

Lack of control and serious flaws in PAE caused money loss to the State

Jesus Yajure

A special report by the Comptroller General's Office revealed in 2013 that the School Food Program (PAE, after its initials in Spanish), managed by the Ministry of Education, operated without minimum supervision. The document also noted that cooperatives were overbilling and defrauding the Venezuelan State at the expense of proper food of thousands of children and teenagers in Venezuelan schools.

The School Food Program “has flaws in the planning, monitoring and internal control,” explains a report published in June 2013 by the Comptroller General of the Republic (CGR), after inspecting 42 schools serving a population of 37,968 students only in the Capital District.

The CGR 43-page report, available on their website (www.cgr.gob.ve), also described audits conducted in 2009, 2010 and 2011 in five other states: Falcón, Carabobo, Apure, Guárico and Lara.

The results included: lack of supporting documentation, invoices, purchase orders, delivery notes and receipts; lack of fiscal control and accounting records, irregularities in procurement, double payments, late payments and opacity in the management of funds, among other irregularities.

Apart from the assessment, the CGR also established responsibilities of the Vice Ministry, the Administration Department, the National Coordination, the Educational Zones, coordinations, schools and suppliers: “They act in isolation and have no technical or legal criteria; no continuity or uniformity; there are still administrative and organizational shortcomings that are detrimental to the efficiency and effectiveness of operations and affect the operability of the program.”

The PAE was created in 1996, and it operates without any legal status, under the supervision of the Ministry of Education in two modes: the meals served in school cafeterias, prepared by “processing mothers” who cook food at the schools; and “food service or distribution” provided by suppliers, including cooperatives, PDVAL and MERCAL, as food supplies or meals served.

An article published in 2010 in the newspaper *Últimas Noticias* reported the irregularities in the operation of the program and the role of cooperatives, which inflated invoices and lists of students to defraud the state and overbill for services rendered. This story, and a letter from the editor of the newspaper to the Comptroller (a) Adelina González, requesting an investigation, led to the revision of the operation of the PAE.

In 2013, after the results of the CGR special report were released, the newspaper published a second report describing the deficiencies in the operation of PAE through visits to schools and consultations with directors, coordinators, teachers, students of secondary schools in Caracas.

Cooperatives filled their pockets with public money

The report also details the findings in different states:

1. Falcón:

- a) 428 purchase orders were made in the amount of Bs.11,269,723.39 with no written commitment for provision of service, without requiring performance bonds. Moreover, there was no price enquiry or public tender.
- b) There were 26 purchase orders missing, in the amount of Bs.382,657.02.

2. Lara:

- a) A inflated student roll was used for the calculations.
- b) Obligations with suppliers were assumed in an amount exceeding the actual debt by Bs.5,554,536.95.
- c) This practice benefitted 110 cooperatives.

3. Guárico:

- a) Payments were made during the 2009 school year, for Bs.773,151.18 without records of commencement, suspension or completion of the implementation of the PAE.
- b) For 17 rural schools in Calabozo, municipality of Miranda, the cooperative Morrollano II did not provide services in the school years 2008-2009 and 2009-2010.
- c) The Ministry of Education made payments to cooperative Morrollano II in the amount of Bs.2,248,802.84 with no invoices.

- d) There was a double payment for Bs.96,014.45 for services at Liceo Bolivariano Manuela Sáenz and Escuela Básica Paso Pelao.
- e) In seven schools of the Roscio municipality, the Ministry paid Bs.57,879.10 for 1,203 meals, which exceeded the number of students of these schools.

4. Carabobo:

- a) There were discrepancies in the accounting figures of the budget.
- b) There are not supporting documents for the expenses made between Q2 and Q4 of 2010.
- c) There were 345 purchase orders missing, for Bs.10,216,689.71
- d) Contracts were awarded to cooperatives as providers without fulfilling the selection processes established in the law.
- e) 27 cooperatives hired in 2009 for an amount of Bs.49,369,119.50 had financial capabilities below the contract amount.
- f) Cooperatives did not fulfill their Corporate Responsibility requirements.
- g) Of 27 cooperatives hired, 449 purchases did not include a performance bond.
- h) There were incomplete deliveries of supplies to 28 schools by 13 cooperatives.

