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AUDIT OF THE ZANZIBAR MALARIA
CONTROL PROJECT
PROJECT NO. 621-0163

Audit Report No. 3-621-85-10
March 28, 1985

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EXECUTIVE SUMMARY

The Government of Zanzibar Ministry of Health (MOH) has a long history of combatting malaria. In 1957, with the assistance of the World Health Organization, a malaria control program was launched. This was upgraded to a malaria eradication program in 1961. However, the MOH stopped the program in 1968 for political reasons. By 1972, malaria had again become a serious problem and the MOH re-established the program without external assistance. In 1979 the MOH and USAID/Tanzania began consultations regarding a malaria program.

In September 1981, the United Republic of Tanzania (TanGov), the Government of Zanzibar (GOZ) and AID signed a project loan agreement for \$11.8 million. The GOZ through the MOH agreed to provide \$4.3 million as its contribution to the project. The purpose of the project is to reduce the prevalence of malaria in Zanzibar to a level at which it no longer constitutes a major public health problem. As of September 30, 1984, USAID/Tanzania had obligated \$11.8 million of which \$1.4 million had been expended. The project assistance completion date is September 30, 1987.

Since the commencement of project activities some progress has been made. The MOH has begun to develop an infrastructure in the Malaria Control Unit. Spraying in the southern district of Unguja began in April 1984 and plans were underway to expand the spraying to Pemba Island. Also, project officials in liaison with community leaders have started community campaigns to educate the people about malaria and malaria control.

We found that the discrepancies between AID and GOZ loan payment records were caused by the Ministry of Finance issuing bad checks. As a result the loan is in default and this problem needs to be addressed.

Project design was weak because the project purpose was vague and there were no specific interim bench marks. Also there is no baseline data available which can be used as a starting point. As a result project progress could not be measured.

Other problems we found are summarized below and detailed in the following sections of this report:

- The project paper amendment needs to be finalized and deobligation action taken for \$4.3 million of loan funds.
- A MOH plan of operation and yearly workplans need to be finalized in order to outline the Malaria Control Project activities and to provide benchmarks for evaluation purposes.

- USAID/Tanzania needs to receive financial reports from the MOH. Also, the MOH contractor needs to submit quarterly progress reports to USAID/Tanzania. These reports will enable USAID/Tanzania to more closely monitor MOH contributions and project activities.
- The Malaria Control Unit needs to improve its control over vehicles to ensure that the 31 project vehicles are properly used and maintained.
- The Malaria Control Unit does not receive shipping documents in a timely manner. Thus, project commodities are held in customs which results in unnecessary warehouse charges.

The report contains 9 recommendations which address the project's deficiencies. USAID/Tanzania has taken action to implement 3 of the recommendations. These 3 recommendations will be considered closed when the report is issued.

At the conclusion of our audit, we discussed our findings with USAID/Tanzania officials. We also provided them with a draft report for their comments. We have incorporated their views in this final report as considered necessary.

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BACKGROUND

On September 30, 1981 the United Republic of Tanzania (TanGov) acting through the Revolutionary Government of Zanzibar (GOZ)^{1/} and AID signed a project loan agreement. AID agreed to lend \$11.8 million to the GOZ who in turn through the MOH agreed to provide \$4.3 million for project use. As of September 30, 1984, USAID/Tanzania had obligated \$11.8 million of which \$1.4 million had been expended. The project assistance completion date (PACD) is September 30, 1987.

The purpose of the project is to reduce the prevalence of malaria on Zanzibar to a level which no longer constitutes a major public health problem. AID is to provide assistance to the MOH to develop a Malaria Control Unit (MCU) within the MOH. This unit will be responsible for implementation of the malaria control program and hopefully will provide the foundation for continued activities after the AID project assistance ends. Project inputs from AID include long-term technical assistance, short-term consultants, training for in-country personnel, participant training and commodity procurement. The MOH inputs include the services of MCU personnel, and in-service training for local leaders, school teachers and health workers.

^{1/} Throughout the report the acronym GOZ is used to identify the borrower. The GOZ is part of the TanGov and any legislative requirements placed on the TanGov also apply to the GOZ.

OBJECTIVES, SCOPE AND METHODOLOGY

The purposes of our audit were to determine whether: (a) the project was meeting its objectives and purpose as stated in project agreements; (b) project resources were being used effectively (c) applicable laws, regulations and agreements were being complied with. Except as noted in this report, we found no other exceptions during our review of these areas significant enough to report.

Our review covered project progress from inception in September 1981 through November 1984. Disbursements made during the audit period were \$1.4 million. Audit work was done during October and November 1984 in Nairobi, Kenya; Dar-es-Salaam, Tanzania; and selected areas in Zanzibar. The audit included a review of project implementation and financial documents. Site visits were made to several health facilities on the island of Unguja to observe project activities which included spraying operations. Discussions were also held with appropriate USAID/Tanzania, MOH and contractor personnel.

Our review was made in accordance with the Comptroller General's standards for audit of governmental programs and included such tests of the project's records and procedures as we considered necessary in the circumstances.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The Government Of Zanzibar Is In Default Under The Loan Agreement

We found differences between the financial records of AID's Controller in Washington (FM/CAD/W) and the GOZ's Ministry of Finance (MOF). These differences need to be reconciled.

FM/CAD/W sends semiannual notices on AID loans to borrowers. The notices titled "Notice of Payments Due" show the principal, accrued interest due and the payment date. Our review of these notices showed that AID has billed the MOF 8 times since December 1982 for a total of \$16,576.37. However, the FM/CAD/W notices show receipt of only one \$2,865.52 payment and a past due balance of \$13,710.85.

