report-generation mechanism. It allows the user to analyze submissions, track loss trends and create tables to proactively comply with Regulation 11 monitoring,
What is a Commodity Status Report (CSR)?

A CSR is a summary of receipts, dispatches, losses and reconciled physical inventories for commodity stored in all warehouses during a given period of time.

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

Awardees must remove from calculation all dispatches and receipts of commodity between program warehouses to ensure overall inventory is not double-counted during the consolidation.

When consolidating CSRs, there may be instances where total food is understated because the CSR does not include food in transit between inland warehouses or the CSR did not include food in the secondary warehouses.

What is a Recipient Status Report (RSR)?

A RSR is a summary of all commodities distributed to recipients during the reporting period and the numbers of
recipients provided with food in each program category.

What should be included in a USAID LSR?

Awardees should include a summary of the information on all outstanding (i.e., with claims pending) individual commodity loss reports, presented in tabular format (to the extent possible). Additionally:

- For losses valued at less than US$500, the summary may be limited to:
  - Kind and quantity of commodity
  - Estimated value of the loss
  - Action(s) taken with respect to recovery or disposal

- For losses valued at US$500 and above, in addition to the information included on an individual loss report, the summary should include:
  - A narrative explanation for the absence of any of the above information
  - Other information as required by a specific USAID mission (For example, if there are not outstanding losses during the
reporting quarter, some missions may require submission of a “positive” statement, instead of a quarterly loss report, notifying them that there is nothing to report.)

– A copy of each claim for the reporting period attached to the quarterly loss report

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

The close out plan will contain the following:

• A summary of commodity resources
• Outstanding third-party loss claims
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 required publicity and commodity package branding (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 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 of the recipient agency to 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

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9. Recipient Agencies
**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 USAID agreement

Internal controls are simply good business practices that provide reasonable assurance of achieving the objective of distribution of 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 six types, as outlined in the following table.
Control Activity Type Examples

1. Personnel
   - Provision of adequate supervisory personnel
   - Physical presence
   - Staff training
   - Provision of adequate supervisory personnel

2. Authorization and verification
   - Signature of distribution plans/lists to ensure the number of
     recipients is commensurate with the levels stipulated in the agreement
   - Pre-printed and pre-numbered loss report forms
   - Pre-printed and pre-numbered loss report forms
   - Signature of waybill by receiver verifying quantity actually delivered, quantity lost and quantity damaged
   - Signature of waybill by receiver verifying quantity actually delivered, quantity lost and quantity damaged
   - FFP approval per terms and conditions

(To ensure propriety, validity and accuracy of transactions)
<table>
<thead>
<tr>
<th>Control Activity Type</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management review of all reports to ensure accuracy and completeness of information on the master recipient/beneficiary list</td>
<td>• Verification of accuracy and completeness of information on the master recipient/beneficiary list</td>
</tr>
<tr>
<td>- Verification that commodity dispatch and subsequent distribution are in agreement with distribution plans</td>
<td>• Verification that commodity dispatch and subsequent distribution are in agreement with distribution plans</td>
</tr>
<tr>
<td>- Verification of ledgers for accuracy of entries as compared to source documents (e.g. delivery memos, waybills, B/Ls)</td>
<td>• Verification of ledgers for accuracy of entries as compared to source documents (e.g. delivery memos, waybills, B/Ls)</td>
</tr>
<tr>
<td>- Verification that stack card balances correspond to balances listed on the ledgers</td>
<td>• Verification that stack card balances correspond to balances listed on the ledgers</td>
</tr>
<tr>
<td>- Verification of accuracy and completeness of information on the commodity dispatch and subsequent distribution plans (e.g. waybills, physical inventories, distribution plans)</td>
<td>• Verification of accuracy and completeness of information on the commodity dispatch and subsequent distribution plans (e.g. waybills, physical inventories, distribution plans)</td>
</tr>
<tr>
<td>Management review of all reports to ensure accuracy and completeness of information on the master recipient/beneficiary list</td>
<td>• Management review of all reports to ensure accuracy and completeness of information on the master recipient/beneficiary list</td>
</tr>
</tbody>
</table>
### Control Activity Type Examples

#### 3. Segregation of Duties
- A staffing structure that ensures an individual does not have responsibility for more than one of the three transaction components: custody, record keeping, and authorization.
  - 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.
  - Individuals who prepare a loss report are not the same as those who authorize changes in inventory records.
  - Monitoring personnel are sufficiently independent of warehousing and accounting functions.