5. Apure:

- a) Four cooperatives that received payments in the amount of Bs.1,158,466.01 are not registered as service providers.
- b) Payments in the amount of Bs.694,652.54 were made for the fiscal year 2009 without the authorized signatures of the officials.
- c) Checks for a total amount of Bs.2,994,861.57 issued to the cooperatives were delivered to unauthorized individuals.
- d) Cooperatives Llano Alto 93, Bolivariana Hermanos Torrealba 421, Comaproa Luis Rincones Castillo 32165 y San Vicente 38 received a total of Bs.493,187.89. Their representatives were Ministry of Education officials.

Also, the representatives of two cooperatives interviewed by *Últimas Noticias*, accused of alleged crimes, confirmed the existence of “mafias” that managed the payments without serving one single meal. Those responsible for the PAE at various Caracas schools declared that poor communication between companies and schools, the inexistent automation and monitoring of the

program, among other reasons, caused boxes of food to be thrown away every week.

Additionally, five cooperatives (Itzamatul, El Avio, Kabil, Nahuata and Trasalim) that served schools in Carabobo shared the same telephone number in Caracas. These entities were mentioned by the CGR for charging without providing food to schools.

The owner of these companies, Luis Alberto Duque, denied *Últimas Noticias* in July 2013 that he had received money without providing services, and complained that bureaucracy and power-struggling groups jeopardized the program and entrepreneurs: “That is a mafia. There is no control, too much bureaucracy. Don’t ask for details, suffice to say that there is pretty much everything there, thieves and worse; not only at the Educational Zone, but in the coordination of the PAE and even at the schools.”

Late Response

The then Minister of Education, Maryann Hanson, did not respond to the newspaper’s request for comment. Emails were sent and phone calls were made to her media staff. The newspaper also attempted to contact Trina Manrique, Vice Minister of Participation and Academic Support, under which the PAE operates.

A week after the story was published, Hanson called the journalist for a meeting to respond to the allegations in the report. In her office on Thursday, June 11, she accused the newspaper of “sensationalist” and of lying in the report, although she had been explained that the allegations were based on a report by the CGR.

Hanson claimed that the CGR had provided her with a copy of the document in March 2012—after which she took a series of corrective measures—even as she was reminded of the fact that the report had been prepared in December of that year. One paragraph of the document states:

It should be noted that the trust account has not been reconciled since it was opened (2009), no accounting records are kept. This situation, among other aspects, was explained by the Comptroller General in a meeting requested by the Minister and held March 22, 2012, with the Vice Minister of Participation and Academic Support, the Director of the Office, the Director of Administration and Services, the National Coordinator of the PAE, and Deputy Coordinator of the PAE in

attendance. As of this report (Dec.12, 2012), there is no information about these activities. [Emphasis added]

The minister stated that she had taken measures, including the suspension of all cooperatives mentioned in the report and the removal of all officials of the Ministry of Education related to these entities.

Suspended without a trial

In 2010, the PAE was managed by Vice Minister Jennifer Gil Laya, and Ruben Mindiola, as National Coordinator. Ofelia Fermín also served as general director of administration. In April 2010, Mindiola was dismissed and replaced by Francisco Hernández.

In more than 10 years, the program has undergone reforms, but irregularities continue: In 2009, the decentralization process was reversed with the creation of a bank trust account at Banco de Venezuela, which centralized payments and caused the National Treasury to suspend payments to Educational Zones in each state, which work in coordination with the ministry. This caused delays and accumulation of debts of up to seven months for several fiscal years.

In many cases, payments were made without checking if cooperatives had complied with the contract. In 2011, PDVAL as MERCAL entered as food providers in schools across the country. That same year, Minister Maryann Hanson acknowledged that she was aware of the overbilling in the PAE.

Currently, according to official PAE figures, the program serves 4,055,135 students, of ages between 3 (early childhood education) to 17 and 18 (secondary education). Other officials who held positions in the PAE and Educational Zones in the states under investigation were: Yslenia Fernández Olivera (Carabobo), Rosa Yelitza Lira (Carabobo), Maryuris Fontaine (Guárico), Alexander Ríos (Guárico), Cécica Silva (Apure). They all were removed from their posts.

Hector Rodríguez, current Minister of Education, announced in February 2014 that he had terminated contracts with private providers that supplied 40 percent of the food of the PAE. Nine months later, in November, he announced the creation of the *Corporación Nacional de Alimentación Escolar* (National School Food Corporation), which would take over all contracts for food production and processing.

The Ministry of Education increased by 9 percent the budget for the PAE in 2014, but the results, far from benefiting more children, led to a reduction in coverage: 36,000 children stopped receiving food.