

INTERNATIONAL COOPERATION ADMINISTRATION

Rio de Janeiro, Brazil

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REPORT OF AUDIT

OF

USOM/BRAZIL PROJECT No. 512-51-014

MALARIA ERADICATION CAMPAIGN

Period: July 1, 1958 to October 31, 1960

REPORT No. 3-61

May 17, 1961

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Period: July 1, 1958 to October 31, 1960

SECTION I - Purpose of Audit

To provide a general review and evaluation of the project and its implementation; to observe and evaluate the arrival, customs clearance storage and distribution practices and procedures for ICA-financed commodities; to evaluate the administrative, supervisory and financial management practices employed by USOM/B, their adequacy and effectiveness; to ascertain adequacy and reliability of commodity accounting, reporting and utilization; to evaluate Government of Brazil's (GOB's) efforts in carrying out their financial obligation and program requirements; and to review and determine adequacy as to program planning, controlling and continual evaluation, appraisal and reporting by the Mission. Applicable M.Os. and directives are shown in Attachment No. "K".

SECTION II - Scope of Examination

This audit was made, in general, on a selective basis and included :

1. Review and evaluation of the project operation from a financial standpoint including the control and use of ICA funds for the procurement of commodities.
2. Review of the terms and objectives of the Project Agreement and implementing documents with emphasis on its financial provisions, proposed target dates, timely receipt of commodities in relation to program plans and progress.

3. Observation and evaluation of the program effort, other than technical, as carried out by U.S. technicians and GOB personnel in the field.
4. Testing and evaluation of commodity accounting, customs clearance and arrival reporting to ascertain adequacy, correctness and control effectiveness.
5. Field checking and end-use observation of commodities to determine prompt and adequate utilization, adequate warehousing or storage practices and physical safeguards.
6. Review and evaluation of reports rendered by Health & Sanitation Division and responsible Staff Offices of USOM as well as GOB, in connection with project reporting on implementation, utilization of commodities, project problems and progress.

SECTION III - General

1. This is the initial audit of this project by the USOM Audit Staff and covers the period July 1, 1958 to October 31, 1960, with special emphasis on current operations, and included visits to all major areas of operation in the field. Financial and other project data in support of audit findings and related comments is shown in Attachments "A" thru "K", which are considered a part of the report:

<u>Attachment Title</u>	<u>Number</u>
Statement of Procured Commodities	"A"
Statement of Obligations	"B"
List of Estimated Freight Charges	"C"
Listing of Diverted ICA-Financed Commodities	"D"
Listing of Commodities Received in CEM-Recife	"E"
Statement of Vehicles Received	"F"
Statement of (Field) Operating Areas	"G"
Distribution of Vehicles in Zone III A & B	"H"
Status of Field Operations by Areas and States	"I"
Statement of End-Use Observations Results	"J"
Listing of M.Os. and Directives	"K"

2. Project Agreement No. 512-51-014

a. 1) The initial program agreement which started the Malaria Eradication Campaign was signed by the Minister of Health, GOB, and Chief H. & S. Div. USOM, on Feb. 14, 1958. The ProAg was signed on June 30, 1958 and revised Sept. 10, 1958. This ProAg was extended on Feb. 27, 1959, revised on June 29, 1959 and re-extended on Jan. 13, 1960. Final contribution dates for F.Ys. 1958, 1959 and 1960 are Dec. 31, 1959, Feb. 27, 1962 and June 30, 1961, respectively.

2) The ProAg stipulates that the Campaign will be conducted by DNERu under the direction of a "Grupo de Trabalho" (Directing Council) established by Decree 43.174 dated February 4, 1958, whose responsibilities will include planning and approval of material needs of the Campaign. Article 2, above cited decree, provides that :

"The Grupo de Trabalho" is composed of :

- (a) Director General of DNERu
- (b) Coordinator of the Malaria Eradication Program of DNERu
- (c) Brazilian Representative of Point IV in Brazil

It will be permitted to the Representatives of ICA and of Pan American Sanitary Division to participate in the Work Group's Meetings; the participation of other national and international organization's representatives shall be permitted by the means of signing a convention with the Health Ministry for the Malaria Eradication Program."

- b. The main purpose of the ProAg is the extension of the already existing cooperative health program in Brazil, including joint participation in a campaign to eradicate Malaria throughout Brazil and to establish a program of evaluation of results, in order to prevent recurrence of Malaria.
- c. According to TOICA A-818, dated 11/19/59, eradication of malaria in Brazil is estimated to cover

an infected area of 7,300,000 Km² and is to benefit a population of 30,000,000 inhabitants. The program is to be put into effect in 3 stage schedules: one year of preparatory phase, four years of total coverage phase with insecticides and drugs and three/four years of epidemiological surveillance phase. Malaria eradication in Brazil is carried out by two separate Brazilian organizations, which are:

- 1) Malaria Eradication Campaign, hereafter called CEM constituted by Decree No. 43,174 of February 4, 1958 and which represents the National or Federal program. Funds to operate the CEM-Federal program are made available from the Federal Government of Brazil.
 - 2) Malaria Eradication Service, hereafter called SEM, which constitutes the São Paulo State program, coming only under the jurisdiction of the State of São Paulo. Funds to operate the SEM program are made available from State funds, State of São Paulo.
- d. In accordance with the basic ProAg and subsequent renewals or amendments, the determined contributions for FYs 1958, 1959 and 1960 were \$1,490,000, \$2,577,390 and \$4,000,000 respectively, to be financed by ICA, and Cr\$30,000,000, Cr\$310,000,000 and Cr\$400,000,000 for the above years, to be financed by the Host Country. ICA's anticipated contribution for FY 1961 was planned initially at \$5,000,000.
- e. According to Airgram TOICA A-1138, dated January 25, 1960, the federal program (GOR) carried out by the CEM, is divided into 6 areas covering 19 states (See Attachment "I") whose headquarters is located at Avenida Rio Branco 80, Rio de Janeiro. The State level program for the State of São Paulo, whose headquarters is located at 487 Avenida Brigadeiro Luiz Antonio, São Paulo, is divided in 8 areas (See Attachment "I").
- f. As shown below (also see Attachment "I"), status of field operations as of October 31, 1960, is as follows :

1) Areas in Full Operation

- AREA I - State of Pará
- AREA IIIA - States of Ceará, Rio Grande do Norte and Paraíba
- AREA IIIB - States of Sergipe and Alagoas
- AREA VA - State of São Paulo

2) Areas in Partial Operation

- AREA I - State of Amazonas

3) Areas Not in Operation

- AREA II - States of Maranhão and Piauí
- AREA IIIB - State of Pernambuco
- AREA IVA - State of Bahia
- AREA IVB - States of Espírito Santo and Minas Gerais
- AREA V - States of Guanabara, Paraná, Santa Catarina and Rio Grande do Sul
- AREA VI - States of Goiás and Mato Grosso.

3. Personnel Assignments - Health & Sanitation Division, USOM/B

<u>Name</u>	<u>Position Assignment</u>	<u>Period</u>
1. Dr. Ross E. Jenney	Chief of H. & S. Div.	5.24.55 to 8. 6.59
2. Dr. James D. Wharton	Epidemiologist	12.28.55 to 8.20.59
	Chief, H.&S. Div.	8.21.59 to 7.14.60
3. Dr. Vernon J. Forney	Dental Officer	6. 1.57 to 7.16.60
	Chief of H. & S. Div.	7.17.60 to present date
4. Mr. Arthur Linnehan	Budget & Fiscal Officer,	3.11.57 to 11.30.58
	H. & S. Div.	11.30.58 to 10. 5.59
	Business Manager,	10. 5.59 to 12.23.60
	H. & S. Div.	
	Assistant Controller(x)	

- (x) - As per Staff Notice No. 152 of 3/11/60, Mr. Linnhan joined the Controller's staff as Assistant Controller, effective March 7, 1960. From October 1959 to March 7, 1960, he worked part time as Asst. Controller in addition to Business Manager, H. & S. Division.
- | | | |
|---------------------------|---|----------------------------|
| 5. Mr. John Viles | Business Manager | Feb. 1960 to
11.4.60 |
| 6. Mr. Thomas C. Thompson | Mechanical Engineer | 4.1.52 to
present date |
| 7. Mr. Richard James | Support Specialist
and later
Malaria Specialist | 3.30.59 to
present date |
| 8. Mr. Donald Green | Support Specialist
and later
Malaria Specialist | 1.25.59 to
1. 6. 61 |

4. Condition of Project Known Prior to Audit

It was already generally known to the Mission prior to the audit (June 1960) that this project was experiencing difficulties and the program was in serious jeopardy, i.e., operations were behind schedule, ICA-financed commodities were not being fully utilized, GOB funds were not being made available to the campaign, etc. and it was because of this knowledge that the Audit was requested by Mission Management. After performing a pre-audit survey, these conditions were found to exist, and in most cases in greater and more serious proportions than previously indicated. Therefore, this audit, as evidenced by the auditor's findings herein, has been fairly extensive in many areas.

5. Audit Personnel Denied Access to USOM Records and Files

Initially, USOM audit personnel were denied access to H. & S. Division project files and records by the Chief, H. & S. Division. Although access to such records was eventually permitted this matter has had a detrimental effect on the performance of the audit to include delaying the audit completion.

6. Varied Opinions and Interpretations Within USOM Concerning Project

There exists a problem among H. & S. Division personnel as well as other USOM Staff Offices concerning differences of opinions and interpretations as to intent and meaning of certain ProAg provisions and USOM/B's overall responsibilities. Examples of the questions or points raised are : a) what are H. & S. Division's specific responsibilities, versus GOB responsibilities, in project planning, implementation and evaluation (See memo from Controller to Chief, H. & S. Division, (OUO) dated March 10, 1961), and b) does USOM have the right to audit, evaluate, end-use and inspect the project, and to what extent. With reference to a) above, and in conversation with H. & S. Division personnel and Mission Staff Offices, they have voiced opinions during the audit indicating that USOM's responsibility concerning this project may have been primarily limited to the furnishing of commodities and performing related accounting, administrative and end-use observations. However, Mission documents, airgrams, memoranda, etc., issued on the subject and examined by the auditor, indicate that initial planning and during early stage of operations, the Mission was required and intended to carry out ICA's normal project functions and responsibilities (For example, see Section IV, Para. 2 below).

7. Project Responsibility

Although the Chief, H. & S. Division, is considered the project Manager and the office having the first-line responsibility for the efficient operation of the project, other USOM Offices, including the Program, Executive and Controller's Offices, have certain definite and important responsibilities. The review and evaluation of the apparent causes and reasons for the unsatisfactory status of the Malaria Eradication project, the inadequacies, weaknesses and problems encountered, as shown in this audit report, indicate that the Mission as a whole has been rather deficient in handling this project from its inception.

8. Personnel - Operating Staff and Field Technicians

As a regular part of this project audit, the following problems, which relate to personnel requirements and overall staffing in both the Mission as well as the Host Country, have been noted and evaluated :

a. USOM/B

- 1) It would appear that from the early phase of this project the Mission has been deficient as to personnel and staffing requirements, i.e., shortage of personnel, inadequate or improper use of personnel, insufficient guidance and direction over field technicians by supervisors. Shortage of trained personnel for this project was pointed out as early as November 1958 in external reports received by the Mission (For example, see GAO report dated May 1960). The Mission apparently did not visualize or anticipate the need of more than three field technicians and therefore took no official action to secure additional personnel.

- 2) H. & S. Division has utilized its technical personnel to perform regular administrative and related duties to include extensive end-use observations (per agreement between the Chief, H. & S. Division and Controller, since the Controller did not, at that time, have adequate audit staff to perform this function), and as a result, field technicians have not been utilized for the purpose intended or as required to carry out and insure adequacy and proficiency of project operation. Nevertheless, the field technicians involved have, in carrying out these special duties, performed such duties well and have accomplished much toward filling the need in the administrative area within H. & S. Division. At the conclusion of this audit the serious personnel problem still existed and in a more acute proportion, i.e., the project was still without a sufficient number of administrative (Business Manager or Administrative Officer) and technical field personnel to adequately carry out the program, to include program planning, evaluation, observation, reporting, and administrative support to the project.

b. CEM - Host Country Agency

There is an apparent lack of a sufficient number of field staff throughout the CEM National campaign, with some exceptions. This deficiency, however, is believed to be due primarily to the lack of GOB funds. The lack of a sufficient number of administrative and support personnel, including storekeepers, property clerks, mechanics, etc., has in many ways made it extremely difficult for CEM field operations, to include commodity accounting and reporting, to be carried out adequately and on a timely basis.

9. Title to ICA-Financed Commodities

In reading this Audit Report it must be kept in mind that the report in its entirety is based upon the promise that title to all commodities rests with GOB and not with the USOM. This promise is based on the language of the ProAg and Standard Provisions Annex attached thereto, and M.O. 1051.2. However, within the Mission a question has arisen, subsequent to the Audit, as to whether title to the commodities financed by ICA under this project rests with the GOB or with the USOM. It is understood that the General Counsel, ICA/W, has recently made a "preliminary decision" to the effect that title rests with USOM rather than GOB. In view of the above appropriate action should be taken by the USOM to resolve the question of title as soon as possible as it is incumbent upon the USOM to follow M.Os. 541.1, 754.5, etc. with respect to those commodities to which they have title. These USOM procedures or requirements, if title is considered to rest with USOM, are not in any respect being followed by the USOM at this time.

10. External Reports Received by the Mission on Malaria Eradication

- a. The Mission has received reports from working groups, expert teams and similar bodies covering the Malaria Eradication Program in Brazil and its effect on Latin America as well as the worldwide program. Some reports are the result of independent (official and unofficial) surveys and evaluation of the program. Most of these reports cite substantially the same type of program weaknesses and deficiencies, and the causes therefor, as reported in this audit report.

Examples of these reports include :

- 1) Preliminary Report from ICA Expert Panel on Malaria dated March 1, 1960.
- 2) Special Report from PAHO Survey Team (Drs. Williams and Silva) covering period August 20 to October 1, 1960.
- 3) Report of the Eighth Meeting (25-30 July 1960) of the Expert Committee on Malaria, WHO.

These reports comment on the importance of the Malaria Eradication Program in Brazil and stress the point that Brazil is considered the keystone to a successful program in South America. These reports also emphasize the fact that all South American Countries with Malaria, and which have boundaries with Brazil, are reportedly far ahead in the Malaria Eradication Program, and the failure by Brazil to timely and adequately pursue this program seriously affects these countries.

- b. Even though, in most instances, no official USOM/B action or answer to these reports may have been required, no action appears to have been taken by the Mission to document, comment on or otherwise establish the Mission's position in writing concerning the findings, recommendations and related contents of these reports. As a routine, it is believed that appropriate Mission comments and recommendations should be developed on these reports and routed to the Office of the Mission Director (and possibly to ICA/W), for information, current knowledge, guidance and action as may be appropriate.

11. Audit Classification of Project

- a. In conformance with the provisions of M.O. 797.1 and USOM M.O. BRA-781, it is required that the audit report be classified according to the audit findings and their relative importance to the project. This project (Malaria Eradication), as evidenced by the seriousness of the conditions reported in the

audit findings, is hereby classified as being UNSATISFACTORY. This classification is based on or due primarily to (a) failure by GOB to meet on a timely basis their financial obligations thus jeopardizing the Program and (b) failure of the Mission to fully carry out and follow thru on their many project responsibilities and functions including delay in rescheduling of commodity shipments to conform with GOB lack of funds.

12. Personnel Contacted During Audit Performance

a. Mission - USOM/B

- 1) Dr. Vernon J. Forney, Chief, H. & S. Division
- 2) Mr. Arthur Linnchan, former Business Manager, H. & S. Division
- 3) Mr. John Viles, Business Manager, H. & S. Div.
- 4) Mr. Harold Savage, H. & S. Division
- 5) Mr. Thomas C. Thompson, Mechanical Engineer, H. & S. Division
- 6) Mr. Donald Green, Malaria Specialist, H. & S. Div.
- 7) Mr. Richard James, Malaria Specialist, H. & S. Division
- 8) Miss H.L. Preston, Controller
- 9) Mr. W.B. Paxson, Program Office
- 10) Mr. J.R. Solana, Chief, Program Office

b. Malaria Eradication Campaign Representatives
Host Country - Brazil

- 1) Dr. Fernando Machado Bustamante, Executive Chief, CEM
- 2) Mr. Georges Sanders, Engineer and Chief of Recife Regional Distribution Center
- 3) Mr. V. Homem de Mello, Executive Chief, SEM
- 4) Chiefs of all CEM and SEM headquarters & Districts in the Areas visited.

13. Exit Audit Conferences and Discussions of Audit Report

At the conclusion of this audit, James E. McKamey, USOM-Auditor, accompanied by E.M. Dancour, auditor, held exit conferences with the following responsible personnel to discuss the auditor's findings and recommendations :

On April 7 and May 2 1961

Dr. Vernon J. Forney, Chief, H. & S. Division

On April 24, 1961

Mr. J. F. Solana, Chief, Program Office

On April 25 and May 3, 1961

Mr. Robert J. Francis, Executive Officer
Mr. F. Macdonald, Assistant Executive Officer

On April 2 and May 4 & 9, 1961

Miss H.L. Preston, Controller

SECTION IV - Summary of Findings and Recommendations

A resumé of the findings and recommendations follows as well as a general recommendation with respect to project management :

(a) Findings Resumé

1. GOB inability to provide their cruzeiro contribution as specified in the Agreement to cover the local operating costs of the project.
2. Mission laxity in overall project management and evaluation to include project reporting, trip reporting, project staffing and their utilization, commodity utilization, end-use and arrival reporting activities and administrative support to the project.
3. Confusion and varied opinions concerning USOM's project responsibilities with respect to technical assistance and audit privileges as well as USOM Divisional and Staff Office responsibilities for commodity accounting and control, project evaluation, review and appraisal.

(b) Recommendations Resumé

1. Continual action be taken by the Mission to insure that GOB funds as well as other program resources, are made available to carry out their responsibilities under these Agreements and any future Agreements.
2. Revision of the Agreement to include in their entirety the normal Standard Provisions Annex to Project Agreements; language which will clarify the USOM position with respect to technical assistance, and/or supervision of the details of the operation of the program; relationship between CEM and SEM under the Agreement.
3. Determine total USOM personnel requirement for effective project management and take action to obtain same. Improve USOM's internal reporting procedures to facilitate project evaluation. Issue necessary USOM instructions to preclude continuation of confusion concerning responsibility for commodity arrival reporting and related matters.

(c) General Recommendation

As a means of providing desired program management and control over this project, it is strongly recommended that the Mission Director appoint a USOM Malaria Project Manager who will be fully and solely responsible for : 1) complete project management to include program planning, evaluation, appraisal and reporting; 2) adequacy of staffing and assignments; 3) close and continual coordination with appropriate GOB authorities, and 4) taking corrective action to fully implement all approved (by Mission Director) audit recommendations contained in this USOM Audit Report, No. 3-61, as well as other Mission and external reports and directives received. USOM Malaria Project personnel should be assigned by name and their specific functions, responsibilities and area of duty assignments be reduced to writing. It is further recommended that a member of the Program Office be designated as the Program Office Project

Representative to work with the USOM Malaria Project Manager. All Malaria Project matters should be coordinated through this individual to include discussions with the Mission Director and GOB officials.

An index of the detailed findings and recommendations follows:

<u>Finding No.</u>	<u>Page No.</u>	<u>S u b j e c t</u>
1	25	Failure of GOB to Provide Required Funds and thus to Meet fully their Project Obligations.
2	27	Exclusion from ProAg of Item "N" (2), Standard Provisions Annex Relative to Joint Audit and Inspection Rights.
3	28	Project and Program Delays - Cut-Back or Adjustment in Commodity Shipments not made on Timely Basis or in Line with known Project Requirements.
4	31	Varied Opinions and Interpretations within the Mission on Arrival Accounting, Control and Reporting Requirements concerning ICA-Financed Commodities.
5	32	Unauthorized Diversion of ICA-Financed Commodities.
6	35	Excess Xylol - Error in Preparing Data for PIO/C for Purchase of Xylol Causing Excess to Project Requirements.
7	37	Procurement of Non-Standard Equipment for Malaria Program in Brazil.
8	40	Inadequate Program Reporting Between GOB and the Mission.
9	42	Inadequate Reporting by H. & S. Division, USOM.
10	46	Inadequacy in Field Reporting by Technicians.
11	49	Inadequate Program Evaluation (and Reporting) by USOM.