#### 4. Physical Restrictions
- Controlled access to warehouses.
  - Receptacle registration, distribution and accounting functions.
  - Record keeping and authorization.
  - Control of commodities, custody, and transaction roles.
  - Ensures an individual does not have responsibility for more than one of the three transaction components.
<table>
<thead>
<tr>
<th>Control Activity Type</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation of all verification activities</td>
<td>• Transactions of value are processed in an internal control system</td>
</tr>
<tr>
<td>Detailing all receipts and dispatches/distribution of commodities</td>
<td>• Periodic reports by warehouses and distribution sites/centers</td>
</tr>
<tr>
<td>Periodic reports by warehouses and distribution sites/centers</td>
<td>• List of signatories who are authorized to receive commodities at the distribution sites</td>
</tr>
<tr>
<td>Tally and receipt sheets used to document all distributions</td>
<td>• Periodic reports by warehouses and distribution sites/centers detailing all receipts and dispatches/distribution of commodities</td>
</tr>
<tr>
<td>Control of blank checks</td>
<td>• Documentation of all verification activities</td>
</tr>
<tr>
<td>Loss report forms controlled by the same procedures used to control blank checks</td>
<td>• A two-person, two-lock system in place to ensure that one person is not granted sole responsibility of commodities</td>
</tr>
</tbody>
</table>
Control Activity Type Examples

<table>
<thead>
<tr>
<th>Examples</th>
<th>Control Activity Type</th>
<th>6. Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site retention of waybills, loss reports, distribution plans/lists recorded and available for future inspection)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Periodic visits and review of books and records at sites maintained by recipient agencies</td>
<td></td>
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<tr>
<td>Physical counts</td>
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<tr>
<td>Audits</td>
<td></td>
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<tr>
<td>Warehouse inspections</td>
<td></td>
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<tr>
<td>Audits</td>
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</tr>
<tr>
<td>Periodic visits and review of books and records at sites maintained by recipient agencies</td>
<td></td>
<td></td>
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<tr>
<td>Surprise visits to distribution sites to ensure standards procedures being followed</td>
<td></td>
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<tr>
<td>By recipient agencies</td>
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<td></td>
</tr>
<tr>
<td>Distribution to verify commodity storage or commodity distributed that controls are operating properly (performed by those not directly involved in distribution)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical counts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What does “adequate supervisory personnel” mean?

Supervisory personnel are adequate when 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 Title II food reaches its intended recipients. In addition to the commodity staff, the program management staff also need to 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
- Repackaging (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
- Quality control
- Pest control
- Disposal of unfit commodities

When is USAID approval needed?

USAID approval is needed before carrying out the following activities or actions:

- Loans or transfers of commodities
- Changes in allocation of metric tonnage among technical sectors greater than 10 percent
- Disposal of excessive stock of commodities
Disposal of containers in which commodities are received

Disposal of commodities unfit for human consumption

Repackaging that costs over US$ 500

Decision to not file a claim on internal losses over US$ 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

What is a physical count?

Periodically the true quantity of commodity in the warehouse is calculated and compared with the control records. Based on the local context, PVOs may set the frequency of the physical count at weekly, monthly or quarterly.

Staff not directly connected to the warehousing operation (e.g., project

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10. Internal Controls
manager, administration staff, staff from other projects or agencies) conduct an independent physical count of all commodities at least quarterly and no less than annually. Warehouse staff conduct periodic physical counts of all commodities as part of their commodity management responsibilities.

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 compare the result of the physical count with the related ledgers (as well as CSRs, if appropriate).

Staff should reconcile every difference between 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:

- Activities and records of the Awardee, recipient agencies, processors or others pertaining to the receipt, storage, distribution, processing, repackaging, 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, repackaging, loss and distribution of commodities

- Compliance with Regulation 11 and any additional terms or conditions specified in the operational plan

- Compliance with 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 their 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

Recipient agencies that receive US$ 25,000 or more of commodities and/or monetized proceeds are excluded from the Awardee's audit responsibility.

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 the auditors 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

• ADS Chapter 320 Branding and Marking
  (Revision Date: 05/05/2009):

• Humanitarian Charter and Sphere
  Minimum Standards in Humanitarian Response:
  http://www.spherehandbook.org/

• Nongovernmental Organization (NGO)
  Code of Conduct on Food Aid and Food Security:
  http://www.dochas.ie/Pages/Resources/Viewer.aspx?id=324

• Generally Accepted Commodity
  Accountability Principles (GACAP):
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<td>3</td>
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### Kilograms to Pounds

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### Veg. Oil Liters to Kilograms

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<td>8.968</td>
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<tr>
<td>10.00</td>
<td>9.440</td>
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**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

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