<u>Finding No.</u>	<u>Page No.</u>	<u>S u b j e c t</u>
12	51	Inadequate Survey and Observation of Customs and Unloading Practices at Ports by USOM or GOB Personnel.
13	53	Inadequate Arrival Accounting, Control and Reporting for ICA-Financed Commodities.
14	56	Inadequate Procurement Documentation, Inaccurate Prices and Lack of Reconciliation on ICA-Financed Commodities.
15	59	Inadequate Project and Administrative Files in H. & S. Division.
16	60	Unfavorable Local Press Comments on ICA-Financed Commodities.
17	62	Inadequate End-Use, Audit and Review by USOM/B during Early Phase of Project Implementation.
18	66	Failure by USOM/B to Forward Unsatisfactory End-Use Reports to Host Country.
19	67	Marking - Lack of Display of ICA Emblem on Vehicles.
20	68	Inadequate Insurance Claim System Covering ICA-Financed Commodities.
21	70	Marine Insurance Financing.
22	72	ICA-Financed Commodities in Excess of Current Program Requirements.
23	75	Delays in Clearing ICA-Financed Commodities from Customs and Docks.
24	78	Inadequate CEM Staff for Storekeeping and Stock Commodity Accounting.
25	79	Storage of ICA-Financed Commodities.
26	83	Accounting Records Maintained by CEM and SEM.
27	85	Inadequate and Cumbersome Custom Clearing System - Recife.

<u>Finding No.</u>	<u>Page No.</u>	<u>S u b j e c t</u>
28	86	International Harvester Pick-Up Truck, CEM No. 56, Destroyed in Accident.
29	87	Inadequate Accounting and Record-Keeping in CEM for ICA-Financed Commodities.
30	90	Inadequate Storage of Vehicles - Excess Vehicles - Inadequate Supply of Spare Parts in Area III A and B.
31	91	Use of Chloroquine Supplied by ICA.
32	94	Non-Use of Stereomicroscopes - Belén, Pará
33	95	Historical Records for Vehicles - Belén, Pará.
34	95	Inadequate Gasoline Storage - Lack of Underground Storage Tanks.
35	96	Use of Paper Bags Instead of Plastic Bags for Handling DDT 75%.
36	97	Lack of Tires and Spare Parts for International Harvester Vehicles - SEM, State of São Paulo.
37	98	Lack of Adequate Motor Vehicles Maintenance Facilities - State of São Paulo.
38	99	Inadequate Supply of Suitable Hydraulic Jacks - State of São Paulo.
39	100	Inadequate Nozzles for Sprayers.

SECTION V - Division Comments

A. Public Health Division Comments

In 1957, when the World Health Organization and the International Cooperation Administration were attempting to introduce the World-wide Malaria Eradication concept, much consultation was undertaken in Latin America for the purpose of establishing project in the hemisphere. Brazil was then considered to be the key country to successful eradication of malaria in South America.

Dr. Fred Soper, Dr. Roy Fritz and Dr. Carlos Alvarado of the Pan American Sanitary Bureau, ICA/W, and the World Health Organization respectively, joined forces to assist Brazil in establishing a malaria eradication project. They spent considerable time and effort in this developmental planning process. Drs. Jenney and Wharton of USOM and Courtney of PASB contributed to the project development.

Certain areas of responsibility were understood and documented in the agreements that were made with the Government of Brazil.

It is a matter of record that certain concessions were made during these planning and negotiating meetings with the Minister of Health and the Director of the National Department of Rural Endemics (DNERu). These changes were necessary, in the judgement of these individuals, in order to establish Brazil as a major component of the malaria eradication plan for South America.

The original plan for Eradication of Malaria from Brazil was a normal pattern as established in other countries with one particular difference - that of using chemotherapeutic measures for eradication of malaria from the Amazon Basin.

For all intents and purposes, it was anticipated that the Campaign for Eradication in Brazil would be carried out according to planned operations during the subsequent years. There was agreement by PASB ICA and Brazil to participate in this massive undertaking. ICA/W and USOM entered into project agreements in good faith with the Government of Brazil to support the Campaign.

In late 1959 the Government of Brazil encountered some difficulty in providing funding for the Campaign. The USOM undertook to establish with the Minister of Health and the Ministry of the Treasury a schedule of funding which the GOB could sustain. This culminated in the Agreement of January 13, 1960 and in which such a schedule of funding on a regular and continuous basis was agreed upon.

During the first half of calendar year 1960, the Brazilian fiscal year, normal national funding problems were encountered. The exact magnitude of these difficulties was not known due to the fact that no mechanism existed to obtain such information. Audit authority had been excluded by agreement and the only source of information was obtainable through the Campaign personnel. The USOM was in the role of commodity provider and had not undertaken technical or administrative chores since this was an assigned task of the PASB by virtue of agreement with the GOB and ICA/W. No personnel of this type were assigned to USOM for this purpose. Information on program difficulties was obtained by association with members of the Campaign.

It became apparent in May 1960 that operations were not moving at the high pitch anticipated in all active operational areas of the country. In June and July 1960 there was evidence that funding of the Campaign was weakening and that planned development of the campaign was not being carried out. Inquiry was made of the GOB-Ministry of Health concerning the reasons for the program slow-down. No answer was obtained from the Minister of Health, however information was obtained from the Chief of the Campaign to the effect that funds were not being made available to the Campaign for its normal operations and expansions.

A program of commodity utilization observations, made by the Public Health Division on its own initiative although not indicated by agreement, showed that utilization levels were low in the operational areas. Further substantiation of the reasons for these delays was obtained from the Campaign Director. In view of the time lag and the probabilities of reduced fundings, personnel losses and anticipated lack of program expansion, shipment of U.S. Commodities was suspended. Stocks and pipeline commodi-

ties arriving in Brazil were stored. There were constant reassurances that funds would be made available, however the funds failed to appear except in small amounts as indicated in the following table :

Material.....	13.660.116 60	
Requisitions for travel ...	4.542.380,60	
Rental.....	<u>1.432.649,00</u>	<u>19.635.146,20</u>

In currency: (Allot.3/Material)

4/11 - Received	1.865.500,00	
5/5 - Received	20.000.000,00	
6/6 - Received	20.000.000,00	
6/23 - Received	15.000.000,00	
7/7 - Received	25.000.000,00	
9/16 - Received	2.500.000,00	
9/28 - Received	21.007.975,00	
11/5 - Received	20.000.000,00	
11/23 - Received	22.132.101,60	
12/19 - Received	30.000.000,00	
12/30 - Received	<u>3.000.000,00</u>	<u>180.505.576,60</u>

(Allot.3/Personnel)

2/4 - Received	169.621,80	
2/4 - Received	169.621,80	
3/14 - Received	164.934,30	
5/5 - Received	164.934,30	
- Received	176.071,50	
- Received	170.002,80	
7/26 - Received	170.002,80	
- Received	167.502,20	
10/17 - Received	167.502,20	
- Received	167.112,20	
12/15 - Received	<u>167.112,20</u>	<u>1.854.418,10</u>
		201.995.140,90
	<u>14.630.327,80</u>	<u>216.625.468,70</u>

Dismissal of the Minister of Health, an Acting Minister, and another Acting Minister and a National Presidential Election as well made it difficult to do anything constructive

toward keeping the Campaign in operation. The Foreign Office, the Point IV Coordinator, the Deputy Point IV Coordinator, the Superintendent of the SESP Foundation, the USOM Director and Staff all tried to help keep the Campaign in operation. We tried every possible source of funds and of persons interested in malaria eradication but our efforts produced little or no funds. In December funds were made available but the amount fell far short of the necessary level to keep the program operations at the planned level.

The work done by the Public Health Division Staff in the program control observations of commodities throughout Brazil provided the basis for suspending further shipments and basic documents and information proving campaign retardation.

The management aspects of the malaria operations by the Public Health Division are not perfect nor could they ever be or have been under the circumstances, i.e., insufficient personnel to provide servicing of the USOM Campaign Assistance. It must however be pointed out that of the total expendable and non-expendable items amounting to several million dollars (8.1) entering Brazil - all have been accounted for by a small, relatively inexperienced staff - and have been protected by the Brazilian Campaign Staff during many months of unsettled program difficulties.

For a problem painted so serious, out of context, by the auditors it is readily apparent to other observers that a certain honesty and loyalty between the USOM and Brazilian staffs has maintained a sense of responsibility to each of their Governments. This fact has not been mentioned in this report.

Lack of authority on the part of the Chief of the H. & S. Division to handle the affairs of the USOM participation in the Malaria Project is to a great extent responsible for the situation which developed in the Project. To this day the Chief of the Public Health Division has no stated authority to negotiate with the Malaria Project Director or the Minister of Health. This situation cannot occur again wherein funds failed to reach the project from DNERu and the Ministry.

When mechanisms are established to provide close working relationships with the project it will be possible to obtain official documents pertaining to funding and operational actions.

B - Program Office Comments

The Mission did make an effort to impress the GOB with seriousness of the funding situation, efforts which in part were responsible for removal of the Minister of Health. The Mission was unable to foresee that a Minister of Government was going to use the funds appropriated for the malaria program for other purposes. The Mission was dealing with a Sovereign Government which continuously promised to make the necessary funds available to carry out the program and in fact did continue to make small amounts of funds available every time it appeared that the program was in danger of being interrupted in those areas where it was in operation. The U.S. Government investment was being protected through keeping these areas in operation. If the eradication cycles had been interrupted then U.S. Program funds invested would have been substantially lost. As the facts show, the Mission Director and staff offices acted as soon as it became apparent that drastic action was required. Formal representations were made and a letter sent to the Brazilian Coordinator advising that shipments would be suspended if funds were not forthcoming. Copies of this letter were delivered to the Foreign Office and the Minister of Health. The Coordinator and the Foreign Office brought the situation personally to the attention of the President of the Republic. Assurances were given, with approval of the President, that funds would be made available. Only after the GOB was given opportunity to comply was it diplomatically possible for the Mission to take the drastic steps of suspending further U.S. support to the program and request suspension of all pending purchase orders and/or shipments of commodities.

Since no perishable commodities were involved the need for immediate action was not so urgently required. It was incumbent upon the Mission to try to resolve the problem without taking drastic measures in the interest of preserving good relations between the two governments. It should be pointed out that relationships on the

political level were somewhat strained during 1959 and 1960 and drastic action by the U.S. would have been considered an unfriendly act no matter how correct the U.S. position.

It should be mentioned that the excess supply of vehicles resulted from inability of the GOB to expand the program to other areas as fast as planned and that no more vehicles were ordered as soon as this became apparent.

In general I believe it fair to say that while many unsatisfactory conditions have been pointed out in the audit report one comes to the conclusion that there was very little loss or waste. This is surprising when one considers the quantity of commodities involved and the small staff available to oversee utilization. The main problem has been lack of financial support by the GOB, yet hundreds of employees stuck with the program without pay for a number of months and in those areas where operations were being carried out apparently no serious interruptions of spraying cycles occurred. To the observer who did not have access to the financial records everything outwardly appeared to be progressing albeit slower than planned. Prior to July 1960, on each occasion when a serious crisis seemed imminent additional funds in small amounts were provided. Since July 1960 continual representations have been made to GOB and finally all bills and salaries reportedly were paid up thru August 31, 1961.

Two decisions faced the Mission : 1) constant pressure on the GOB to adequately finance and administer the program and give the GOB opportunity to place the program on a current basis, or 2) withdraw all support and terminate the program. USOM took the intermediate position and suspended all shipments and procurement for a period of nine months. This was the only course of action in the light of U.S. objectives in Brazil, political considerations, importance of malaria eradication to the rest of South America and the USG policy of world-wide malaria eradication. These factors are not mentioned in the audit report. More important however, is the fact that USOM representations probably resulted in salvaging the malaria program from certain failure. Our continued interest and expressed desire to continue support, as soon as GOB demonstrated that it could and would finance and administer the program effectively, strengthened

the position of the Minister. While there was hope that the GOB would adequately support the program it was in U.S. interests and within U.S. objectives to exercise patience.

SECTION VI - Comments on Prior Audits

1. ICA/W Audit Report No. 61-16, dated November 23, 1960

Recommendation No. 2, Page 14, concerning ICA-financed commodities for projects (Malaria, etc.) states that "The USOM/B should arrange that ICA-financed commodities for projects are consigned to the Brazilian agency or institution for which the commodities are purchased". USOM/B's reply (TOICA A-1864, dated 4/4/61) to the above audit recommendation was "USOM/B does not at this time concur in the recommendation that all ICA-financed commodities be consigned to the Brazilian agency or institution for which the commodities are purchased. By consignment to U.S. Government agencies it is possible to effect a more expeditious clearance through customs and thus a more timely utilization on projects. In addition, USOM is in a better position to supervise the utilization and direct use toward project objectives than if consignment was to a Brazilian Agency".

Current Status and USOM-Auditor's Comments

All shipments as heretofore are being consigned to IIAA c/o American Embassy Brazil. It would appear that since commodity arrival/accounting is a joint responsibility of both the Host Country and the USOM/B, and since title to these commodities is deemed to rest with the Host Country, these shipments should be consigned to the Host Country.

2. GAO Report of Examination Covering FYs 1955-1959, dated May 1960

- a. On pages 7 and 35 the GAO Auditor reported that the Mission, at the time of the GAO review and evaluation, in November 1958, had not developed firm plans and procedures for carrying out its responsi-

bilities under the Project Agreement to observe and evaluate the use of equipment and supplies and Mission officials expressed concern as to whether adequate staff would be available. The Mission's reply to this report, TOICA A-1500, dated March 18, 1960, generally concurred in the finding and advised that the three (3) technicians recently assigned would advise on items procured, observe their use and the progress of the program, etc. Also, these technicians would report on the quality and progress of the overall campaign and on other special problems which might arise. The Mission's reply went on to say that the close surveillance being given the Malaria Program by members of H. & S. Division, the report of their extensive trips, corrective action as a result of their reviews, coupled with the Controller's end-use observations and arrival accounting, when initiated, should insure adequacy of operation and use of commodities.

Current Status and USOM-Auditor's Comment

As evidenced by this USOM audit report, the action taken by the Mission subsequent to the GAO audit, conducted in Dec. 1958 concerning the surveillance, program and progress reporting on known project problems and deficiencies, has not been entirely adequate (See Findings Nos. 9, 10, 11, etc. below); although improvement has been made since 1958.

- b. On pages 5 and 18 the GAO Auditor reported lag in Host Country Support with reference to insufficient reporting (publicity) on Point IV activities in Brazil. The Mission concurred in the finding and stated that Point IV was obtaining more publicity than at the time of the GAO audit.

Current Status and USOM-Auditor's Comment

As indicated in this USOM audit report the GOB reporting (publicity) of the type that would have been beneficial to the project and to the ICA program, was not carried out as planned (See Findings Nos. 16, 19, etc. below).

SECTION VII - Findings & Recommendations

1. Finding

Failure of GOB to Provide Required Funds and to Meet Their Financial Obligations

- a. The ProAg entered into between ICA/USOM/B and the Brazilian Ministry of Public Health stipulates that the Host Country should deposit in the Bank of Brazil Cr\$30,000,000.00 in 1958, Cr\$310,000,000.00 in 1959 and Cr\$400,000,000.00 in 1960 according to an established schedule, and that the Ministry of Public Health shall place these amounts at the disposition of the Executive Chief of Malaria Eradication Campaign to implement the program. This financial agreement was not fulfilled by the Host Country.
- b. During mid-year of 1959, it was apparent that the program was falling behind schedule and local (GOB) funds for the campaign were not being furnished on a timely basis as required. This condition became more acute during 1960. During the auditor's field trips (August-December 1960), he observed the seriousness of the funding problem and its effect on the progress of the campaign, i.e., salary and sundry payments delayed up to five months in Recife (during early 1960), trained field as well as professional personnel were resigning due to non-payment of salaries etc.
- c. Even though this funding problem was known to H. & S. Division there was no evidence of correspondence in their files (those submitted to the auditor for review) indicating that this serious matter had been reported to the Mission Director, or to the Host Country Authorities for action until June 15, 1960 (See letter to CEM by H. & S. Division, USOM and TOICA A-479, dated September 8, 1960) (See M.O. 514.8). On July 5, 1960 the Mission Director forwarded a letter to the Point IV Coordinator pointing out the seriousness of the GOB funding problem, and requested that GOB fulfil their financial commitments according to existing agreements. (Note: As a para-

dox, the auditor noted a letter (No. CEM 8-60) dated January 25, 1960, from Executive Chief, CEM, to the Chief, H.& S. Division, USOM, inquiring about ICA contribution to the program and its availability). In August 1960, and during a special meeting among USOM, GOB representatives and the Executive Chief, CEM, USOM/B took additional steps to officially discuss and point out the seriousness of the funding problem and the Host Country's delay in meeting their financial obligations.

Recommendation

It is recommended that :

- a. Immediate and continual action be taken by USOM/B to officially report and follow up on the GOB funding problem to insure that the Host Country not only meet their financial responsibilities on a current basis, but that positive plans are developed to insure continual flow of funds in the future for use in the Malaria Eradication Program. This action should be taken in accordance with the ProAg and other pertinent bilateral agreements.
- b. Action be taken by the Mission Director to insure that he as well as other Staff Officers are appropriately and promptly advised in writing concerning any future failures of GOB to meet their financial obligations under project agreements.

ACTION OFFICE

H.& S. Division, USOM	(Ref. a)
CEM Headquarters	(Ref. a)
Program Office, USOM	(Ref. a and b - for coordination)
Office of Director, USOM	(Ref. b)

2. Finding

Exclusion from ProAg of Item "N" (2), Standard Provisions Annex Relative to Joint Audit and Inspection Rights

- a. Reference Item N, Standard Provisions Annex "A" states that: "The two parties shall have the right at any time to observe operations carried out under this Project Agreement. Either party during the term of the Project and three years after the completion of the Project, shall further have the right (1) to examine any property procured through financing by that party under this Project Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by that party under this Project Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Project Agreement shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing".
- b. Item 3, page 1, ProAg, states that "Normal ICA procedures for inspection and audit is purposely excluded from the ProAg and item 3, Part IV, page 4 of Annex "A" is substituted therefor". This substitution (Item 3, Part IV, page 4, ProAg) states that "ICA will observe the distribution and location of material by it acquired for the execution of the campaign, as well as observe the continued evaluation of work in progress."
- c. The purpose, reasoning or justification for the exclusion of ICA normal audit and inspection procedure and responsibility for this project (Ref. b above), was not made a part of ICA copies of the ProAg as required by M.O. 1054.1, I. B, page 3. Further, during conversations with H & S. Division personnel (former Business Manager and present Chief, H. & S. Division), only general (verbal) explanations could be given for this deliberate exclusion, but a comment was made that "this is what GOB wanted and

may have been accepted by ICA/W per telephone conversation". The Mission was unable to present anything in writing to the auditor to support or justify this audit exclusion from the ProAg. (See M.O. 704.1, III and M.O. 1051.1) It is understood, however, that H.& S. Division may have received verbal telephone approval from PHD/ICA/W concerning this audit exclusion from the Standard Provisions. No exclusion or limitation should have been made concerning ICA's normal audit and inspection rights and procedures, without valid justifications in writing to be attached to the ProAg copies on file in USOM/B together with the Mission Director's approval in accordance with Page 3, Block 10, M.O. 1054.1 dated July 7, 1959, as such exclusion is considered to be contrary to the general provisions of the Mutual Security Act of 1954, and M.Os. 704.1, Section III, A and 704.3, Section III, B, 2, f.

Recommendation

It is recommended that :

Exclusions of this nature from ICA Standard Provisions be avoided. Negotiations for further Malaria agreements should include our right to audit as contemplated by above cited directives. However if such exclusions or special provisions are considered necessary they should be duly authorized and documented in strict compliance with applicable directives.

ACTION OFFICE

Program Office, USOM

3. Finding

Project and Program Delays - Cut-Back or Adjustment in Commodity Shipments not made on Timely Basis or in Line with Known Project Requirements

- a. Little or no action was taken by H.& S. Division until June 1960 concerning required cut-back and adjustment in commodity shipments to prevent

unnecessary stockpiling and extensive non-use of commodities. It was not until August 23, 1960 (See Telegram TOICA 156), that action was taken by the Mission to suspend commodity procurements, this action being taken at the request of the Program Officer and Deputy Director.

b. According to program data and plans on file in H. & S. Division, the Malaria Eradication program was scheduled to begin in Areas III and V during January 1959. Program status of these Areas as of October 31, 1960, is as follows :

- 1) In Area III B, the program started in Alagoas and Sergipe in August 1960. In Pernambuco the program had not started even though this Sector had received and been fully equipped with vehicles, and other ICA commodities, to initiate and continue the operation for an extended period of time.
- 2) In Area V, the program had not started, except in Curitiba, State of Paraná, where the geographical reconnaissance had been completed. Plans for full scale operation, including commodities, were on hand.
- 3) In the State of Guanabara, State of Santa Catarina, State of Rio Grande do Sul, the program had not started even though adequate commodities, to include vehicles, were on hand. (Note: A small number of jeeps were transferred from Rio to Joinville, State of Santa Catarina, which appeared to be merely to show evidence or give indication that the program in the latter area had begun, however, H. & S. Division states that the transfer was made for purpose of better storage).
- 4) In Area III A, the program started as a pilot operation in September 1959 - eradication began in January 1960; however, progress in this area was very slow and did not meet planned objectives.

Even though the program was considered deficient and far behind schedule, ICA procurements continued to be received. They were stored and/or left at various Ports (for lack of field warehouse space or lack of proper customs clearance documents or data), stored in open

storage areas (vehicles), or in commercial and Government warehouses.

- c. No evidence could be located in H. & S. Division or other Mission files indicating that, even though most of the above conditions, if not all, had been known to the Mission since late 1959, official action was taken by the Mission to report and/or advise appropriate GOB authorities concerning these program deficiencies, program delays, and concurrently making appropriate recommendations for an overall improvement in project operations. Further, no evidence was noted to indicate that such conditions were reported officially by USOM to ICA/W promptly and on a timely basis for information and/or action as appropriate. It was not until September 1960 (See Airgram TOICA A-479, dated Sept. 8, 1960 - OUU) when the project was nearly paralysed, that action was officially taken by USOM to advise ICA/W of these serious problems and recommend suspension of further commodity shipments.

Recommendation

It is recommended that :

- a. Mission authorities examine and determine reasons why the Mission failed to adjust commodity shipments in keeping with program requirements. Note: Although certain commodity shipments were suspended during September 1960, this commodity problem has resulted in considerable additional expense to ICA in transportation, loading and unloading charges, storage cost, etc., pending the release of these shipments.
- b. Mission authorities determine not only the causes for such USOM reporting weaknesses and deficiencies but also identify and evaluate the problems involved with a view toward improving overall control, supervision and reporting within the Mission concerning future operations of all projects.
- c. CEM and H. & S. Division, USOM, perform continual evaluations of this project and make necessary adjustments in ICA procurements and project requirements in keeping with availability of GOB funds and known program status and requirements.

ACTION OFFICE

Office of Director, USOM (Ref. a and b)
Program Office, USOM (Ref. a and b - for
coordination)
H. & S. Division, USOM (Ref. a, b and c)
CEM Headquarters (Ref. c)

4. Finding

Varied Opinions and Interpretations Within the Mission
on Arrival Accounting, Control and Reporting Require-
ments Concerning ICA-Financed Commodities

In reviewing applicable M.Os. and ICA/W directives on the subject as well as the accounting records, reports and control data maintained by the USOM, we noted several differences of opinion and interpretations in the Mission (Controller and H & S Division versus M.Os. and related directives) as to type of accounting data and records required (Receiving and Inspection Reports, customs clearance documents, commodity control records, etc.), i.e., records to be maintained by each office, specific areas of responsibilities, who should perform certain functions - H. & S. Division, USOM, or GOB. Also, there is a question as to how the commodity arrival and accounting information developed should be or can be utilized, not only to comply with the existing directives but to fulfil program control and accounting needs. (Applicable directives are: M.Os. 232.1; 704.1; 704.3; 732.3; 784.1; 797.1; 798.1 and related airgrams). As a result of the above condition, confusion has arisen, which has delayed accounting and reporting action required within the Mission.

Recommendation

It is recommended that :

In view of the seriousness and nature of this commodity accounting problem, and since it pertains generally to all USOM projects involving ICA-financed commodities, a USOM procedure be developed by the Executive Office, assisted by H. & S. Division and Controller, to provide

uniformity in procedure, simplicity of operation, placement of responsibilities, and the Mission's interpretation of existing requirements. This procedure should cover all ICA/USOM arrival accounting and reporting requirements for "Project type" ICA-financed commodities to include :

- 1) Specific areas of responsibilities within the Mission.
- 2) Document flow, purpose of the document, responsibilities of the GOB, operating division and USOM Controller.
- 3) Specific type of records and reports required and to be maintained by USOM/B and/or Host Country.

ACTION OFFICE

Executive Office, USOM
H. & S. Division, USOM (For Coordination)
Controller's Office, USOM

5. Finding

Unauthorized Diversion of ICA-Financed Commodities

a. Diversion of ICA-Financed Commodities

- 1) Diversions of ICA-financed commodities were noted during the auditor's field visit (i.e. Recife Distribution Center - 16 issues of DDT 75% to DNERu). In addition, other diversions were noted from records available in H. & S. Division. Commodities diverted (i.e. to DNERu), include DDT 75%, chloroquine powder, xylol and triton, and some vehicles. Upon inquiry of personnel of H. & S. Division, no official agreement or authority for such diversions was known or could be presented to the auditor. From our discussions with H. & S. Division personnel, and as evidenced from a letter on file in H. & S. Division from the Executive Chief, CEM, to the Chief H. & S. Division, dated July 18, 1960, it seems that these diversions were in accordance with previous

verbal conversations and/or agreements between the former Chief, H. & S. Division and Executive Chief, CEM, none of which have reportedly been approved by the Mission Director (See End-Use Report No. 197, dated 9.9.60; and Par. 2, Page 1. Special Provisions Annex to ProAg, dated June 30, 1958) (See Attachment "D").

- 2) The total amount of commodities diverted to DNERu from CEM was approximately \$345,000 which does not include the vehicles. The total amount of commodities given by DNERu to CEM, which was reported to be in exchange for ICA commodities, could not be established accurately due to the errors and contradictions noted between the reported figures of DNERu and CEM records.
- 3) A further check into this matter revealed that the DDT 80% paste received from DNERu by CEM was in some instances completely deteriorated (paste and container) and at the same time the quantity received, in this exchange, was in complete excess to the current program requirements (For example in State of Paraiba CEM received about 130 tons, whereas yearly consumption is about 25 tons - according to the Chief, Paraiba State).

b. Loan of Chloroquine Powder to a Private Commercial Firm - Rio

On July 5, 1960, the Executive Chief of CEM authorized a loan of 4 drums of chloroquine powder to a private commercial firm The Sydney Ross Co., Rio. On September 30, 1960, Messrs. Sydney Ross Co. returned to CEM, Rio, 6 fiber drums of chloroquine powder reportedly containing equal quantity and quality. This transaction was not registered or recorded on the stock card in CEM Stores, Rio. This loan is not believed to be authorized or permitted by item 2, page 1, Special Provisions Annex, Project Agreement, dated June 30, 1958. The auditor was unable to locate nor was he furnished evidence that the chloroquine returned by Sydney Ross to the CEM had been tested to insure that it meets the same technical requirements as the quality loaned by CEM.

Recommendation

It is recommended that :

- a. 1) The Mission Director arrange for an investigation of the matter of diversions of ICA-financed commodities, to determine whether irregularities and improper actions were involved and to what extent other than as reported in this audit report (See M.O. 601.1).
- 2) In conjunction with 1) above, the Chief, H.& S. Division, prepare a complete documentary report for the Director, identifying in detail all facts and information relative to the subject and stating H.& S. Division's position in this matter.
- 3) Instructions be issued to all personnel that the loan, diversion or transfer of ICA-financed commodities for other than the purpose initially procured must have the prior approval of the USOM Director.
- 4) H.& S. Division investigate and inspect those commodities received by CEM, reported to be in a deteriorated condition, and in excess of program needs, and recommend to the Mission Director appropriate action to be taken in handling or otherwise disposing of such commodities.
- b. 1) The quality of the chloroquine returned by Sydney Ross be chemically analyzed before use. Since loans of this nature are prohibited by the Project Agreement, they should be avoided in the future. However, if similar transactions are deemed desirable by H.& S. Division, USOM, or CEM-SEM they should be approved in advance by the Mission Director.
- 2) All issue, loan or transfer transactions be recorded on the stock card by CEM.

ACTION OFFICE

Office of the Mission Director (Ref. a.1)
H.& S. Division, USOM (Ref. a & b)
Executive Office, USOM (Ref. a-1 for coordination
a-3 - Action
CEM Headquarters, Rio (Ref. b).

6. Finding

Excess Xylol - Error in Preparing Data for PIO/C for Purchase of Xylol Causing Excess to Project Requirements

- a. Letter of May 28, 1960. to Chief, H.& S. Division, USOM, from the Executive Chief, Serviço Especial de Malaria of São Paulo, informed USOM that they had received 3,408 drums of xylol (55 gallons per drum or 1,368,750 lbs.) whereas their letter of May 2, 1958, requested only 387,387 lbs. (excess received, 980,360 lbs.) An error was made in preparing the PIO/C No.90096, apparently in converting the request order data from SEM, São Paulo (pounds-lbs) to "quarts" and "gallons".
- b. SEM, São Paulo, reported by letter of May 5, 1960, their concern about this excess, i.e., the stock-piling involved, its corrosive condition, its being inflammable and requested that USOM take urgent steps to dispose of the excess. No official action was taken by USOM/B until October 13 1960.
- c. Several months subsequent to the receipt of this commodity then known to be excess, USOM Airgrams, TOICA A.683, dated 10.13.60, was dispatched to ICA stating that "An error has been made by the State of São Paulo in the computation of the amount of xylol required". According to the facts involved this error was made by USOM and not SEM, as reported (See a above).

Summary of Data on Excess Xylol

Requested by SEM, São Paulo

387,387 lbs. at 7.3 lbs per gal. or 53,066 gal. at 55 gal. per drum = 965 drums.

Ordered by USOM PIO/C No. 90096 and Received in São Paulo Oct/Nov. 1959

750,000 quarts or 187,500 gallons at 55 gal. per drum = 3,409 drums

Excess Quantity Received, São Paulo

134,434 gallons or 2,444 drums (Over 3-1/2 times the quantity ordered by SEM or required)

Cost of Excess Xylol

\$0.358 per gallon x 134,434 gallons = \$48,128 (does not include freight or insurance).

Note: Weight of 1 gallon of xylol : 7.3 lbs.

USOM-Auditor's Comment

1. Error in procurement of xylol not only has resulted in waste of U.S. Government funds but tends to reflect unfavorably on USOM's ability to adequately plan and program commodity requirements in cooperation with the Host Country.
2. Such an error indicates a failure by USOM to adequately review the PIO/C and supporting data prior to forwarding to ICA/W for procurement action.
3. It would appear that H & S. Division did not timely and promptly detect and report the apparent excess xylol. The xylol was received during Oct./Nov. 1959. First visit or review of this matter by H.& S. Division, USOM, was during August 1960, or 9 months after receipt of commodity and after receiving a report on the subject from SEM, dated May 5, 1960. A report of this excess was forwarded to ICA/W on October 13, 1960, by H & S. Division, USOM.

Recommendation

It is recommended that :

- a. Program and technical data related to procurement documents be carefully reviewed by USOM as to accuracy and reliability, prior to taking action leading to procurement.
- b. Immediate and continual efforts be taken by the

- Mission (H. & S. Division) to provide early disposal of the excess xylol.
- c. Reporting of causes of program errors to ICA/W or other authorities, be factual.
 - d. The Executive Office USOM, publish a USOM M.O. covering the procedures and responsibilities in the disposal of ICA-financed project type commodities, determined to be in excess of the needs of the project (See Par. H. Standard Provisions Annex to the ProAg.)

ACTION OFFICE

H. & S. Division, USOM (Ref. a, b & c)
SEM Headquarters (Ref. b - for coordination)
Executive Office, USOM (Ref. d - Action
a & b - for coordination)

7. Finding

Procurement of Non-Standard Equipment for Malaria Program in Brazil

a. Procurement of Tubeless Tires

- 1) In reviewing PIO/C worksheets prepared by H. & S. Division in the development of data and requirements for the procurement of trucks, together with the published PIO/Cs (Nos. 80207 and 90098), we noted that procurement of "tires" for trucks was requested and as a result tubeless tires were received. It would appear that tubeless tires were shipped in those instances where "tires with Tubes" were not specified in PIO/Cs. Procurement of tubeless tires for the interior parts of Brazil would indicate apparent lack of understanding and knowledge as to road conditions, non-existence of adequate repair shops for this item, etc. by the authorized procurement agent. The purchase of regular tires with tubes would have been more practical and the PIO/C, should have been specific in this respect.

- 2) Vehicles with tubeless tires currently in use are reportedly creating serious problems as to maintenance, repairs and general usage (per information from Chiefs of Sectors and CEM Engineers). It is generally known that roads in the Northeast as well as other parts of Brazil are rather poor and only from 1 to 2% are paved. Other roads are largely dirt and only a few are considered all-weather.
- 3) After receipt of such vehicles in Recife, the Chief, CEM Transport Division attempted to remedy the situation by making some technical alterations on the wheels, or placing tubes inside the tubeless tires. However, due to the cost involved and non-availability of CEM campaign funds, complete alterations for all vehicles could not be made and the problem still exists.

USOM-Auditor's Comment

It is believed that the Mission, ICA/W and GSA were lax in handling this procurement matter in that adequate review of commodity requirements and data were not performed before documents (PIO/Cs) were released for procurement action. Mistakes of this nature, besides creating unnecessary operational problems and additional expenses for both ICA and the Host Country, reflect most unfavorably against U.S. Government operations as to planning and sufficient understanding of actual program requirements in Brazil.

b. Procurement of Vehicles

- 1) Heavy duty trucks were procured (PIO/C 80207) by GSA/W consisting of 7 Studebaker trucks Model H E.40B, 6 tons, (6 scheduled for Recife, one for São Paulo), and one REO WHITE truck, Model C.402C, 10 tons (scheduled for Recife). In reviewing the PIO/C worksheet and related PIO/C in H. & S. Division, these vehicles were ordered as "Chevrolet or equivalent". The order was placed in August 1958, the vehicles

were received during the period December 1958 and February 1959. Note: The principal makes of vehicles (USA manufactured) in Brazil are Ford or Chevrolet.

- 2) The six Studebaker trucks received in Recife were distributed to Ceará, Rio Grande do Norte, Paraíba, and the one REO WHITE truck was retained for use in Recife. The Studebaker trucks and the one REO WHITE truck, according to Sector Chiefs, were creating serious operating and maintenance problems. The most bitter complaint came from Ceará, since these trucks were used in long distance and heavy hauling, and were normally loaded with insecticide supplies. The scarcity and general lack of qualified mechanics for such makes (manufacture) of vehicles, together with the lack of spare parts, have rendered these vehicles inoperative for some periods of time (See Airgram TOICA A-1501, dated April 10, 1959, regarding spare parts).
- 3) Twenty-two (22) heavy duty trucks were ordered on PIO/C 90093 as "Chevrolet Ford or equivalent or International Harvester". International Harvester trucks were received.

USOM-Auditor's Comment

In view of the lack of proper facilities for both Studebaker and REO WHITE trucks (and apparently International Harvester outside of principal cities of Brazil) for normal and major repairs general maintenance and servicing it is believed that the Mission's acceptance of these vehicles in lieu of a standard make of vehicles as stated on the PIO/C as the first or second preference, was in error and did not give due consideration to the inadequacy of vehicle facilities in Brazil. Procurement of equipment not suitable to the Host Country for their present, future and continual use in the Malaria program appears to be a lack of realistic planning and understanding of the project requirements and usage of the equipment involved.

Recommendation

It is recommended that :

- a. The Mission review and evaluate the problem stated in findings a and b above, in order to identify and correct any weaknesses in USOM/B's PIO/Cs processing procedure to prevent recurrence of such questionable procurement action in the future. In this connection the Executive Office should amend USOM M.O. BRA-1021.1 covering in part the preparation and processing of PIO/Cs, and include therein specific divisional and staff office responsibilities of the Mission, i.e. responsibility of technicians in developing specifications, responsibility of the Division Chief and Staff Offices in their review and clearance of these documents.
- b. H. & S. Division, in cooperation with CEM Headquarters, determine whether or not the questionable vehicles can be retained in their working areas or should be transferred to other areas or cities of Brazil where maintenance facilities spare parts, etc. are more readily available. Moreover, if the Studebaker Trucks and the REO WHITE truck are to be retained in the Campaign, action be taken by the Mission to insure that needed spare parts are made available (see Par. b, finding above).

ACTION OFFICE

Executive Office, USOM (Ref. a)
H. & S. Division, USOM (Ref. a and b)
CEM & SEM Headquarters (Ref. b)

8. Finding

Inadequate Program Reporting Between GOB and the Mission

- a. The provisions of M.O. 70h.3, Section III, B, 2, f, and Section III, C, 6, state that "the Host Country should submit periodic reports relating to project progress, project financing and related matters"

(Also, see Special Technical Service Agreement, dated May 1953). The auditor was unable to note or identify evidence that these reporting requirements have been observed by, or requested from, the Host Country. In this connection, the auditor observed two memos in H.& S. Division files, prepared by the Malaria Specialists and Technical Engineer, dated February 9, 1960, addressed to the Chief, H.& S. Division, inquiring on the subject of establishing a regular monthly reporting system between CEM and H.& S. Division. Further, the technicians suggested that a letter be forwarded to the Executive Chief CEM, on the subject recommending not only future reports but prior report data on vehicle maintenance and spraying operations. A letter was received on this subject from the Executive Chief, CEM dated May 31, 1960, advising that all information was available on the subject in his Rio Headquarters (CEM), and attached specimen forms used throughout the campaign.

- b. A review of the reporting system subsequent to May 31, 1960, and the audit cut-off date, i.e., October 31, 1960, indicates that certain reports and program data (field information) are being received occasionally from CEM but these reports do not contain adequate or complete data relative to program progress, funding status and problems, sufficiently for the Mission to adequately evaluate the Program. However, no reports covering these subjects have been requested or received from SEM (See ICA Expert Panel Report, dated January 3, 1960, relative to inadequacy of reports and Airgram TOICA A-1592, dated April 4, 1960).
- c. Although contemplated by Section III, C, 6, M.O. 704.3, the Project Agreement does not spell out or require the Host Country to submit periodic reports. However, this requirement is included in Special Technical Agreement between the U.S. Government and GOB, dated May 1953. Therefore, whether it was planned or an administrative oversight not to incorporate this reporting requirement in the Project Agreement it may make it difficult for the Mission to require the Host Country to furnish reports and data considered mandatory by USOM/B to carry out an

efficient project operation and evaluation. The lack of timely reporting from the inception of the project by the Host Country has in many ways contributed to the general unsatisfactory status of the project.

Recommendation

It is recommended that :

- a. Appropriate action be taken by the Mission to review the deficiencies and/or weaknesses identified in the Finding a thru c above, relative to Host Country program reporting, with a view toward establishing on a timely and continual basis the type of program reports and data required by the Mission, as well as the Host Country, to assist in carrying out an adequate review and evaluation of the project.
- b. In the future all ProAgs should include therein reporting requirements as contemplated by above cited directives.

ACTION OFFICE

H.& S. Division, USOM (Ref. a)
Program Office, USOM (Ref. a- for coordination)
(Ref. b- action)
CEM & SEM Headquarters (Ref. a)

9. Finding

Inadequate Reporting by H.& S. Division, USOM

a. Technical Service Activity Reports

In reviewing reports published by H.& S. Division, and the requirements of pertinent M.Os and directives on the subject, the following weaknesses and/or deficiencies were noted as they pertain to the Malaria Eradication Project :

- 1) Such reports in some instances make no mention or reference to the Malaria Project even though serious problems and deficiencies were known to Division personnel as early as late 1959. Some reports do contain miscellaneous comments, relative to Malaria, of general information only. No comments, however, were made regarding : (1) postponement or delay in the program schedule or operation; (2) failure by GOB to make funds available to meet prior, current and anticipated future operating expenses, and (3) serious problems relative to excess commodities, delay in customs clearance, shortage of operating staff in various Sectors of CEM, shortage of H. & S. Division Personnel, etc. To the reader these reports indicated that everything was fine, all phases of the program were being carried out according to plans, no program delays and no major problems. However, known facts indicated the contrary. (For example, see quarterly activity reports for 3rd and 4th Quarters - FY.1960).
- 2) The Quarterly Activity Report for the period July through September 1960 had not been forwarded to ICA/W as of January 24, 1961. This report was due in ICA/W October 20, 1960. The report was prepared in draft by Mr. James D. Williams, H. & S. Division, and contained, for the first time, comments relative to some of the serious problems being encountered in the program. This draft report, however, did not include the most important and major problem, which was and still is seriously affecting the program - lack of GOB funds. Note: This draft report, however, after being reviewed by the Program Office, was returned to H. & S. Division for additional data relative to this and other problems, but was apparently never transmitted to ICA/W.
- 3) The provisions of M.O. 1017.1 prescribe the requirements for, and frequency of, Technical Service Reports. Normal USOM distribution being: copies to Program Office, Controller, Executive Office, Reading File, Central Files, and H. & S. Division. Inadequate and incomplete distribution

of these reports was found to exist in Central Files, Program Office and Controller's Office. At the time of the audit the Program Office was required (according to prior arrangement) to review and concur in the report prior to forwarding to ICA/W. Note: According to the USOM Controller, this concurrence requirement by the Program Office was eliminated during a Staff Meeting, on or about December 1960. Failure to obtain clearance and concurrence from the Program Office on these reports is considered a detriment to the program and not in compliance with cited directives, and further, this procedure does not permit the Program Office to carry out their project responsibilities adequately and as required.

USOM-Auditor's Comment

- 1) The incompleteness of reports or the lack of adequate reporting on this project is considered to be a serious Mission management deficiency. Apparently little or no importance was given this reporting requirement first by the Chief, H. & S. Division, and secondly by USOM Staff Officers who may have reviewed and cleared these reports.
- 2) In reviewing the most recent Quarterly Activity Report from H. & S. Division (Oct./Dec. 1960), transmitted to ICA/W on 2/8/61, by TOICA A-1501, even though the majority if not all major and serious problems are now known to H. & S. Division, the report did not contain any remarks or statements regarding these problems, action being taken by USOM, current discussion with GOB authorities, the program status, etc., as required by M.O. 1017.1. This report was cleared by the Program Office and the Deputy Director.

b. Trip Reports

An examination of H. & S. Division files, together with the Program Office, Controller's Office and USOM Records Office files, indicates a general lack of documenting and reporting on field trips, inspections and visits performed by various members (other

than field technicians) of H. & S. Division, to include the Chief, Deputy Chief, and Business Manager, for the period June 1958 to September 1960. Although numerous (more than 20) field trips were performed by the former Deputy and now Chief, H. & S. Division (some for the stated purpose of Malaria Project evaluation), no trip report was prepared or could be presented to the auditor upon request. The former Chief, H. & S. Division made numerous visits and field trips (more than 20) without documenting or reporting in writing the results of such visits. Eight (8) of these visits were for the stated purpose of checking the Malaria Project effort. It was also noted that the former Business Manager (period 3/57 to 3/60) visited field operations in Rio and other cities for the stated purpose of reviewing or checking Malaria Project activity/problems. Only one trip report was made. Therefore, it must be assumed that most of the problems noted or found to exist during this audit, did exist, were known or detected by H. & S. Division personnel during their field trips. Further, it must also be assumed that these conditions, if known and/or detected, were not reported promptly and adequately to the Mission Director and Staff Offices in line with the Division Chief's functional and project responsibilities. If such information was furnished, it was furnished on a verbal basis without being reduced to writing. Such a practice as identified above, is considered irregular, not in the best interest of the project, nor does it fulfill the responsibilities of the project manager (H. & S. Division). Such action or lack of action has contributed to a great extent to the unsatisfactory conditions known to exist and reported herein, has caused inefficient use of U.S. Government funds and reflects unfavorably against the USOM/B in the program and administrative areas. (Note: The auditor was unable to locate any ICA or USOM directives or instructions covering the subject of trip reports).

Recommendation

It is recommended that :

- a. Technical service and related reports be prepared promptly and as prescribed. These reports should

contain comments relative to important problems, developments, program delays and other matters such as insufficient GOB financial coverage, status of proposed or future agreements, etc. Reports should not be prepared which by omission convey the impression that everything is satisfactory, when actually the facts show the contrary and are known to the Mission. Responsibility for the preparation of these reports lies primarily with H. & S. Division, however, it is felt that Program Office has certain responsibilities for evaluating USOM programs and projects and the clearance or review of such reports. (See USOM BRA-230.J, and Section III, M.O. 233.1).

- b. 1) The lack of or inadequacy of USOM administrative procedure and practices regarding "field trip reporting" by USOM personnel (as identified in Finding b above) be studied and evaluated to determine course of action to be taken not only to prevent recurrence of such irregularities, but to prescribe administrative, supervisory and reporting requirements for Mission projects.
- 2) The Executive Office develop and issue a USOM directive on the subject of "Field Visits and Trip Reporting" outlining its purpose, format and general contents of such reports to be prepared by Mission personnel. Such procedure should include appropriate divisional responsibilities and required USOM distribution.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
Executive Office, USOM (Ref. b)
Program Office, USOM (Ref. a & b - for coordination)
Controller, USOM (Ref. b - for coordination)

10. Finding

Inadequacy in Field Reporting by Technicians

a. Failure to Report Hazardous Conditions Involving ICA-Financed Commodities

- 1) During the Auditor's visit to Recife, in August

1960, an extremely hazardous condition was noted when explosive and inflammable commodities were being stored together with other commodities. Approximately 100,000 liters of gasoline and 18,000 liters of kerosene were stored, beginning the latter part of December 1959, in drums and tins in the Recife warehouse of CEM together with insecticides, xylol, triton and vehicles.

(Note: This condition was caused by the purchase of gasoline and kerosene in large quantities to take advantage of funds available in CEM at that time).

- 2) H. & S. Division technicians visited this area on January 5, January 18, March 25 and May 27, 1960. A review of their trip reports does not show any comment relative to this hazardous condition, although, in a discussion with personnel concerned, they were aware of this matter and advised that they may have discussed it with their supervisor. No written evidence, however, was presented to the auditor indicating that USOM/B was aware of this condition or had brought the matter to the attention of CEM authorities and recommended corrective action. It was not until after the USOM-Auditor transmitted a copy of an audit memo to the Chief, H. & S. Division, dated August 31, 1960, that the Executive Chief, CEM, was advised of this condition. It should be noted that immediately upon receipt of this information the Executive Chief, CEM, issued instructions relative to this matter and the condition was corrected without delay.

b. Inaccurate Data in Field Technician's Trip Reports

In examining Table 3 of the Technical Report prepared by the Malaria Specialist, H. & S. Division, dated June 9, 1960, relative to his trip to Belém, the auditor noted errors in the figures reported on the chloroquine powder consumed in Belém from 1959 to May 1960. The figure reported was Kgs. 257,137.60 but should have read Kgs. 25,713.76. Based on the information developed by the auditor from both USOM and CEM records, only

745 drums, or Kgs. 33,793.20 were received (745 drums of lbs. 100 = lbs. 74,500 x kg. 0,4536 = Kgs. 33,793.20). H. & S. Division has since advised that the amounts reported were correct but that the title was mislabeled.

Recommendation

It is recommended that :

- a. Technicians be more careful to note and report to USOM abnormal and hazardous conditions involving ICA-financed commodities. Such reports should contain appropriate recommendations.
- b. Executive Office, USOM, issue appropriate administrative instructions covering field trip reporting by USOM personnel. (See Recommendation No. 9 above). (See USOM/B Staff Notices Nos. 196 and 261, 1960). Also, the administrative instructions drafted by the Controller's Office during February 1961, covering "End-Use Observations and Reporting by Mission Personnel" be published and enforced. (See ICATO Circ. A-139 dated 10/11/60).
- c. Greater care be exercised by field personnel in reporting data of a statistical nature. We realize that accounting errors of this nature may be isolated cases, however, it is pointed out that a similar error resulted in the procurement of considerable excess of xylol and has caused the Mission concern and expense in handling the problem of disposing of the excess commodity. (See Finding No. 6 above)

ACTION OFFICE

H. & S. Division, USOM (Ref. a & c)
Executive Office, USOM (Ref. b)
Controller's Office, USOM (Ref. b - for coordination)
Program Office, USOM (Ref. b - for coordination)

11. Finding

Inadequate Program Evaluation (and Reporting) by USOM

a. Inadequate Project Evaluation, Appraisal and Reporting by USOM

- 1) The Chief, H. & S. Division, has the primary responsibility in performing program evaluation and to render adequate reports concerning the project. Project evaluation and reporting is an essential aspect of the direct line or staff responsibility of the Division, and is extremely important and necessary in advising the Mission Director, his staff and ICA/W as to program progress adequacy and operating effectiveness (See M.Os 233.1, 310.1 (dated 11/18/57, but rescinded 1/6/61), and USOM BRA-230-C and USOM BRA-310). As evidenced by the findings contained in this report, project evaluation, appraisal and reporting by H. & S. Division have not been adequate, and, as a result, have contributed to the overall unsatisfactory status of this project. Note: In reviewing correspondence and report files developed by H. & S. Division, subsequent to the audit cut-off date, some improvement was noted in this area under the leadership of the present Chief, H. & S. Division. This action or effort, however, was not in sufficient time to overcome prior and currently existing deficiencies.
- 2) The USOM Program Office functions and responsibilities as they pertain to project evaluation as to progress and project status, are outlined in M.O. 233.1 and USOM M.O. BRA-230-J. In reviewing these functional requirements and by comparison to actual functions performed, as evidenced from Mission reports, documents and files to include those prepared by the Program Office and from a discussion with the Program Officer, these functions and responsibilities do not appear to have been adequately and timely fulfilled. It seems that project evaluation as to progress and status by the Program Office, has been accomplished by a desk review of technical service activity reports, project reports (and discussions) submitted by H. & S. Division. Since such reports

have been inadequate, and in some cases non-existent or did not report actual and true status of the project, this method of project evaluation did not and could not adequately evaluate the project, and therefore did not fulfil the total responsibility of the Program Office. Our interpretation of above cited directives requires not only evaluation and clearance of reports and documents issued by H.& S. Division, but requires some personal on-sight observation of field projects. Note : The present Program Officer reports that he has been unable to carry out even limited field observation and evaluation due to an insufficient staff for such purposes.

b. Lack of Evidence in Writing by H.& S. Division to Document and/or Report Delays in Program Progress, Problems and Operating Deficiencies

Little or no recorded (written) evidence for the period covered by this audit was found to exist in the Mission, evidencing that the Chief, H.& S. Division had reported and/or documented known delays in the program or serious operating deficiencies and problems to the Mission Director and other responsible Staff Officer, until the issuance of their Technical Service quarterly report during October 1960. Therefore, in view of this lack of evidence, it must be assumed that these matters, if reported, were reported verbally and were not reduced to writing. A discussion along these lines with the former Business Manager revealed a reluctance on the part of management and technical personnel within the Division, during 1958, 1959 to February 1960, to document these matters after they were reported or brought to the attention of the Chief or Deputy Chief, H.& S. Division, since the Chief, H.& S. Division had not formally requested such action. (See M.O. 233.1; 514.8; etc.).

Recommendation

It is recommended that :

- a. The responsibilities and functions of the Technical Service Office (H.& S. Division) as to project evaluation, appraisal and reporting be performed and carried out as required by reference directives,

and in keeping with the purpose and intent of the project and ICA requirements. These responsibilities include, but are not limited to :

- 1) evaluating progress in project implementation in light of the program objectives;
 - 2) continually evaluating program objectives and operating effectiveness, and
 - 3) timely reporting of results of 1) and 2) above, making appropriate recommendations to improve or overcome project deficiencies and problems.
- b. The Program Office, in coordination with the Office of the Mission Director and the Executive Office, review and evaluate the Mission's project reporting and evaluating system with a view toward improving and assuring that project, program status and related data are made known to Mission and ICA/W authorities promptly and timely, and that Mission personnel are made fully aware of their responsibilities concerning Mission projects.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
Program Office, USOM (Ref. b)
Office of Mission Director (Ref. b - for coordination)
Executive Office, USOM (Ref. b - for coordination)

12. Finding

Inadequate Survey and Observation of Customs and Unloading Practices at Ports by USOM or GOB Personnel

Survey and observation of the customs and unloading practices at ports for ICA-financed commodities is not believed to have been entirely adequate. Little or no evidence was found in H. & S. Division records evidencing that they had taken proper and continuous action concerning the excessive delays in customs and that the customs clearance problems encountered were timely reported to CEM or other Brazilian authorities for action. It was not until

February 26, 1960 that H. & S. Division forwarded a letter to the Executive Chief, CEM reporting these customs and unloading problems, outlining a suggested system to be followed in handling future shipments and unloading operations. In addition, this letter outlined the procedure to be used in processing insurance claims. On March 28, 1960 CEM replied that up to that time CEM had no concrete criteria or procedure to be followed in handling such matters and would therefore follow H. & S. Division's advice in these areas.

USOM-Auditor's Comment

It is believed that the responsibility for proper survey and observation of ICA-financed commodities at ports, which include customs clearance, handling, unloading, determining of damages and losses, etc., rests primarily with CEM (or SEM), assisted by H. & S. Division where necessary. This does not mean however that these functions will be performed entirely by GOB personnel, since it is the Mission responsibility to "lead-the-way", cooperate and work with the Brazilian agencies involved to insure adequacy of the system and assist in eliminating known problems. It seems that from the time initial shipments arrived, during late 1958 until February 1960, the Mission's counterpart organizations, CEM and SEM, were left without proper guidance and instructions on these matters by the Mission.

Recommendation

It is recommended that :

Action be taken by H. & S. Division, in coordination with CEM and SEM, to insure that adequate unloading procedures and practices are followed at all ports receiving project commodities; that improper unloading or handling practices noted be reported promptly to proper authorities in writing with recommended corrective action, as appropriate; and that in order to establish a control over this operation, and to insure that commodity unloading and dock practices are observed, surveyed and reported, an "activity book" or other type of official record be maintained by the various CEM and SEM offices (these Sector Offices responsible for receipts at Ports), subsequently reporting in summary form such data, problems, etc., to CEM or SEM Head-

quarters and to USOM as appropriate.

ACTION OFFICE

H. & S. Division, USOM
CEM and SEM Headquarters

13. Finding

Inadequate Arrival Accounting, Control and Reporting for ICA-Financed Commodities

- a. The provisions of M.O. 704.4, dated April 4, 1956 (recently superseded by 754.6 of July 1, 1960), prescribed the requirements for arrival accounting and reporting for project type ICA-financed commodities. These requirements have not been adequately carried out with respect to Malaria project commodities, although the previous Business Manager advised the Controller during 1959 and early 1960 that an adequate arrival accounting and reporting system for commodities was in effect, beginning with the initial receipt of commodities in 1958. In reviewing and evaluating H. & S. Division's records referred to as "commodity arrival accounting and reporting", these records were found to be incomplete, generally unsatisfactory and did not meet the requirements of cited M.O. nor did they serve the purpose for which intended. This unsatisfactory condition was noted by the latest Business Manager, H. & S. Division, and in collaboration with the Controller and USOM Auditor, a system was developed for commodity arrival accounting and reporting, preparation of Receiving and Inspection Reports, etc., going back to initial shipments of 1958. This new system (which began on/about May, 1960) was a major undertaking and has been evaluated and found to be adequate and generally meets existing regulatory requirements, and at the same time, provides desired accounting control, commodity status and financial project data.
- b. With a view toward carrying out the requirements of M.O. 704.4 par. D & E, Section VII, the USOM Controller verbally requested on several occasions from the Business Manager, H. & S. Division (during early 1959

thru early 1960) that copies of all commodity arrival reports developed by H. & S. Division be furnished the Controller's Office as required. Requested reports and/or data were never furnished, even after repeated verbal follow-ups by the Controller. A written follow-up was sent to the Chief, H. & S. Division on December 29, 1959 which was never answered or its contents complied with. (See M.O. 232.1, Section IV.) Note: TOICA A-1380, dated 3/20/59, USOM/B advised ICA/W that certain project Managers would be requested to commence arrival reporting per M.O. 704.4. TOICA A-1722, dated 5/10/59, USOM/B advised ICA/W that Arrival Report forms were devised and transmitted to divisions for their use.

- c. Even after the arrival and accounting reports and related data were prepared by H. & S. Division during late 1960, difficulty and delay were encountered by the Controller in obtaining required copies of these documents. Initially the Chief, H. & S. Division, refused to release a copy to the Controller. Eventually, and after considerable discussions, which reduced the value of the reports due to their age, they were released and forwarded to the Controller.
- d. Above referenced M.O. 704.4, has been superseded by M.O. 754.6 dated July 1, 1960, which indicates that in the future formal arrival accounting "per se" is not required for project type assistance. This M.O. does not, however, eliminate the requirement and need for a practical and adequate commodity accounting and reporting system for project type commodities from which commodity control, commodity management and utilization, evaluation and reporting can be effectively performed.
- e. With reference to the commodity arrival accounting system installed during June 1960 (which includes the use of Receiving and Inspection Reports, Customs Arrival Notices, etc.), this system has not been maintained on an adequate and current basis since the departure of the Business Manager during November 1960 to include the then established reporting requirements.

- f. M.O. 704.4, Section V, contemplates that the cooperating government will perform much of the detailed aspects of commodity accounting for arrivals as it is capable of assuming. As a general rule USOM would maintain summary records only, prepared from certified arrival information submitted periodically by the Host Country. Apparently, no attempt was ever made by USOM to request and/or work out a system with the Host Country in establishing arrival accounting and reporting at that level.

USOM-Auditor's Comment

As evidenced above and from existing correspondence on file in the Mission, the USOM Controller has from time to time attempted to establish within the Mission adequate commodity arrival accounting and reporting. The Mission's records indicate that H. & S. Division did not cooperate in this area from the inception of the project. It is assumed that this lack of cooperation and general failure to comply with existing regulatory requirements is a result of a lack of knowledge and understanding of commodity accounting requirements and their usefulness to management.

Recommendation

It is recommended that :

- a. Since arrival accounting records as of July 1, 1960, are no longer required "per se" yet it is agreed that some form of commodity accounting and reporting is required by the Mission and should be continued to : 1) verify commodities received against payment made (Controller's Office); 2) to control and handle insurance claims for losses and damages (H. & S. Division, CEM or SEM); 3) to insure adequate and timely clearance through Customs (H. & S. Division, CEM or SEM), and 4) to provide commodity and financial control over ICA-financed commodities (H. & S. Division, CEM or SEM). Therefore, the commodity accounting and reporting system installed in H. & S. Division during mid-year 1960, be continued and maintained on a current basis. Copies of all documents and summary reports prepared be promptly furnished the USOM

Controller. (See M.O. 232.1) (Ref. pars. a thru c, Finding above).

- b. USOM/B continue the commodity arrival/accounting system that was established during mid-year 1960 and give strong consideration to have the Host Country perform all basic requirements of commodity arrival/accounting, under the guidance and supervision of H. & S. Division personnel, as contemplated by cited M.O. Such arrangement or agreement be reduced to writing (letter of understanding) in the form of instructions and procedures to include desired reporting requirements. Under these arrangements periodic reports should be furnished to H. & S. Division to serve as a basis for determining adequacy of GOB accounting and reporting, whether any further commodity control requirement is needed, and to provide operating information on commodities as to project progress and problems. (See M.O. 704.3, par. C, Section III; M.O. 754.6, and M.O. 232.1, Section IV, par. A). (Ref. pars. d to f, Finding above). (Also see Finding No. 8 above).

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
Controller, USOM (Ref. a & b)

14. Finding

Inadequate Procurement Documentation, Inaccurate Prices and Lack of Reconciliation on ICA-Financed Commodities

a. Inadequate Documentation Concerning Shipments of Commodities

There is a lack of complete required procurement and shipping documentation in the files maintained by H. & S. Division, as well as in the Controller's Office, concerning shipments of ICA-financed commodities. This is a common problem in USOM/B and causes unnecessary difficulties and delays in handling and/or clearing commodities from customs. Also, this lack of complete documentation has made it more difficult

for H. & S. Division to establish and maintain proper control over receipts and to prepare adequate arrival, receiving and inspection reports. The majority of these shipments result from GSA/W procurement. With respect to this documentation problem, which has existed since initial shipments were received, the auditor was unable to note or locate sufficient evidence indicating that USOM/B, and particularly H. & S. Division, had actually recognized the problem and took necessary action to improve or correct the condition.

b. Lack of Reconciliation Between PIO/Cs, Purchase Orders and Related Documents Against Commodities Received - H. & S. Division

Adequate or complete reconciliation and verification between commodities ordered (PIO/Cs, Purchase Orders, etc.) against commodities received has not been made. The purpose of such reconciliation would be to ascertain that procurement by GSA/W was in accordance with established PIO/Cs and project needs as to quality as well as quantity. Incomplete documentation from GSA/W (see a above) has complicated this procurement reconciliation due to missing documents (i.e., purchase orders, contracts, etc.).

c. Inaccurate Prices Shown on Receiving Reports, End-Use Reports, and Control Sheets Prepared by H. & S. Division, Covering Commodity Cost

Due generally to the condition referred to in par. a above, relative to incomplete documentation and information regarding freight charges, insurance cost, surcharges etc., on procurement, the landed cost of commodities appearing on subject documents prepared by H. & S. Division, in many instances, does not reflect actual or total landed cost. (For example, chloroquine, one of the most expensive commodities procured, as compared with DDT 75%, which is one of the less expensive items, insurance, freight, etc., was calculated by H. & S. Division at an approximate charge of 25% of FOB or FAS cost). In checking these values against the accounts records, Controller's Office, it was noted that freight, insurance, etc., do not exceed 10% of FOB or FAS to

cost. Such differences are not believed to be the fault of the H. & S. Division personnel, but are due primarily to lack of complete procurement documents and financial data available.

Recommendation

It is recommended that :

- a. The problem relative to incomplete documentation, which involved copies of purchase orders, contracts, bills of lading, advance packing list, shipping documents, etc. (See M.O. 1145.4, page 7, Section IV), be thoroughly examined by the Executive Office, in coordination with H. & S. Division and Controller's Office, to determine the type of documents that are currently missing and/or received too late to be of any value, with a view toward: 1) identifying missing and/or incomplete documents; 2) determine appropriate source of such documents and possible mail distribution irregularities within USOM, and 3) give consideration to establishing an internal operating procedure within the Mission to identify type of documents involved, their use and distribution.
Note: Since project commodities involved are normally handled by SESP (customs clearance, etc.) it will be necessary that the Mission work closely with the agency in determining causes of the problems and pertinent solutions thereto.
- b. Action be taken by H. & S. Division to review and reconcile commodities received against those ordered as shown on the PIO/Cs, purchase orders or contracts. This reconciliation can only be accomplished adequately and provide desirable results if H. & S. Division files contain required procurement documents. (See M.O. 1145.4, page 7).
- c. H. & S. Division obtain and use the correct computation of landed costs of commodities to the extent that may be available. Care and accuracy in establishing and using correct prices and values relating to commodities can not be over stressed, since claims to Host Country, insurance claims and financial reporting, both internal and external,

are based on such information. Further, this information is used by the Accounts Unit, Controller's Office to verify and check value of commodities received (per H. & S. Division) against advice of charges received - payments (per GSA/W) and to control overall project expenditures.

ACTION OFFICE

H. & S. Division, USOM (Ref. a, b & c)
Executive Office, USOM (Ref. a)
Controller, USOM (Ref. a)

15. Finding

Inadequate Project and Administrative Files in H. & S. Division

During the early phase of the audit, considerable difficulty and unnecessary loss of audit time were encountered as a result of the unsatisfactory condition and incompleteness of administrative and project files found to exist in H. & S. Division. A centrally located and efficient filing system was not utilized or in effect. This deficiency was brought about apparently since personnel of the Division, assigned to this project, worked in various offices in Rio, each maintaining their own separate file of documents. (Note: This condition was made known to Chief H. & S. Division, during the audit and some improvement was noted by centralizing and bringing together project and related administrative records under a central filing system). It seems that the late~~st~~ Business Manager found this condition to exist in the records and files maintained for both SESP and other USOM H. & S. Division projects. The SESP records were put in good order but time did not permit to correct and systemize other H. & S. Division records, before he departed the Mission during November 1960. (Sec M.O. 520.1).

Recommendation

It is recommended that :

A systematic and adequate record filing system be installed in the H. & S. Division not only for subject and related

administrative files, but for all Division records maintained. This filing system should include a simple but effective index, published and made available for ready reference as contemplated by cited M.O.

ACTION OFFICE

H. & S. Division, USOM
Executive Office, USOM

16. Finding

Unfavorable Local Press Comments on ICA-Financed Commodities

a. Unfavorable Publicity on Stockpiling

Stockpiling of ICA-financed commodities to include a large number of vehicles for use in the Malaria campaign has resulted in a number of press releases criticizing USOM's efforts in the campaign. There have been a number of press releases on the subject, but the most serious article is believed to be the one contained in the "Jornal do Brasil", Rio, on May 23, 1960. This press release referred to the large number of "unused trucks" stored in an open lot (Rua Ana Neri) in Rio, some of which had been there for over one year and were deteriorating. This condition had not improved at the time of the auditor's visit to the mentioned area on December 27, 1960.

USOM-Auditor's Comment

It would appear that the Mission should have reported this commodity problem to the GOB Point IV Coordinator during the early part of the campaign (late 1959 and early 1960) when commodities were being received in large quantities and were in excess to the then known requirements of the program. The Mission could have used this opportunity (excess commodity problem data) to emphasize and point out to GOB authorities the seriousness of the GOB funding problem, thereby using such an occasion and information as an advantage to the Point IV program rather than a disadvantage.

b. Local Press Release on Use of Treated Salt in Belém

On July 30, 1960 there appeared in the local newspaper in Belém ("FOLHA DO NORTE") a reported statement from a local physician who warned the population that the use of chloroquinated salt was creating serious therapeutic problems. The Sector Chief also a physician, contacted the local physician, and, as a result of this meeting, the local press was given another statement by the local physician advising that his previous comments were somewhat misinterpreted by the press and only after further research and study in the use of treated salt could it be determined that such salt does or does not create side-effects or therapeutic problems.

c. Inadequate Publicity (Propaganda) on Malaria Eradication Involving ICA-Financed Commodities

Inadequate and sometimes out of date propaganda was noted in the Areas where the campaign is in operation. (See Attachment No. "I"), which includes both the Federal and the State of São Paulo program. The posters, placards and pamphlets distributed appear to be out of date and do not portray or identify the overall objectives and magnitude of the campaign. In addition, the contribution to the campaign by the U.S. Government in the form of commodities is not believed to be sufficiently publicized.

Recommendation

It is recommended that :

- a. The Mission, in coordination with USIS and GOB, evaluate the publicity (propaganda) given to the Malaria program in Brazil to insure that the purpose, intent, effect, cost, benefit, etc., be made known to the people of Brazil, and that the U.S. Government contribution to the program is also made known and appropriately publicized. Information Media to be used should include, as appropriate, posters, placards, pamphlets and possibly Radio and TV coverage.

- b. CEM Headquarters, in coordination with USOM, evaluate and reassess the publicity given to the populace concerning the use and benefits of treated salt.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
CEM Headquarters (Ref. a & b)
SEM Headquarters (Ref. a)
Program Office, USOM (Ref. a - for coordination)
Office of Mission Director (Ref. a & b - for coordination)

17. Finding

a. Inadequate End-Use, Audit and Review by USOM/B During Early Phase of Project Implementation

The provisions of M.O. 704.3, Section C Par. 8, suggest that to assure timely detection and correction of operating and program weaknesses and deficiencies, audit and review of projects be initiated as early as possible, after the starting of a project. Also, one of the basic responsibilities of the Mission Controller, as outlined in M.O. 797.1, is the supervision of the program of review and observation of ICA-financed activity, which include responsibility for arranging for the issuance of end-use reports, reports of survey, reports of audit etc. In a memo note, dated 8/5/58, from the USOM Executive Officer to the Chief, H. & S. Division, subject: Staffing Malaria project, it is mentioned that the Acting Controller had advised that the Mission was recruiting an adequate staff to perform required end-use observations and inspection on an overall Mission basis. The first auditor (American) arrived for duty on July 23, 1959, however initial end-use observations for this project did not begin until late July 1960. Formal audit of the project began during August 1960 although it was initially scheduled for April 1960. Earlier audit and end-use observations by the Controller staff would have assisted in bringing to light for immediate attention and/or action, many of the deficiencies and

program weaknesses noted and reported herein, before they become too serious and resulted in unnecessary loss to the U.S. Government.

USOM-Auditor's Comment

Primary project review and reporting responsibility rests with the Chief, H.& S. Division. Audits, either external or internal, are supplementary to and not in lieu of required program evaluation to be performed by H.& S. Division and/or Program Office. Project assessment and evaluation is to be continuous whereas audits are periodic and sometimes not performed until completion of a project, if ever.

b. Lack of Required Procurement Documents in Controller Files

M.O. 758.1, Section I, General C, enumerates the documents which will be forwarded by GSA/W to the USOM Controller, which are: copies of purchase orders, invoices, bills of lading, etc., and which are part of the contract obligation files to be maintained by the USOM Controller in respect to PIO/C's issued and to form the basis of subsequent adjustment of obligations and sub-obligations. The auditor did not locate a complete set of cited documents in the Accounts Unit, Controller's Office, particularly for FY.1958 and FY.1959 PIO/C's. This situation was improved for FY.1960, but was not considered entirely adequate to provide the required documentation from which the Controller can effectively perform the required accounting functions.

c. Audit of Malaria Project Vouchers - Controller's Office

- 1) M.O. 232.1 provides a broad outline of the USOM Controller function and responsibilities. Section IV, cited M.O., covers the responsibility of voucher audit in respect of project type commodities, adequacy of controls and procedures, etc. M.O. 758.1 prescribes the accounting procedure for GSA/W procurement in respect of payment processing only. Section II, A, M.O. 758.1 states that the USOM Controller is exempted from waiting for physical evidence of receipt of commodities since

payment by USOM is made upon receipt of invoice from GSA/W and verification of receipt of commodities should be made by verifying payments of commodities against the Receiving and Inspection Reports furnished by (H. & S. Division) USOM. The auditor found no evidence that GSA/W invoices were ever checked against the Receiving and Inspection Reports, before or after their settlement, by the USOM Controller. It was then necessary for the auditor to perform this reconciliation and determine that commodities paid for have been received. Such reconciliation was made as of October 31, 1960. This accounting verification and reconciliation is considered a routine accounting requirement of the Controller's Office and should be performed on a regular basis.

- 2) M.O. 758.1 further stipulates in Section VI, that in the event billings are incomplete and require adjustments, the USOM should refer such items to GSA/W. In a selective check of paid vouchers for commodities received, the auditor disclosed numerous cases of freight charges paid. (See attachment No. "C") based on estimates established by GSA/W, and filed by the Accounts Unit, Controller's Office, without any indication or reference that adjustments thereto were received from GSA/W or requested by the Controller's Office. Some PIO/Cs with estimated freight charges have been closed since commodities ordered have been received. The fact that GSA/W did not send an adjustment to these estimated freight charges (i.e., statements of actual freight charges), does not exempt the USOM Controller from taking desired action to obtain actual freight charges before closing a PIO/C. Note: Section III, B, M.O. 758.1 states that ocean freight charges will generally be covered by a separate GSA/W billing.

Recommendation

It is recommended that :

- a. The provisions of M.O. 704.3, in respect to end-use observations, be enforced as a normal and continuous program by the USOM Controller's

Office, in order to observe and evaluate the effectiveness and use of ICA-financed commodities. Audits should be performed on a regular and timely basis in accordance with the purpose and intent of cited M.O. In order to carry out the above requirements, every effort should be made by the Mission to provide the Controller with an adequate audit staff, to include both American and local personnel.

- b. Action be taken by the Controller in coordination with the Executive Office, to insure receipt and timely flow of required procurement documents and data from GSA/W as prescribed by M.O. 758.1.
- c.
 - 1) The Accounts Unit, Controller's Office, establish a routine system of verifying and reconciling GSA/W invoices and related data against Receiving and Inspection Reports received from H. & S. Division. A notation or cross-reference to include initials and date, be placed on these documents indicating such action, i.e. show USOM/B Receiving Report number on the USOM/B Voucher, and the Bureau Voucher number on the Receiving Report.
 - 2) The USOM Controller request from GSA/W (or ICA/W, as appropriate) a statement of actual freight charges paid against each PIO/C. (See Attachment No. "C"). Such charges should be posted or used to correct noted differences between actual and estimated charges. PIO/C's closed in the future, based on estimated freight charges, be controlled (or annotated) within the Accounts Unit, to insure that, to the extent practicable, actual and accurate freight charges are used.

ACTION OFFICE

Controller's Office, USOM (Ref. a, b & c)
Executive Office, USOM (Ref. b - for coordination)

18. FindingFailure by USOM/B to Forward Unsatisfactory End-Use Reports to Host Country

In addition to the selective end-use observations performed by the USOM-Audit Staff during this audit, the latest Business Manager, H. & S. Division, assisted by the two assigned Malaria Specialists, performed a rather extensive end-use observation program on commodities furnished under this project, during August thru November 1960. Although regular end-use observation is the responsibility of the USOM Controller, it was agreed, between the Chief, H. & S. Division and Controller, in June 1960, that, in view of the urgent need for early and adequate end-use coverage, and since the Controller was not staffed to carry out this responsibility at that time, the Business Manager, H. & S. Division, would perform the initial end-use coverage. This arrangement was carried out as planned, reports were developed, and the data and facts contained in these reports have accomplished much in bringing to light and to the attention of the Mission Director, the magnitude and seriousness of the deficiencies and problems involved in the Malaria project. However, even though these reports were prepared, including appropriate letters of transmittal (date Sept. 6, 1960), the unsatisfactory reports were not submitted to the Mission Director for action and decision as to transmission to the Host Country, as required by M.O. 797.1.

Recommendation

It is recommended that :

All unsatisfactory end-use reports prepared in the past or in the future by the H. & S. Division or the Controller Audit Section should be forwarded to the Controller as soon as possible. Controller should forward all "unsatisfactory" end-use reports to the Mission Director with appropriate recommendations. The Mission Director or his designee should make final evaluation and determine official action to be taken. The above procedures are in accordance with the cited M.O.

ACTION OFFICE

H. & S. Division, USOM
Controller's Office, USOM
Office of Mission Director

19. Finding

Marking - Lack of Display of ICA Emblem on Vehicles

- a. Regulation I, Art. 201.12 (A), stipulates that all commodities and their shipping containers furnished to cooperating countries under ICA-financing, whether from United States or other country, must carry the ICA Emblem designed for the purpose. M.O. 1173.2, Section VIII, A, stipulates that the use of joint emblems, i.e., emblems which show the full ICA Emblem together with the national symbols of the cooperating country, is also encouraged, provided that the ICA Emblem is not altered in contents, colors or proportions.
- b. It was observed that all the vehicles procured through ICA-financing and operating in Areas III A, III B and V, i.e., 623 vehicles, have affixed thereto a Malaria emblem only, the ICA Emblem having been removed, which violates above cited directives. We also observed that the Malaria vehicles, used in the State of São Paulo, as well as in Belém, State of Pará, display both the ICA and Malaria Emblems, and such display reportedly did not produce any antagonistic or adverse reaction. Note: No evidence could be located in the Mission indicating that the use of the Malaria emblem only had been approved by the Mission Director (See M.O. 1173.2, Section V, E, also ICA/W Draft Audit Report, page 28 (a), dated May 14, 1960).

Recommendation

It is recommended that :

In view of this violation of cited directives concerning the marking on ICA-financed commodities, prompt action be taken by the Mission to enforce the mandatory requirements on the use of emblems as may be modified

and approved by ICA/W. Each vehicle in use should be rechecked and re-marked, as appropriate, with the approved Emblem. (See instructions contained in Attachment No. "B", M.O. 1173.2, Sections II, B and II, C, concerning trucks, jeeps, station wagons and passenger cars).

ACTION OFFECE .

H. & S. Division, USOM
Program Office, USOM (For coordination)
Executive Office, USOM (For coordination)
CEM Headquarters

20. Finding

Inadequate Insurance Claim System Covering ICA-Financed Commodities

a. Adequate Insurance Claim Coverage Not in Effect - Loss of Claims

Two important insurance claims were filed by the Business Manager, H. & S. Division, in late November 1959, for approximately Cr\$ 637.640,00 and Cr\$ 475.444,00. However, a system of insurance claim processing and reporting was not established in H. & S. Division, USOM or in CEM, until February 9, 1960. Further, claims were never filed for a number of shipments involving damages and losses. Failure to take such action has resulted in a financial loss to the program. In reviewing the stock cards in Recife and Curitiba covering insecticides DDT 75%, insurance claims were not processed for the following shipments:

PIOC. 80131	5 drums (loss or damage)	\$ 115.00	Recife
90097	6 "	181.00	"
90097	9 "	287.00	"
00056	20 "	622.00	"
00056	<u>0,5 "</u>	<u>300.00</u>	Curitiba
	<u>49,5 drums</u>	<u>\$1,505.00</u>	<u>approx.</u>

Note: In reviewing the insurance claim files in H. & S. Division on a current basis (November and December 1960), it was noted that H. & S. Division, in coordination with CEM and SEM authorities have improved the insurance claim system and appear to be taking appropriate action on claims brought to their attention.

b. Loss of Insurance Claim - State of Paraná

On April 27, 1960, 2,640 drums of DDT 75% were received in Paranaguá, against PIO/C 00056. Of this number, 36 drums sustained damages and losses (estimated 950 lbs.) during the unloading operation. The CEM Office in Curitiba immediately reported the matter to the CEM Executive Office, Rio, advising that the Insurance representative was willing to accept a claim for this loss. By telegram dated May 28, 1960 CEM Executive Office instructed the CEM Curitiba not to file a claim due to the small amount of the loss involved which only represented approximately 1.4% (or \$300.00) of the total shipment. It would appear that an insurance claim was in order and should have been filed.

Recommendation

It is recommended that :

- a. 1) H. & S. Division, in coordination with the Host Country (CEM or SEM) review the records of all shipments received, particularly those prior to February 1960, to determine whether or not there are any shipments which, at this late date, can be or should be covered by an insurance claim. If so, such claim should be filed where feasible.
- 2) Since all insurance premiums are financed by ICA for shipments made from U.S. Ports (at the request of GOB), and since those commodities purchased outside the U.S. are to be covered by insurance whose premiums are to be paid by the Host Country, the present claim processing system in effect should be thoroughly reviewed by H. & S. Division, in coordination with the Host Country (CEM and SEM) to insure adequacy of the total system and to prevent further financial losses to the program.

- 3) With a view toward improving the present insurance claim system, we suggest that H.&S. Division establish a chronological insurance claim control ledger containing therein appropriate data, status and follow-up information as may be required.
 - 4) To insure that future claims are initiated promptly and are adequately administered, H. & S. Division develop and issue appropriate administrative instructions on the subject for guidance to all concerned.
 - 5) After Pars. 1) through 4) above have been adequately carried out, we strongly suggest that the entire insurance program, to include the establishing and filing of claims, maintenance of claims records, status and follow-up actions, etc., be turned over to CEM and SEM as soon as possible. H. & S. Division, USOM, would then monitor the system through personal spot checks and reports from CEM and SEM
- b. In the future, insurance claims should be filed promptly to cover such losses or damages. If the value of the loss or damage is to be considered in determining whether or not a claim is to be filed, such values, costs or percentage, etc., should be established in writing by H. & S. Division, in coordination with CEM and SEM, thus providing a uniform policy in handling insurance claims.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
CEM and SEM Headquarters (Ref. a & b)

21. Finding

Marine Insurance Financing

- a. M.O. 1175.1, Section II (A) and Regulation I, Section 201.6(h) sub-paragraph (1) states that premiums for

ocean Marine Insurance, including war risk insurance, purchased in any-free world country, are eligible for ICA-financing under a commodity PA or PIO if:

- 1) The commodity so insured is financed by ICA, under that PA or PIO, and
- 2) The commodity is purchased in the United States. (This renders ocean Marine Insurance premiums on ICA-financed shipments procured outside the United States ineligible for financing with ICA funds).

It was noted that GSA/W purchased insurance coverage on 2 shipments of chloroquine powder from Imperial Chemical Industries, England. It would appear that these insurance premiums should have been paid by GOB (the port of shipment was Liverpool, England). Examples noted are as follows:

- PIOC. No. 80175 - s.s HUBERT - 120 drums chloroquine; arrived Belém October 10, 1958. (See USOM Arrival Report No. 26/58); Centennial Insurance Company of New York, Policy No. 226253; Premium paid by GSA/W \$ 234.15.
- s.s HUBERT - 49 drums chloroquine; arrived Belém October 10, 1958. (See USOM Arrival Report No. 26/58); Jefferson Insurance Company of New York, Policy No. 79131; Premium paid by GSA/W \$ 83.66.

Note : Corrective action appears to have been taken by the Mission and ICA/W to insure that for future shipments from free-world ports, other than U.S.A., insurance premiums are to be financed by the Host Country.

- b. The Malaria Eradication Campaign (CEM) received 13 additional shipments of chloroquine in Belém; only 1 was partially insured by GOB (i.e., shipment of 445 drums with only 300 drums covered by insurance). One shipment was received in Rio without any insurance coverage.

Recommendation

It is recommended that :

- a. In order to insure that all ICA procurements are adequately covered by Marine insurance, which is the expressed desire of the Host Country (for example, see Special Instructions on Insurance on each PIC/C), it is necessary that H.& S. Division, USOM/B and CEM or SEM, GOB be furnished (by GSA/W or appropriate procurements agencies) complete data as to contract awards, scheduled dates of shipments, quantity involved, cost, name of the carrier, etc., to be used in obtaining insurance coverage.
- b. Since the Host Country is required to pay insurance premiums involving shipments from free-world ports, other than U.S.A., it is necessary that H.& S. Division, USOM/B work closely with GOB authorities (CEM and SEM), with a view toward insuring that the insurance matter is adequately handled.

ACTION OFFICE

ICA/W and/or GSA/W	(Ref. a)
H.& S. Division, USOM	(Ref. a & b)
CEM and SEM Headquarters	(Ref. a & b)

22. Finding

ICA-Financed Commodities in Excess of Current Program Requirements

The following are examples of excesses of commodities noted.

a. Vehicles in Rio

In CEM, AREA V, a total of 324 vehicles had been received. Of this number, only 32 were in service as follows :

	<u>In Service</u>	<u>Not Used Yet</u>	<u>Total</u>
Garage Rio de Janeiro	14	220	234
Paraná-Curitiba	16	50	66
Santa Catarina-Joinville...	2	22	24
	<u>32</u>	<u>292</u>	<u>324</u>

(Note: See Attachment No. "F" for additional details. Also, see Finding No. 16).

- 1) In Rio, Rua Ana Neri No. 1029, 220 vehicles (some of which have been unused and in storage over 12 months) are stored in the open, without shelter or protection, wheels are not blocked for long time storage protection, the climate and tropical weather conditions are causing deterioration, rust and damage; some vehicles (Jeeps) do not have tops (canvas) to protect the interior; parts and accessories are exposed to theft - some are missing.
- 2) The ICA Emblem is not shown on any of the vehicles. The Malaria Emblem (CEM) is used on some. The Ford Sedan used by the Chief of DNERu does not have any emblem.
- 3) Workshops for vehicle maintenance in Rio are inadequate.
- 4) Vehicles sent to Gastal S.A., Rio, on July 12, 1960, for the first revision and replacement of stolen and missing parts, have not been returned to CEM Rio, as of December 6, 1960.
- 5) Vehicles are not registered uniformly, vehicles are registered either under the name of "CAMPANHA DA ERRADICAÇÃO DA MALARIA", or "MINISTÉRIO DA SAÚDE, CAMPANHA DA ERRADICAÇÃO DA MALARIA, DEPARTAMENTO NACIONAL DE ENDEMIAS RURAIS".
- 6) Unauthorized use of vehicles was apparent, i.e., campaign not started yet some vehicles had daily average performance of 120 kms. Campaign vehicles are seen frequently in Rio, in use during non-working hours and holidays.

7) Lack of well organized and controlled transport section in CEM, Rio, is considered the main cause for most of the above exceptions.

b. Vehicles - Recife

As of October 30, 1960, the Recife Regional Distribution Center had received a total of 299 vehicles through ICA procurement. All vehicles had been distributed except 34 which were still in Recife (See Attachment No. "H"). Of this total, 28 are International Harvester pick-ups, some of which appear to be in excess of the Recife's Center requirements according to program plans.

c. Xylol & Triton in Recife

During August 1960, the auditor observed that the Recife Regional Distribution Center had in stock the following commodities, which according to the Center's requirements and program plans, are in excess of such requirements:

- a) Triton X.151 160 drums of 55 gall. drums
- b) Xylol 157 " " 182 kgs. net each.

At the time of the auditor's visit, the only issue made of Triton was a transfer of a small quantity to CEM, Rio, on November 12, 1959. For the Xylol, 5 sporadic issues of 1 drum each had been made to Zone III. Using the above issue experience, it appears that these commodities may be in excess to the needs of that Zone and redistribution or disposal should be considered.

Recommendation

It is recommended that :

- a. Every effort should be made by CEM in coordination with H.& S. Division, USOM, to correct the conditions identified in the finding above, to insure that all vehicles are properly used, maintained, stored, controlled; that proper vehicle records are kept, and that ICA-financed commodities are not stockpiled or misused; proper

ICA and Host Country Emblem be shown on all vehicles as required; vehicles sent to garages or workshops for repair, etc., be controlled and returned to CEM; vehicles be registered with the GOB vehicles licencing authority under the appropriate and uniform agency name; unauthorized use of vehicles be eliminated; and that a well organized and managed Transport Section be established in CEM, Rio, to control and operate this motor fleet. (Ref. Finding a above)

- b. CEM, Rio, in coordination with H. & S. Division, USOM, examine this matter and determine the actual number of excess vehicles involved, not only for the Recife Distribution Center, but all Areas and Zones serviced by the Center. Vehicles be redistributed to meet known and positive program requirements. If excess vehicles are involved, action should be taken as authorized by the Project Agreement to reassign or otherwise dispose of these vehicles. (Ref. Findings a and b above).
- c. H. & S. Division, USOM in coordination with CEM Headquarters review this matter and consider possible redistribution of these commodities to other areas according to known requirements of the program. (Ref. Finding c above).

ACTION OFFICE

H. & S. Division, USOM (Ref. a, b & c)
CEM Headquarters (Ref. a, b & c)

23. Finding

Delays in Clearing ICA-Financed Commodities from Customs and Docks

a. Delays in Rio de Janeiro

Excessive delays in clearing project commodities from Customs and Docks in Rio de Janeiro were noted. Examples are :

- 1) PIOC. No. 90094 - 2 crates aluminium boats unloaded 7/7/60 and still in Customs - 7 months delay.

- 2) PIOC. No. 90224 - 4 shipments Audio Visual Equipment unloaded on 8/11/60, still in Customs - 6 months delay.
- 3) PIOC. No. 00056 - 4,620 drums of DDT 75% unloaded 8/1/60 cleared 11/23/60 - after 4 months.

Normal or average clearance time for such commodities should be approximately 15 days. Average clearance time to date in CEM, Rio, is 60 days.

b. Unnecessary Delays in Removing Commodities from Recife Decks

In examining the records maintained by CEM, Recife, and according to explanations given for the extensive customs delays, it was noted that some ICA procurements were left on the decks for considerable periods of time. Examples are:

- 1) PIOC. No. 80131 - 5,366 drums of DDT 75% per s.s. MORMACOWL withdrawn 5 months after unloading
- 2) PIOC. No. 90223 - 2,975 drums of DDT 75% per s.s. DELMUNDO withdrawn 6 months after unloading
- 3) PIOC. No. 00056 - 2,000 drums of DDT 75% per s.s. MORMACSEA withdrawn 4 months after unloading.

Failure to remove commodities from the decks promptly, for any reason, results in unnecessary losses, damages and consequently Marine insurance claims on these commodities may be lost. No insurance claim was filed for losses sustained on the above mentioned shipments. Normally, insurance coverage ends 60 days after the commodities are unloaded at the port.

H. & S. Division's Comment

Commodities were held in customs as adequate storage space was not available in CEM warehouses, as this space was required to carry out modification work

on new vehicles prior to their being shipped to the interior. Because the Customs warehouses in Recife are permanent structures offering excellent storage and security conditions, it was deemed advisable to have these items stored in these facilities until such time as space became available in CEM warehouses.

Recommendation

It is recommended that:

- a. Every effort be made by CEM, assisted by H. & S. Division, USOM, to insure that ICA-financed commodities are cleared from Customs within a reasonable period of time- 15 to 20 days. Early clearance of such commodities not only eliminates possible dock storage costs, but reduces damages, losses and deterioration. With reference to those commodities still in Customs as mentioned above, as well as new shipments, positive action to clear these items should be taken and should include a survey of the commodities involved to determine their physical condition. In the future when difficulty is encountered in clearing commodities, it is suggested that CEM adopt the system of "Térmo de Responsabilidade" (Responsibility Certificate) in order to expedite clearance of these commodities. The "Térmo de Responsabilidade" system is a procedure whereby a Government Agency may withdraw commodities from Customs without required documentation, with the understanding that required documents will be presented at a later date.
- b. The practice of leaving commodities on the docks or in Customs warehouses after clearance be discontinued. The Recife Regional Center is well equipped with vehicles and transport facilities and has sufficient storage space available. Therefore, every effort should be made to expedite Customs clearance and removal from docks of all ICA procurements.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
CEM Headquarters (Ref. a & b)

24. FindingInadequate CEM Staff For Storekeeping and Stock Commodity Accounting

The Recife Regional Distribution Center of CEM, located at Rua do Brum No. 514, Recife, is composed of two large warehouses offering adequate storage space for ICA procurements. This Distribution Center is managed by the Chief of the Transport Division, CEM. The auditor observed that even though the Recife Center is the main and vital point of distribution to the Campaign in Area III, it is not adequately staffed. The Center does not have a regular storekeeper assigned. This position is being partially carried out by an Entomologist working also as cashier, accounting clerk and procurement agent for local purchases. Vehicle property cards are maintained by a junior clerk, while other ICA commodity property cards are maintained by the secretary-typist, who is also in charge of the regular office administrative files. During the auditor's visit to the field, it was observed that most of the field offices were generally adequately staffed with storekeeping or warehouse personnel. Storekeeping and property clerk requirements and supply workload at the Recife Center, are considered just as necessary and demanding of qualified supply personnel as the field offices, yet the Center has been without adequate staff for some time. In discussing this point with the Recife Center Chief, the reason given for his not having adequate staff, (i.e., staff on board was all that was furnished by CEM Headquarters), was not considered fully justified according to the facts involved. Actually, the Chief of the Recife Center gave no indication that he had officially requested additional and qualified personnel for the Center.

H. & S. Division's Comment

Inadequate numbers of personnel were caused by lack of funds and administrative policy. Actually USOM did not assume any responsibility for the administrative direction of CEM.

Recommendation

It is recommended that :

H. & S. Division work closely with CEM to insure that an adequate field staff is maintained at the Recife Center, and that complete separation of duties and responsibilities between storekeeping, property record accounting, and local procurement activities are maintained. In view of the ever increasing importance of the Recife Regional Center as a supply center for Area III, which covers 6 states with a further breakdown of 19 districts, the need to have adequate storekeepers and property clerks whose experience includes stores procedures, spare parts and cardex accounting system, is emphasized.

ACTION OFFICE

H. & S. Division, USOM
CEM Headquarters

25. Finding

Storage of ICA-Financed Commodities

a. Improper Storage in CEM, Recife Distribution Center

- 1) Although storage space is available in two warehouses used by CEM, Recife, storage of DDT 75% (drums) was not performed in a manner to permit observation of its physical condition or to perform physical inventories. Tires and tubes were originally stored in the same warehouse, No. 514, with drums of Xylol and Triton. Xylol is reported to have a corrosive effect on rubber.
- 2) The "first-in, first-out" issue system of commodities was not followed. DDT 75% received during late 1959 or early 1960, was still in Recife warehouse, while in Penedo, District II of State of Alagoas, they were in possession of DDT 75% which had been received subsequent to the above shipments.

- 3) Fire extinguishers used in these two warehouses (Nos. 492 and 514) were not considered adequate, neither in quantity or in capacity. Note: Although some improvement was noted upon the auditor's second visit to Recife during October 1960, overall storage practices for items such as insecticides DDT 75%, require additional improvement.

b. Inadequate Storage - Storage of Excess Commodities - Santa Rita District

The following was noted in Santa Rita District I, State of Paraiba:

- 1) Storage of commodities (insecticides) was not adequate, i.e., stored under shed type buildings and not fully protected from rain and normal weather conditions.

H. & S. Division's Comments

The structure referred to is a permanent building closed on three sides, concrete floor and secure roof with the opening facing the down wind side (one weather side). The structure is located in a walled compound which is regularly patrolled by a CEM night watchman. To the knowledge of the division they have never suffered any loss of material either by theft or weather damage. The structure is considered suitable for the storage of insecticides.

- 2) DDT 80% paste, supplied in drums by DNERu furnished on an exchange basis for other ICA Commodities, was causing a serious storage problem. According to DNERu's records there are approximately 132 tons involved, whereas yearly consumption of this item in the entire State of Paraiba is approximately of 30 tons. Consequently, the quantity supplied would be sufficient for 4 1/2 years stock. This paste is mostly deteriorated and nearly half has been declared unusable by CEM Technicians. From a storage point of view it is creating serious problems due to its evaporation, leakage and difficulty in handling. (Also see Finding No. 22).

c. Storage in Commercial Warehouses

As a result of program delays and failure to use commodities according to program plans, and due also to inadequate Government owned or rented warehouses, it has been necessary from the beginning for CEM to store ICA-financed commodities in commercial warehouses. This arrangement has added additional cost to the campaign, already seriously handicapped by lack of funds. The following items are stored in commercial warehouses in Rio:

1) Rua Prefeito Olympio de Mello

1) 4,620 drs. of DDT 75% per s.s. MORMACOWL, stored on November 23, 1960

2) 1,700 sprayer pumps HUDSON s.s. MORMACHAWK, stored on September 17, 1960.

2) Rua Capitão Felix No. 160

1) 147 drs. of Triton per s.s. MORMACREED, stored on September 27, 1960

3) Rua Bela No. 870

1) 177 drs. of DDT 75% (Balance of PIOC. 512-51-014-5-90218) per s.s. MORMACTIDE, stored on February 2, 1960).

H. & S. Division's Comments

As outlined in the Malaria Agreement dated June 30, 1958, Part V (b) and (c) the Ministry of Health assumes full responsibility for buildings necessary for the campaign and storage. It does not specify type, location or ownership of these facilities. Since the U.S. Government was not involved in the procurement of these warehouse facilities in Brazil, our responsibility was solely to insure that these commodities were stored under suitable conditions.

Recommendation

It is recommended that :

- a. 1) CEM Headquarters take appropriate action to insure that commodities are stored properly and systematically to permit continual and routine observation and the taking of proper inventories. Further, storage of commodities involving drums or similar containers should be in a manner to provide adequate ventilation. "First-in, first-out" method of storage and issue be observed.
- 2) Consideration should be given to the use of appropriate fire extinguishers (in number and capacity) in warehouses or stores where ICA-financed commodities are stored. (Ref. Finding a above).
- b. 1) Storage of commodities such as insecticides should be in a dry area and not exposed to climate and weather conditions. In the event that adequate or suitable storage is not available for such quantities consideration be given to reduce the size of stocks on hand in the field, thus requiring less storage space, although increasing the requirements of stock control and planning to insure that adequate stocks are readily available.
- 2) With reference to DDT 80% paste every effort should be made to salvage or recover any remaining serviceable or usable quantity. Deteriorated or bad stocks should be separated from good stocks to prevent further losses. Deteriorated or un-serviceable stocks should be disposed of as authorized by existing agreements. (Ref. Finding b above).
- c. Action be taken by CEM Headquarters, in coordination with H. & S. Division, USOM, to survey and determine availability of warehousing and storage locations, and CEM requirements. Appropriate records and data be maintained concerning availability of warehouses (location, type or commodity suitability, owned by, etc.). Every effort should be made to utilize

Government owned warehouses where possible, thus eliminating additional warehousing costs. (Ref. Finding c above).

ACTION OFFICE

H. & S. Division, USOM (Ref. a, b & c - for coordination)
CEM Headquarters, Rio (Ref. a, b & c)

26. Finding

Accounting Records Maintained by CEM and SEM

a. Results of Examination of Records Maintained by Recife Regional Distribution Center

In checking the accounting records maintained by CEM, Recife Regional Distribution Center for ICA-Financed Commodities, the following type accounting errors and weaknesses were noted:

- 1) Required copies of shipping documents for each consignment (shipment) not on file.
- 2) Commodity stockcards (Fichas de Material) are lacking certain details such as requisition number, correct unit of measures, etc.
- 3) The system of issuing commodities is not uniform throughout the program, i.e., unit of measure should be pounds or kilos instead of drums.
- 4) Merchandise or property historical Ledgers not maintained.
- 5) Regular, periodic and cumulative reporting system not established for reporting stock status to CEM Headquarters, for commodities received, issued and balances at hand.
- 6) Physical inventories, if taken, not recorded.

b. Commodity Accounting Records - State of São Paulo

The accounting data available in SEM files, as to actual landed cost for material received, was incomplete and sometimes inaccurate, since the documents from where this information is to be obtained, were not on file (i.e., Bills of Lading not showing freight charges, invoices and insurance premiums costs not available, etc.). Separate or segregated records for ICA-financed commodities are not maintained in all instances, thus making it difficult and sometimes impossible to trace and/or otherwise account for or control ICA-financed commodities received and issued. Note: The above cited commodity accounting errors and weaknesses (except for a.1) and a.4) Findings above, which apply principally to Rio, Recife, Belém and Santos) have been noted in most field areas visited.

Recommendation

It is recommended that :

- a. 1) Action be taken by H. & S. Division, in coordination with CEM, to insure that required copies of all shipping and related documents pertaining to each consignment of ICA procurement are on hand, i.e., bill of lading, insurance policy data to include premium paid, certificate of origin, suppliers' invoices and packing lists.
- 2) Commodity stockcards (Fichas de Material) be maintained on a current basis and contain appropriate data such as requisition number, unit of measure in pounds or kilos, as required.
- 3) A uniform method of issue (unit of measure) be adopted throughout the Campaign. We suggest that kilos, instead of pounds, be the standard unit of measure. In addition, and for added control, the unit of measure by drums may also be used.
- 4) A Merchandise Ledger for expendable items be established for all ICA procurements and registered chronologically. The use of an Equipment Ledger for non-expendable property equipment (such

as vehicles, machinery, apparatus, etc.) should also be established. These ledgers should start from the beginning of the operation. (See M.O. 704.3, Section III, sub-Section C, Paragraph 5, for guidance only).

- 5) Periodic (monthly or quarterly) and cumulative reports or statements be developed concerning ICA-financed commodities received, issued and on hand balance. These reports should contain a narrative section for general information for program data or comments. Separate statements be prepared for vehicles and related spare parts.
 - 6) Physical inventories be taken semi-annually and reconciled with the stockcards. The stockcards should be appropriately annotated to reflect the inventory date and results.
- b. To the extent possible, and where feasible, the correct landed cost for commodities be made available and reflected in SEM records. Wherever possible and practicable, and to provide desired control and accounting, separate records, within reason, should be maintained for ICA-financed commodities.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
CEM Headquarters (Ref. a)
SEM Headquarters (Ref. a & b)

27. Finding

Inadequate and Cumbersome Custom Clearing System - Recife

The overall customs clearance system for ICA procurement in Recife is cumbersome, causes unnecessary delays and is generally not adequate to provide prompt clearance of commodities from the docks. The present system being that all advance shipping and related documents for customs clearance are transmitted to a SESP employee in Recife who serves SESP as a despachante (clearing clerk) as well as for CEM. It was reported that this employee

spends most of his time on SESP matters, and handles CEM clearances as a part time or extra job. (Also see Finding 23-b above).

Recommendation

It is recommended that :

In view of the importance of prompt and adequate clearance of commodities through customs for CEM, Recife, consideration should be given to assigning the customs clearance operation to a local qualified firm providing this service who can expedite the administrative process sometimes necessary for prompt release of the commodities. If a firm is not available, a qualified individual who will devote sufficient time to CEM clearances should be engaged.

ACTION OFFICE

H. & S. Division, USOM
CEM Headquarters

28. Finding

International Harvester Pick-Up Truck, CEM No. 56, DESTROYED IN Accident

On October 16, 1959, subject truck was rendered unserviceable and the body completely destroyed. This matter was immediately brought to the attention of H. & S. Division (Accident Report) who suggested that CEM attempt to repair the body. The CEM Engineer later advised that this was not possible due to its condition and requested that action be taken by H. & S. Division to replace the truck body with a new one. On January 22, 1960, this matter was brought again to the attention of the H. & S. Division by the CEM Engineer, inquiring as to the action taken by USOM for the purchase of a new body. It seems that no action was taken by H. & S. Division on this matter, nor was CEM personnel advised as to the status of the case or the procedure recommended to CEM in handling this problem. In the meantime, the vehicle was dismantled and parts used to repair other idle vehicles (to include

truck No. CEM 85 damaged by fire in Paraíba). Note: During the auditor's field visit to Recife, on July 28, 1960, the above conditions were observed to include the dismantling of subject vehicle. At the time the Auditor again visited this area in March 1961, this matter was still pending and the vehicle remained idle.

Recommendation

It is recommended that :

- a. H. & S. Division work more closely with CEM (and SEM) in handling matters relative to those identified in the finding above, as it pertains to ICA-financed commodities.
- b. In view of the fact that this vehicle was damaged while in service in the campaign, and since title to the vehicle rests with GOB, it is believed that some action is required on the part of CEM, in coordination with H. & S. Division, USOM, to write-off or otherwise dispose of this vehicle by sale or by complete dismantling and use of serviceable parts.
- c. Prompt information and/or guidance be furnished CEM (or SEM) as to USOM's recommendation and/or procedure in handling not only this commodity problem, but similar problems which may develop in the future.

ACTION OFFICE

H. & S. Division, USOM (Ref. a, b & c)
CEM (and SEM) Headquarters (Ref. a, b & c)

29. Finding

Inadequate Accounting and Record-Keeping in CEM for ICA-Financed Commodities

a. Accounting and Supply Problems Affecting Program

- 1) In Itapipoca, District II of Ceará, no stock records were maintained for ICA Commodities until March 1960, at which time a physical inventory

was established to determine quantities on hand, even though approximately 21,000 kgs. of DDT 75% had been issued (starting April 2, 1959) to this District from Fortaleza Sector, as evidenced by the stockcard in Fortaleza.

- 2) In Estância, District III of Sergipe, adequate control over stock records and storekeeping functions was not in evidence. (Note: The auditor assisted the storekeeper in establishing new stockcards and explained the accounting system being used).
- 3) Even though large quantities of insecticide DDT 75% was in stock in Recife Distribution Center (approximately 8,605 drums) it was necessary that District I of Fortaleza borrow from DNERu 3,600 and 2,768 kgs. (111 drums of DDT 75%) on July 25 and August 3, 1960, respectively. This type of a supply problem indicates inadequate allocation and/or improper planning.

b. Stockcards and Requisition Forms (Suprimentos de Material)

- 1) In general, stockcards kept by CEM Sectors and Districts are not maintained on a current basis. A spot check of these records revealed a number of accounting problems, errors in posting, etc. Examples are :
 - (a) In Santa Rita - DDT 75% - Posting error or Stock Shortage. By deducting from the total quantity received from Recife Regional Center: the balance on hand, the balance stored in the field (Postos de Abastecimento) and the quantity consumed (as of June 30, 1960), a shortage of about 5,536 kgs. or 120 drums is revealed. In fact, such a difference appears to be factitious since several transfers were made from Paraíba to other States, but apparently not posted to the stock card.
 - (b) In Belém do Pará - The same stock card is used for polyethylene bags furnished by DNERu and

ICA, thus preventing desired control and separation of ICA financed commodities.

- (c) In Natal, Macció and Estância - Stockcards are not maintained on a current basis.
- 2) Commodities furnished by CEM and ICA are issued (combined) on the same requisition voucher (Suprimentos de Material), thus making it difficult to control, to account for, and to audit trace the item. Note: The above examples are considered representative of the accounting problems, errors and supply problems and weaknesses to be found in most Sectors, Districts and the Recife Regional Distribution Center of CEM. Therefore, in taking corrective action on the above items by CEM, due consideration should be given to these problems as they pertain to other Sectors in CEM.

Recommendation

It is recommended that :

- a. 1) Appropriate instructions be issued, in writing, by CEM to all Sector Chiefs, emphasizing the need for effective and organized accounting, record keeping and control over Districts under their supervision. (Ref. a (1) and (2), Finding above).
- 2) To avoid recurrences of this and similar supply problems, positive and recurring program requirements should be determined and sufficient stock of such commodities be maintained in the Sectors to support field operation. (Ref. a (3) Finding above).
- b. Action be taken by CEM to insure that stockcards are maintained on a current basis and reflect the true inventory status of commodities at all times; the accounting error noted in Santa Rita covering DDT 75% (See b (a) above) be examined and resolved - if an actual shortage does exist, appropriate action should be taken to include reporting the shortage to USOM/B; separate stockcards be maintained for commodities financed by ICA (i.e., insecticides, tires, tubes, sprayers, spare parts, polyethylene bags, etc.);

consideration be given to use separate or different color paper for Requisition Vouchers (Suprimentos de Material) used for ICA and GOB financed commodities; for added control, all vouchers posted to stockcards be annotated "posted", with date and name of person posting the voucher; and that all receiving and issuing documents be approved in advance and/or otherwise controlled by the Head of the issuing Sectors, or their designated representatives.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b - for
coordination)
CEM Headquarters (Ref. a & b)

30. Finding

Inadequate Storage of Vehicles - Excess Vehicles - Inadequate Supply of Spare Parts in Area III A and B

- a. Practically all vehicles furnished by ICA and distributed to Sectors and Districts, are stored in open areas rather than in garages or under suitable shelter. Vehicles are exposed to tropical and inclement weather condition and some are seriously beginning to show the effects. Examples were noted in Fortaleza, Natal, João Pessoa, Pernambuco, Maceio and Curitiba (for comments on Vehicles in Rio, see Finding No. 22).

H. & S. Division's Comment

It is not practicable to house or store vehicles in garages or shelters in operational areas. The parking of vehicles in open areas in a malaria eradication campaign is part of the hazard and/or modus operandi of the campaign. However, in central headquarters areas or sector headquarters when covered parking space is available it is utilized.

- b. In the Fortaleza Sector, where the program has been in operation since January 1960, some vehicles, especially Jeeps (18 Jeeps) appear to be in excess of program requirements and plans for this Sector. A number of these vehicles are idle awaiting assignment

to insecticide or epidemiological Inspectors yet to be employed by CEM. Present allocation of vehicles in Maceió and Pernambuco also appear excessive.

- c. A lack of spare parts required for normal operation and maintenance of the vehicles in various Sectors of Zone III-A, Fortaleza, Natal, João Pessoa, was reportedly causing rather serious transport problems.

Recommendation

It is recommended that:

- a. Every attempt be made by CEM to provide adequate garages or suitable shelters for campaign vehicles where possible.
- b. A determination be made by CEM in coordination with H. & S. Division, USOM, to allocate and/or redistribute vehicles determined to be in excess in these Sectors, in accordance with known and justifiable program requirements.
- c. An adequate supply of spare parts be maintained and made available to operating vehicles.

ACTION OFFICE

H. & S. Division, USOM	(Ref. a, b & c - for coordination)
CEM Headquarters	(Ref. a, b & c)

31. Finding

Use of Chloroquine Supplied by ICA

- a. Incomplete Production Statements and Reports on Mother Mixture Plant in Sao Sebastiao da Boa Vista (Belém)

In checking the usage and production data and reports on file, of São Sebastião da Boa Vista mother mixture plant (the mixing of chloroquine with regular salt), it was noted that the weekly and monthly production

reports furnished by this mixing plant were not signed or certified, were incomplete and contained apparent inaccuracies. In view of the cost of the chloroquine involved and the existing requirements and desirability to control the item, accurate and realistic usage and stock status data and related information must be developed and made available to CEM authorities.

b. Reported Black Marketing Activity on Salt - State of Pará

The auditor was advised by the Sector Chief during his visit to the State of Pará, in October 1960, and according to local reports, that there was a rather prosperous black marketing activity in operation in the Amazonas involving untreated salt. It seems that people living outside the cities, and on islands, are being advised by merchants, that treated salt results in various forms of sickness. Then they are offered untreated salt but at a higher price. The untreated salt, therefore, is used by the population and, as a result, the program of eradication of Malaria is not being attained as planned. Other comments offered by the Sector Chief question the use of chloroquine salt due to its cost versus the benefits received.

USOM-Auditor's Comment

The above information is presented only to identify the type of problems being encountered in attempting to eradicate Malaria by the chloroquinated salt method as pointed out by CEM officials in this program. It therefore appears that the use and purpose of chloroquinated salt is not readily known and/or understood by people involved and may not be serving the purpose intended (cost of ICA-financed chloroquine furnished Brazil under this project to date is \$ 1,912,365).

c. Use of Polyethylene Bags - Belém

Polyethylene bags are used by the salt plants as containers for treated salt (salt treated with chloroquine) to be sold to the population in the

the Amazonas. Printed bags which identify source and purpose of its contents (prevention and eradication of Malaria) to include Point IV efforts, were procured and furnished by DNERu at their own expense. The bags procured and supplied by ICA, on PIO/C 90222, were plain without any legend (printing). An attempt to correct this matter was made by CEM by using a large ink stamp, but was discontinued since it did not prove satisfactory. Since these bags are used by the population after the treated salt contents have been consumed, and if printed bags were used in all instances, they would assist in providing additional and urgently required propaganda in the use and purpose of treated salt in the Amazonas.

d. Issue of Chloroquine Not Approved in Advance

In checking the commodity control and issue procedure for chloroquine powder from the Sector to the Mother Mixture Plant in Belém, it was noted that regular issues are made without prior approval of the Sector Chief or his designated representative. This procedure does not provide for adequate accounting and commodity control to insure that unauthorized issues are not made. Note: This matter was discussed with the Chief of Sector in Belém who concurred in the auditor's suggestion and advised that all issues, in the future, would be approved in advance by himself or his designated representative.

Recommendation

It is recommended that :

- a. Action be taken by CEM, assisted by H. & S. Division, USOM, to insure that all records and reports developed in connection with the mother mixture processes are accurate, signed by a responsible person, and reflect a reasonably accurate picture of the mixing plant operation as to usage and consumption of chloroquine financed by ICA.
- b. Every effort be made, to the extent deemed possible and feasible to adequately publicize the purpose,

- use, effects involved in consuming chloroquinated salt.
- c. To the extent possible, all bags used in packing the chloroquinated treated salt be pre-printed with appropriate Malaria Program data and information similar to the printed bags furnished by DNERu.
 - d. A follow up be made by CEM, in coordination with H.& S. Division, USOM to insure that adequate control is exercised over commodities issued which includes prior approval of all issues.
 - e. In view of the cost of chloroquine and the questionable benefits being derived from its use as reported by CEM officials, inability to control its issue and assure consumption by the desired population, H.& S. Division, USOM/B and CEM evaluate this method of control and eradication of Malaria and recommend appropriate action to be taken concerning any future use of this commodity.

ACTION OFFICE

H.& S. Division, USOM (Ref. a thru e)
CEM Headquarters (Ref. a thru e)

32. Finding

Non-Use of Stereomicroscopes - Belém - Pará

Five (5) Stereomicroscopes (ICA procured) were supplied to Belém Sector for epidemiological service in that area. These stereomicroscopes were received in Belém in August 1960. This item is not in use, according to the Sector Chief, since the Epidemiological Section had not as yet employed technicians to use this as well as similar type equipment. The Chief of Sector further advised that these stereomicroscopes are to be used for entomological research, i.e., mosquitoes examinations, whereas the need for parasitological research i.e. for blood and larvae examinations, require a different type of microscope.

Recommendation

It is recommended that :

Appropriate follow-up be made by CEM to insure that technicians if required, are employed to staff the Research Laboratory Sector. and if it is determined that this equipment is excess to the need of this Sector, it should be reallocated to another Sector.

ACTION OFFICE

H. & S. Division, USOM (For coordination)
CEM Headquarters

33. Finding

Historical Records for Vehicles - Belém - Pará

At the time of the auditor's visit to Belém in October 1960, 17 vehicles had been received, however, the required historical and control forms were apparently not furnished with the vehicles by the Recife Distribution Center, nor had such records been adequately developed by the CEM Sector in Belém. These records are required to record and control all transactions such as name, type, initial cost, operating cost, maintenance data, etc.

Recommendation

It is recommended that:

Vehicle historical and control cards, (CEM Forms Nos. T/1 to T/9) be issued with each vehicle. Such forms should be supplied to the Belém Sector and maintained on a current basis.

ACTION OFFICE

H. & S. Division, USOM
CEM Headquarters

34. Finding

Inadequate Gasoline Storage - Lack of Underground Storage Tanks

The problem relative to inadequate gasoline storage pertains not only to the Recife Regional Center but to other Sectors in the Northeast as well. Generally, gasoline is stored (often times in large quantities, to take advantage of available funds at the end of the fiscal year) under shelters, in open areas, and in some instances, adjacent to or with ICA procurements. (See Finding No. 11). This condition was observed in João Pessoa and Fortaleza. Very few Sectors use underground storage tanks from which vehicles can be adequately serviced.

Recommendation

It is recommended that:

- a. Appropriate storage instructions for gasoline be issued by CEM (and SEM, if appropriate) to all field units. These instructions should clearly state that gasoline, as well as other inflammable items, should be stored in underground tanks where possible, or in the open at a safe distance from ICA or their own program procurements.
- b. Local gasoline companies, supplying gasoline for the Campaign, be contacted with a view toward requesting their assistance and/or furnishing suitable underground storage tanks, with electric pumps where suitable, for those Sectors not presently equipped with such equipment.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b - for coordination) CEM and SEM Headquarters
(Ref. a & b)

35. Finding

Use of Paper Bags Instead of Plastic Bags for Handling DDT 75%

In Santa Rita, District I, State of Paraíba, it was observed that paper bags were being used instead of plastic or similar type bags for the storage and handling of individual doses of DDT 75% (each bag contains 670 grs. known as "Cargas" or doses). Heads of Sectors advised that storing this commodity for extended periods in paper bags affects the technical qualities of the powder, causing the powder to harden, and creates difficulties in the spraying operations due to its insolubility.

Recommendation

It is recommended that:

The problem relative to the use of paper bags instead of plastic bags for doses (670 grs. each) of DDT 75% be checked and evaluated, giving due consideration to the use of plastic bags if found to be more appropriate.

AUDIT REPORT No. 3-61

H. & S. Division's Comment

The storage of DDT 75% in paper bags that are directly exposed to the elements will over an extended period of time lead to the loss of technical qualities of the insecticide.

However, CEM's operations are designed to use all bagged DDT "cargas" in one cycle of operations. That would mean that the maximum time that DDT would be in a bagged state would be 5 months or the mean exposure would be 2.5 months. After bagging of 670 gms. of DDT per bag, the bags are placed in an empty DDT drum and the metal clamp lid replaced.

The type of material used in the fabrication of carga bags is not specified either by WHO Export Committees on Malaria or by the ICA malaria group. Mexico uses plastic bags. Jamaica uses cloth bags. Brazil uses paper and plastic bags. To the same final conclusion, DDT 75% is maintained in a unit of 670 grs. until it enters the sprayer.

ACTION OFFICE

H. & S. Division, USOM
CEM Headquarters, Rio

36. Finding

Lack of Tires and Spare Parts for International Harvester Vehicles - SEM, State of Sao Paulo.

- a. International Harvester vehicles are a rather new item to Brazil, particularly in the interior, therefore, spare parts and accessories for new vehicles are not available from normal commercial sources. Although some spare parts have been procured and received as early as July 1960 for use in the campaign, a number of International Harvester vehicles have been out of commission or idle reportedly due to lack of spare parts. The problem seems to be a lack of distribution of spare parts throughout the State campaign.
- b. It was also noted that the availability of tires was a rather serious problem since tire replacements, due to the sizes used by these vehicles, are reportedly not readily available from commercial sources.

Recommendation

It is recommended that:

- a. The problem relative to lack of spare parts be investigated by H. & S. Division, in coordination with SEM, with a view toward improving the spare parts problem. Since these vehicles are used throughout the State of São Paulo, an adequate system of supplying spare parts must be worked out and made available to support these vehicles.
- b. Action be taken to improve the tire replacement problem to insure that an adequate supply of tires is available, not only in the city of São Paulo, but also in the outlying areas where vehicles are used.

ACTION OFFICE

H. & S. Division, USOM (Ref. a & b)
SEM Headquarters, São Paulo (Ref. a & b)

37. Finding

Lack of Adequate Motor Vehicle Maintenance Facilities -
State of São Paulo

In discussing subject matter with Transportation authorities SEM during our field visits, it was reported and we observed that maintenance and workshops are in need of items such as lathes, drilling machines and similar shop equipment used in repairing vehicles. The need for this shop equipment will become more demanding after the vehicles are in use for extensive period of time, traveling over interior roads and hauling heavy loads. Note: According to PIO/Cs No. 00107 and 00175 some of these shop items have been requisitioned for use in the State of São Paulo, but have not been received.

Recommendation

It is recommended that:

Action be taken by H. & S. Division to expedite the procurement, receipt and installation of shop equipment currently on order. The problem concerning the needs of other shop equipment, to include the Federal program,

should be studied with the purpose of improving shop and maintenance facilities for Campaign vehicles.

H. & S. Division's Comments

GOB has procured the minimum shop equipment of all sectors of their operational areas. GOB has never requested additional shop equipment. It is anticipated that the work group of the newly created CEM will review these requirements. The implementation of the São Paulo repair shops has been halted by the suspension of ICA procurements.

ACTION OFFICE

H. & S. Division, USOM
SEM Headquarters
CEM Headquarters

38. Finding

Inadequate Supply of Suitable Hydraulic Jacks - State of Sao Paulo

Hydraulic jacks for the International Harvester vehicles were, in most instances, not ordered or procured by the Mission. Although jacks were furnished with the vehicles, they were undersize, too weak and generally unusable for most of the heavy vehicles. It seems that only a few International Harvester trucks were supplied with adequate jack equipment. As a result SEM found it necessary to replace the majority of these jacks with heavier, stronger and more durable jacks, using SEM Campaign funds.

H & S. Division's Comments

This is a maintenance problem and one which requires technical knowledge to resolve. Whether to use hydraulic jacks or some other suitable type is a question of policy. No requests were made for jacks. The ones mentioned in this report were standard equipment of the manufacturer of the vehicles.

Recommendation

It is recommended that:

H. & S. Division, USOM review the matter with appropriate SEM and CEM authorities, taking whatever action that is determined to be necessary to insure that each vehicle is equipped with an adequate jack and related accessories. If it is determined that the USOM ordered proper jacks but received inferior or weak jacks, this problem should be taken up with the supplier.

ACTION OFFICE

H. & S. Division, USOM
SEM Headquarters
CEM Headquarters

39. Finding

Inadequate Nozzles for Sprayers

A new type nozzle for spray gun operation was received, distributed and is being used in the State of São Paulo. According to Malaria Engineers (SEM), this type nozzle was considered inferior and was not entirely satisfactory. It seems that the new nozzle required more than one spray operation to spray or cover the desired surface, to acquire the quantity and quality of the required insecticide solution. As result, the use of this type nozzle (as reported by SEM Engineers) delays spraying operations and incurs additional cost. It is our understanding that the Mission is aware of this problem and correspondence on the subject between the Mission and ICA/W is a matter of record.

Recommendation

It is recommended that:

H. & S. Division, USOM, in cooperation with SEM (and CEM, if appropriate) Engineers, continue to take appropriate action on the problem relative to the reportedly inadequate and inferior spray gun nozzle being used. It is our understanding that this nozzle is being replaced by SEM throughout the State of São Paulo. In view of the fact that this nozzle has been issued for use in the Federal program, any action or investigation taken should include use of the nozzle throughout the Federal program, giving due consideration to possible replacement if required.

ACTION OFFICE

H. & S. Headquarters, USOM
SEM Headquarters
CEM Headquarters

JEMcKaney/ mld.

STATEMENT FOR COMMODITIES PROCURED
STATUS OF PIO/Cs AS OF NOVEMBER 30, 1960
USOM/BRAZIL - MALARIA ERADICATION PROJECT No. 512-51-014

<u>Commodity</u>	<u>Amount Sub- Obligated</u>	<u>Amount Paid</u>	<u>Unliquidated Sub- Obligations</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Vehicles	2,353,014.78	2,289,112.90	63,901.88
Vehicle Parts	82,466.00	47,523.94	34,942.06
Chloroquine Powder	2,814,027.27	1,912,364.96	901,662.31
D.D.T. 75%	1,736,763.33	1,733,222.82	3,540.51
D.D.T. 100%	113,816.65	70,910.81	42,905.84
Xylol & Triton	254,163.95	253,526.95	637.00
Polyethylene Bags	157,150.03	128,611.55	28,538.48
Tires & Tubes	11,353.41	6,053.41	5,300.00
Sprayers and Parts	296,962.99	172,798.14	124,164.85
Aluminium Boats, Motors, Diesel Engines & Parts	43,700.00	10,666.23	33,033.77
Microscopes	76,000.00	5,823.59	70,176.41
Audio Visual Equipment	58,000.00	15,109.81	42,890.19
Shop Equipment	12,600.00	4,890.45	7,709.55
Scientific Apparatus	3,877.25	3,877.25	-
Office Equipment	5,800.00	-	5,800.00
Total :	8,019,695.66	6,654,492.81	1,365,202.85

RECAPITULATION BY F.Y.

Fiscal Year 1958	1,470,642.40	1,470,642.40	-
Fiscal Year 1959	2,551,053.26	2,382,160.86	168,892.40
Fiscal Year 1960	3,998,000.00	2,801,689.55	1,196,310.45
Total :	8,019,695.66	6,654,492.81	1,365,202.85

Source of Data: Accounts Section, Controller's Office

ATTACHMENT "B"
REPORT OF AUDIT No. 3-61

STATEMENT OF OBLIGATIONS
AS OF NOVEMBER 30, 1960
MALARIA ERADICATION PROJECT No. 512-51-011

FIO/C No.	Commodities	Amount		Unliquidated Sub- Obligations
		Sub- Obligated	Amount Paid	
F.Y. 1958				
80131	D.D.T. 75%	313,282.83	313,282.83	-
80175	Chloroquine Powder	700,913.95	700,913.95	-
80178	Vehicles	6,288.64	6,288.64	-
80192	Scientific Apparatus	3,877.25	3,877.25	-
80207	Vehicles	446,279.73	446,279.73	-
		<u>1,470,642.40</u>	<u>1,470,642.40</u>	-
F.Y. 1959				
90095	Hudson Sprayers & Parts ...	36,662.99	36,662.99	-
90096	Xylol & Triton	186,127.79	186,127.79	-
90097	D.D.T. 75%	322,748.22	322,748.22	-
90098	Vehicles	1,205,446.41	1,205,446.41	-
90200	Tires & Tubes	6,053.41	6,053.41	-
90214	D.D.T. 100%	43,816.65	43,816.65	-
90215	Chloroquine Powder	34,313.32	34,313.32	-
90218	D.D.T. 75%	97,527.62	97,527.62	-
90219	Triton	47,036.16	47,036.16	-
90222	Polyethylene Bags	103,150.03	103,150.03	-
90223	D.D.T. 75%	205,704.66	205,704.66	-
90094	Marine Engines & Boats ...	22,200.00	5,478.33	16,721.67
90199	Polyethylene Bags	54,000.00	25,461.52	28,538.48
90216	Marine Engines & Parts ...	15,500.00	-	15,500.00
90217	Parts for Vehicles	64,266.00	47,523.94	16,742.06
90224	Audio Visual Equipment ...	58,000.00	15,109.81	42,890.19
90227	Chloroquine Powder	48,500.00	-	48,500.00
		<u>2,551,053.26</u>	<u>2,382,160.86</u>	<u>168,892.40</u>
F.Y. 1960				
00056	D.D.T. 75%	797,500.00	793,959.49	3,540.51
00057	D.D.T. 100%	70,000.00	27,094.16	42,905.84
00104	Chloroquine Powder	1,723,000.00	1,777,337.69	555,862.31
00107	Automobile Tools	6,000.00	4,890.45	1,109.55
00108	Hudson Sprayers & Parts ..	171,200.00	115,707.60	55,492.40
00109	Outboard Motors & Parts ..	5,000.00	5,487.90	812.10
00110	Vehicles	695,000.00	631,098.12	63,901.88
00111	Willys Jeeps Parts	17,000.00	-	17,000.00
00112	Triton	21,000.00	20,363.00	637.00
00113	Microscopes	76,000.00	5,823.59	70,176.41
00132	Parts for Sprayers	53,100.00	20,427.55	32,672.45
00175	Shop Equipment	6,600.00	-	6,600.00
00231	Studebaker Parts	1,200.00	-	1,200.00
00337	Office Equipment	5,800.00	-	5,800.00
00338	Tires & Tubes	5,300.00	-	5,300.00
00340	Chloroquine Powder	297,300.00	-	297,300.00
00339	Parts for Sprayers	36,000.00	-	36,000.00
		<u>3,998,000.00</u>	<u>2,801,689.55</u>	<u>1,196,310.45</u>

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Source of Data: Accounts Section, Controller's Office.

LIST OF ESTIMATED FREIGHT CHARGES PAID TO GSA/W BY USOM/B
USOM/BRAZIL - MALARIA ERADICATION PROJECT No. 512-51-014

<u>P.O. No.</u>	<u>Date</u>	<u>PIO/C No</u>	<u>Freight Paid (Estimate)</u>	<u>B.V. No</u>	<u>B.S. No</u>
NY 900058	10. 7.59	90218	\$ 9,365.00	1656-60	267
FNW-IC-28107/2		90219	4,060.00	1656-60	267
900209	11.30.59	90199	53.55	1656-60	267
900027	9.15.59	90215	850.00	1656-60	267
FNW-IC-28068/2	9.15.59	90200	1,200.00	1694-60	267
FNW-IC-28146-1/2	10. 7.59	90218	7,191.70	2006-60	461
900208	11.30.59	90199	1,762.50	2006-60	461
950016	2.12.60	90222	1,833.00	2006-60	461
950008	2. 5.60	00056	9,840.00	2055-60	474
950016	2.12.60	90222	1,057.50	2055-60	474
950016	2.12.60	90222	1,126.40	2055-60	474
950016	2.12.60	90222	1,200.00	2143-60	506
902222	12.10.59	90219	2,000.00	2555-60	26
950139	8.26.60	00108	6,000.00	297-61	218
950119	4. 5.60	00104	2,715.00	297-61	218
FNW-IC-28389-1/2	4.12.60	00104	2,769.00	813-61	494
FNW-IC-28156-3/2	2. 4.60	90217	50.00	813-61	494
FNW-IC-28389-8/2	25. 6.60	00104	2,690.73	813-61	494
			\$55,764.38		

Source of Data : Accounts Section, Controller's Office

LISTING OF DIVERTED ICA FINANCED PROCUREMENTS
FROM C E M TO D N E R u
AS AT SEPTEMBER 30, 1960
USOM BRAZIL - MALARIA ERADICATION PROJECT No. 512-51-014

<u>Commodity</u>	<u>Diverted From</u>	<u>PIOC.No</u>	<u>UNIT</u>	<u>WEIGHT</u>	<u>CIF \$ COST</u>
Xylol	Rio	90096	109 drums	Kgs. 19,677	\$ 3,972.33
Triton	Rio	90096	156 drums	Kgs. 31,752	\$ 22,612.72
	Rio	90219	225 "	45,927	(47,036.16
	Rio	90219	83 "	16,942	(10,662.60
	Recife	90096	72 "	14,668	
			536 drums	Kgs. 109,289	\$ 80,311.48
DDT 75%	Rio	90097	1,440 drums	Lbs. 144,000	\$ 45,171.10
	Rio	90097	72 "	7,200	2,256.66
	Rio	90218	1,679 "	167,900	52,573.73
	Rio	90218	1,323 "	132,300	40,363.41
	Recife	Various	3,269 "	326,900	98,070.00
			7,783 drums	Lbs. 778,300	\$ 238,434.90
Chloroquine	Rio	90215	9 drums	Lbs. 900	\$ 7,018.63
	Belem	Various	17 "	1,700	15,071.00
			26 drums	Lbs. 2,600	\$ 22,689.63

In addition to the above the following have been diverted from their use in the Eradication of Malaria in the C.E.M. :

- 1 Ford Sedan used by Director of DNERu - Rio.
- 1 Jeep Willys No. 223 used by DNERu in Joinville.
- 1 Jeep Willys No. 224 used by DNERu in Florianopolis.
- 1 Spectrofotometric apparatus used by DNERu in Belo Horizonte.

RECAPITULATION:

Xylol	\$ 3,972.33
Triton	80,311.48
DDT 75%	238,434.90
Chloroquine Powder	22,689.63
TOTAL (Value) Diverted	<u>\$ 345,408.34</u>

Source of Data: Files and Records of C E M Distribution Centers.

STATEMENT OF ICA FINANCED COMMODITIES
RECEIVED BY C E M - RECIFE FOR ZONE IIIA AND IIIB
INCEPTION UP TO AUGUST 15, 1960

<u>Period</u> <u>From</u> <u>F.Y.</u>	<u>Vehicles</u>	<u>D. D. T. 75%</u>	<u>Tires/Tubes</u>	<u>Triton</u>	<u>Xylol</u>
1958	85	Lbs. 536,600	-	-	-
1959	123	712,500	80	Drs. 232	Drs. 162
1960	91	770,000	-	-	-
<u>Total</u>	<u>299</u>	<u>Lbs. 2,019,100</u>	<u>80</u>	<u>Drs. 232</u>	<u>Drs. 162</u>

FISCAL YEAR 1 9 5 8

<u>Vehicles</u>	Jeeps Willys C.J.3 B.	38	
	Int. Harv. Pick-Up A.112	21	
	" " " A.120	16	
	Pick-UP Ford 250-118	3	
	Studebaker Trucks	6	
	Reo White Truck	1	= Total: 85 vehicles
<u>D.D.T. 75%</u> ...	5,366 drums of Lbs. 100 each = 536,600 Lbs.		

FISCAL YEAR 1 9 5 9

<u>Vehicles</u>	Jeeps Willys C.J.5	47	
	Station Wagon Willys	6	
	Int. Harv. Pick-UP B.112	29	
	" " " B.120	22	
	" " " A.122	9	
	" " Trucks A.180	9	
	" " " A.190	1	= Total: 123 vehicles
<u>D.D.T. 75%</u>	7,125 drums of Lbs. 100 each = 712,500 Lbs.		

Tires & Tubes . 80 each.

Triton X.151 .. 232 drums.

Xylol 162 drums of 182 kgs each.

FISCAL YEAR 1 9 6 0

<u>Vehicles</u>	Jeeps Willys C.J.5	70	
	Int. Harv. Pick-UP B.122	17	
	" " " B.120	4	= Total: 91 vehicles
<u>D.D.T. 75%</u>	7,700 drums of Lbs. 100 each = 770,000 Lbs.		

Source of Data: H & S Div., USOM and C E M field records.

STATEMENT SHOWING TOTAL VEHICLES SUPPLIED BY IC.
TO MALARIA ERADICATION CAMPAIGN - NATIONAL & STATE LEVELS

<u>PIOC. N^o</u>	<u>RIO</u>	<u>RECIFE</u>	<u>BELEM</u>	<u>SANTOS</u>	<u>T O T A L</u>
80178	3	-	-	-	3
80207	-	85	-	70	155
90098	184	123	-	99	406
00110	137	91	15	37	280
	<u>324</u>	<u>299</u>	<u>15</u>	<u>206</u>	<u>844</u>

Source of Data: H & S Div., USOM and C E M field records.

STATEMENT OF OPERATING AREAS
HOUSES SPRAYED AND SURFACE COVERED PER FIELD INFORMATION
PERIOD JANUARY-JUNE 1960

States	Districts	Habit. Protected	Houses Sprayed	DDT 75% Kgs. Used	Surface Sprayed - M2
<u>AREA IIIA</u>					
CEARÁ	Fortaleza	164,694			
	Itapipoca	91,456			
	Cumocim	<u>39,788</u>	295,938	68,426	41,482
RIO GR. DO NORTE	Natal	32,351			
	Cearamirim	81,272			
	S. J. Mipibú	<u>97,741</u>	211,364	49,569	27,419
PARAÍBA ...	Sta. Rita	280,762			
	Guarabira	121,760			
	Itabaiana	<u>117,061</u>	519,583	124,058	50,229
<u>AREA IIIB</u>					
PERNAMBUCO	Recife	317,561			
	Ribeirão	133,695			
	Vitoria	216,207			
	Carpina	240,042			
	Goiana	<u>209,787</u>	1,117,292	337,329	
ALAGOAS ..	Rio Largo	148,053			
	Penedo	<u>75,024</u>	223,077	74,855	
SERGIPE ..	Aracajú	100,024			
	Propriá	75,123			
	Estancia	<u>56,672</u>	231,819	87,163	

Source of Data: C E M field records.

DISTRIBUTION OF VEHICLES BY REGIONAL CENTER
FOR ZONE IIIA AND IIIB ONLY
RECIFE REGIONAL DISTRIBUTION CENTER
AS AT JULY 27, 1960

ATTACHMENT "H"
AUDIT REPORT No. 3-61

Description	Ceará	R.G. do Ncrte	Paraíba	Pernambuco	Alagoás	Sergipe	Regional Recife	Docks Recife	Belém	Manaus
155 Jeep Willys	25	19	24	50	18	18	1	-	-	-
42 Pick-Up Int. Harv. 4x4 B.120	4	6	6	13	4	4	1	4	-	-
50 Pick-Up Int. Harv. 4x2 B.110	3	8	8	15	4	6	6	-	-	-
9 Pick-Up Int. Harv. Single B.122	-	2	1	-	2	2	-	-	1	1
17 Pick-Up Int. Harv. Single B.122	-	-	-	-	-	-	-	17	-	-
(Still on Docks)										
3 Pick-Up Ford Single	2	-	1	-	-	-	-	-	-	-
6 Station Wagons Willys Rural	1	1	1	1	1	1	-	-	-	-
<u>T R U C K S</u>										
6 Studebaker 6 Tons 4E4OB	2	2	2	-	-	-	-	-	-	-
9 Int. Harv. 6 Tons B.180	-	-	-	2	2	2	3	-	-	-
1 Int. Harv. 10 Tons B.150	-	-	-	-	-	-	1	-	-	-
1 Re. White 10 Tons	-	-	-	-	-	-	1	-	-	-
259 TOTAL :	37	38	43	81	31	33	13	21	1	1

Assigned Numerical Nos. from No. 1 to 85 Vehicles Fiscal Year 1958 - 85 Vehicles
86 to 186 " " " 1959 - 101 "
350 to 371 " " " 1959 - 22 "
375 to 444 " " " 1960 - 70 " Total Received 276
On Docks 21 Total 259 Vehicles.

Source of Data: Recife Regional Distribution Center.

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STATUS OF MALARIA FIELD OPERATIONS BY AREAS AND STATES
AS AT OCTOBER 31, 1960
MALARIA ERADICATION PROJECT No. 512-51-014

<u>A r e a s</u>	<u>States</u>	<u>In Operation</u>	<u>Not in Operation</u>	<u>Operation Scheduled To Begin</u>
I	1 Amazonas	1 (partial)		
	2 Pará			
II	3 Maranhão		1	1963
	4 Piauí		1	1963
III A	5 Ceará	1		
	6 Rio G. do Norte	1		
	7 Paraíba	1		
III B	8 Pernambuco		1	1960
	9 Alagoas	1		
	10 Sergipe	1		
IV A	11 Bahia		1	1962
IV B	12 Minas Gerais		1	1961
	13 Espírito Santo		1	1961
V	14 Guanabara		1	1960
	15 Paraná		1	1960
	16 Sta. Catarina		1	1960
	17 Rio G. do Sul		1	1960
VI	18 Goiás		1	1961
	19 Mato Grosso		1	1961
V A	State of São Paulo (8 Zones - 21 Sectors)	1		

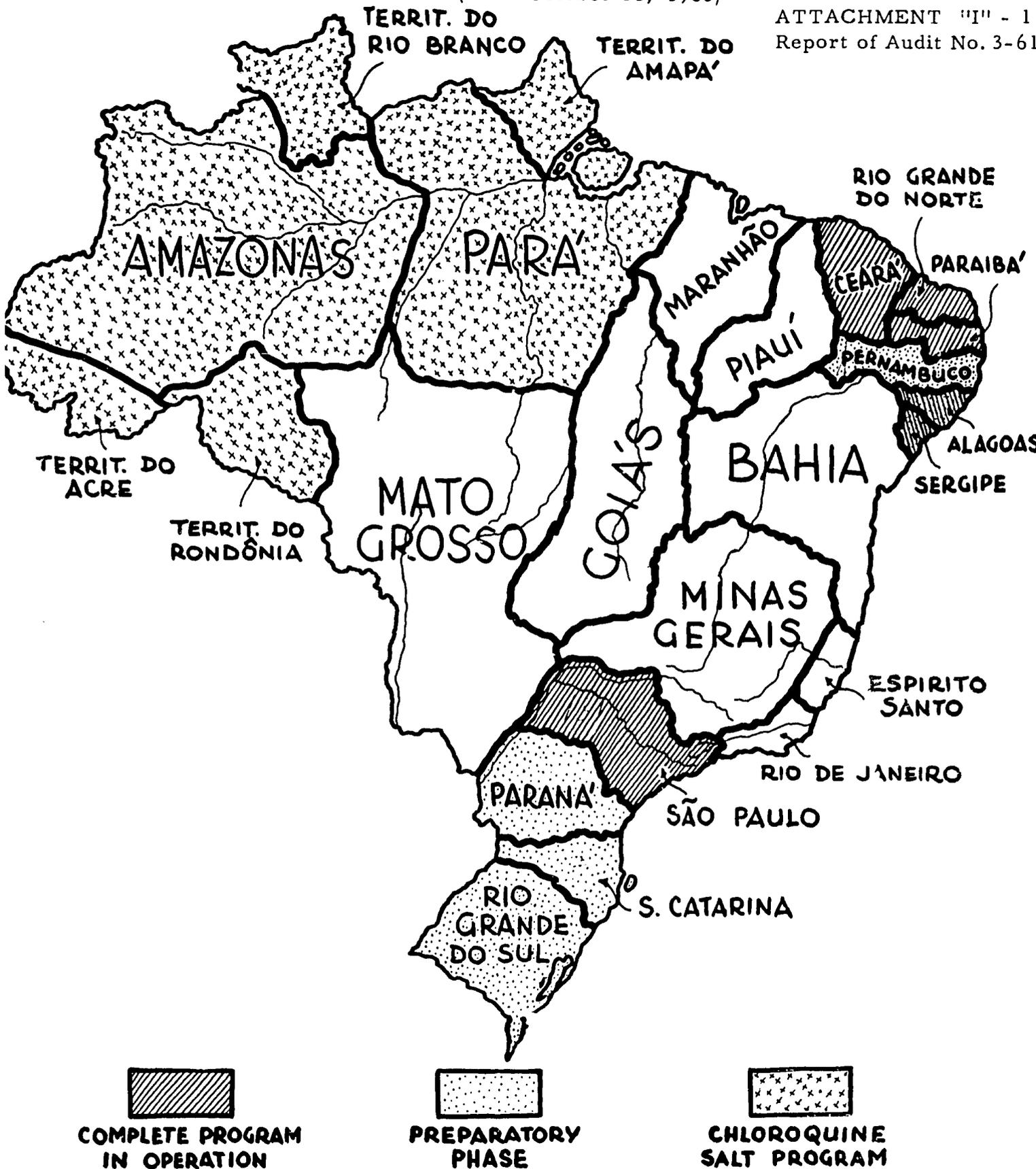
Note :- Area V-A (State of São Paulo) is State operated and controlled. All other areas and states are operated and controlled by the Federal Government.

Source of Data: H. & S. Division Files.

MALARIA ERADICATION PROGRAM

(as of October 31, 1960)

ATTACHMENT "I" - 1
Report of Audit No. 3-61



STATEMENT OF ICA-FINANCED COMMODITIES
RESULTS OF END-USE OBSERVATIONS
AS OF NOVEMBER 30, 1960
MALARIA ERADICATION PROJECT No. 512-51-014

Number of End-Use Reports issued by H. & S. Division	253
Number of End-Use Reports issued by Audit Section	34
Total End-Use Reports issued	287

END-USE RESULTS AND PERCENTAGES BY AREAS

Areas	Satisfactory	Percentage	Unsatisfactory	Percentage	Total
Rio	\$ 269.225.38	26,2%	\$ 758.038.48	73,8%	\$ 1.027.263.86
Recife	680.504.40	62,8%	403.187.04	37,2%	1.083.691.44
São Paulo	316.112.75	47,7%	346.492.04	52,3%	662.604.79
Belem	(x) 1.888.522.90	92,7%	148.483.91	7,3%	2.037.006.81
Total . .	\$ 3.154.365.43	65,5%	\$ 1.656.201.47	34,5%	\$ 4.810.566.90

(x) - This figure includes \$ 1.850.260.92 of chloroquine powder supplied to AREA I (Pará & Amazonas), the majority of which has been issued, however, therapeutical results have not yet been evaluated by the Malaria Control Program.

Source of Data: H. & S. Division and Audit Section End-Use Reports.

LIS^m OF MANUAL ORDERS AND DIRECTIVES APPLICABLE TO THIS
PROJECT AND RELATED AUDIT REQUIREMENTS

<u>Directive No.</u>	<u>Title</u>	<u>Date</u>
M.O. 232.1	USOM Controller Function.	7/26/54
M.O. 233.1	Functions of the Program Office and Technical Service Offices in USOMs.	12/26/56
M.O. 235.2	Functions of Cooperative Service Business Manager in Administration and Financial Management.	2/25/58
M.O. 310.1	Programs for Evaluation and Audit of ICA Operations.	11/18/57
M.O. 514.8	Memoranda of Conversation.	6/13/56
M.O. 520.1	Records Management Program.	11/12/54
M.O. 541.1	Personal Property Management and Control Missions.	8/24/55
M.O. 601.1	Basic Relationship of USOMs and Diplomatic Missions on security.	10/11/56
M.O. 704.1	Review and Observation of ICA-Financed Assistance: Introduction.	4/ 1/56
M.O. 704.3	Review and Observation of ICA-Financed Assistance: Project-Type Assistance.	4/ 1/56
M.O. 704.5	Operating Guide for End-Use Observations.	4/ 1/56
M.O. 732.2	Sample of Accounting Transactions for Project Type Assistance.	7/ 1/54
M.O. 732.3	USOM Accounting for Project Assistance.	7/ 1/56

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<u>Directive No.</u>	<u>Title</u>	<u>Date</u>
M.O. 751.1	Billing and Collection Procedure.	10/12/60
M.O. 754.5	Property Accounting - USOM-ICA-owned non expendable Property. Index.	6/ 1/59
M.O. 754.6	Arrival Accounting.	7/ 1/60
M.O. 758.1	Accounting Procedures for GSA Procurement.	7/10/59
M.O. 784.1	Administration Audit of Vouchers-Voucher Examination-General.	7/ 1/57
M.O. 797.1	Procedure for Actions to be taken by USOMs on End-Use or Other Reports Issued as Part of the Mission's Review and Observation.	11/ 7/58
M.O. 798.1	Reports on USOM Audit Activities.	7/ 1/60
M.O. 1017.1	USOM Technical Service Reports.	6/16/59
M.O. 1051.1	Procedures for the Administration of Project-Type Assistance.	12/28/56
M.O. 1051.2	Placement of Title to Project Commodities.	6/24/58
M.O. 1054.1	Instructions for the Preparation and Use of Form ICA-10-5 Project Agreement.	12/23/58
M.O. 1106.3	Regulation I.	11/25/57
M.O. 1113.1	ICA Procurement Policies for Non-Military Commodities: Commodity Standard and Specifications.	3/22/55
M.O. 1145.1	Project Implementation Order-Commodities Form - Preparation and Use.	7/ 6/60
M.O. 1145.4	Direct USOM-to-GSA Procurement.	4/11/57
M.O. 1173.2	Emblem Marking Requirements for ICA-Financed Commodities.	2/27/59
M.O. 1175.1	Marine Insurance.	4/10/56

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<u>Directive No.</u>	<u>Title</u>	<u>Date</u>
* IAM. 452.2	Financial Operations Arrival Accounting.	6/30/58
* IAM. 950	Standards for Clearance of Audit Reports.	6/30/58
* IAM. 960	Internal Audit Review.	6/30/58
USOM/B 230-C	Responsibilities and Functions of the Division of Health and Sanitation.	10/15/58
USOM/B 230-J	Responsibilities and Functions of the Program Office.	4/15/59
USOM/B 310	Program Evaluation.	7/20/59
USOM/B 781	USOM Audit Functions and Procedures.	5/ 2/60
USOM/B 1021.1	Project Implementation Documents.	8/ 1/60

* ICA, Internal Audit Manual.