The MOF records show that 7 payments totalling \$14,447.97 have been made. One other payment of \$2,128.40 for some unknown reason was returned by AID to the MOF's correspondent bank in the U.S. Details of these transactions are shown in Exhibit I.

When we brought these discrepancies to the attention of the MOF officials they were unaware of them. MOF officials stated that they had made the payments and believed that the payments were credited to their account. They admitted that they had not monitored the payment notices, but, would do so in the future.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response and Recommendation

The discrepancies between the MOF and FM/CAD/W records need to be reconciled. The reasons for the discrepancies should be reviewed to make sure that adequate controls are established to prevent reoccurrence of the problem.

In response to our draft report, USAID/Tanzania stated that FM/CAD/W records did not reflect MOF interest payments because the MOF's New York Bank returned the checks marked "Not Collectible". The MOF has also been notified of this problem. USAID/Tanzania plans to discuss this problem with MOF officials during March 1985 to find out why the checks have not been honored.

It is now apparent that there was no discrepancy between the MOF records and AID/W. The MOF issued checks without funds to cover them which is why AID/W records did not reflect the

payments. Therefore, we have deleted the recommendation included in our draft report to (1) determine why GOZ interest payments were not reflected on FM/CAD/W records (2) have accounts adjusted accordingly, and (3) develop controls to prevent a recurrence of the problem.

The GOZ is in default under section D. 2 "Events of default, acceleration". This section states:

"It will be an Event of Default if Borrower shall have failed: (a) to pay when due any interest..."

This loan constitutes another event of default with the TanGov, which in this instance includes the GOZ. Since February 9, 1982 USAID/Tanzania has been operating under section 620(Q) which provides that no further development commitments can be made when a country is in default over 6 months. This provision can be waived until the Brooke Amendment takes over after one calendar year. The Brooke Amendment is now in effect and cannot be waived.

Based on USAID/Tanzania's response to our draft report it does not appear that the GOZ has been officially notified that their loan is in default. We therefore have revised our recommendation to insure they are notified.

Although AID has not invoked remedies under other AID loans in default in Tanzania, in our opinion, AID should consider suspending this loan to get the GOZ to pay. It is poor management to continue to disburse loan funds when amounts already due are not paid. We would be very critical of a development bank if it disbursed funds to a borrower already in default, therefore, we believe that the same management principles should apply to AID. We have recommended that future loan disbursements be suspended until the interest due on this loan is current.

RECOMMENDATION NO. 1

USAID/Tanzania notify the Government of Zanzibar that the Zanzibar Malaria Control Project Loan is in default and that future loan disbursements are suspended until the interest payments are paid as stipulated in the agreement.

Interim Benchmarks Are Needed To Measure Project Progress

Project progress could not be measured because the original project design did not include quantifiable benchmarks. Without realistic criteria to gauge the progress made to control malaria any assessment, at best, is but a guess. Thus, since the commencement of project activities in September 1981 we were unable to determine if any headway had been made towards the control of this disease on the two islands of Zanzibar.

In 1978 there was a resurgence of the disease. At that time the malaria problem became so serious that the MOH believed that it was at epidemic level. Subsequent to 1978 the incidence of malaria had been calculated from the number of cases diagnosed by passive case detection (PCD). Analysis of results provided through PCD did not provide dependable data for interpreting the prevalence of malaria. While it was believed that the spread of malaria on Zanzibar was widespread, specific data was unavailable to show just how prevalent it was.

The project agreement states that one objective of the project is to reduce the prevalence of malaria on Zanzibar to a level at which it no longer constitutes a major public health problem. This is a vague project purpose which needs definition. Further, quantifiable benchmarks were not provided. Thus it cannot be determined what progress should have been made in controlling malaria. It can be assumed that with the resumption of residential spraying, active case detection, and treatment, the incidence of the disease should decrease. But without accurate baseline data a definitive project purpose and application of this data to realistic benchmarks, project progress cannot be determined.

Since 1981, the project has made progress toward meeting some of its objectives. The MOH has filled all key positions within the MCU. On-the-job training of project technicians and sprayers has started. Spraying in the southern district of Unguja commenced in April 1984. This operation will be expanded to include other regions as well as on Pemba Island prior to the next long rainy season. Project officials in liaison with community leaders have started community campaigns to educate the people about malaria and malaria control. About \$1.1 million of project commodities have been received and are in use.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response, and Recommendation

Project progress could not be measured because there were no quantifiable benchmarks included in the original project documentation. Also, accurate baseline information was not obtained at the outset of the project which showed the prevalence of the disease on the two islands of Zanzibar. To correct this problem the USAID/Tanzania should help the MOH to develop a definitive project purpose and quantifiable interim objectives as a basis to measure whether the activity is moving toward the project purpose and at what pace and cost.

USAID/Tanzania in their response to the draft report stated that they would incorporate into the project interim benchmarks developed and agreed-to by the MOH. USAID/Tanzania further commented: "The findings and recommendations of the mid-term evaluation have led to the modification of the end-of-project status (EOPS) by making them more specific. Among the specifics proposed are that: (a) the revised project expects a dramatic drop in malaria parasite rates (as determined by malariometric surveys) from the current 15 to 20 percent to 3 percent in children 2 through 9 years old; (b) the out-patient malaria attendance rates (laboratory confirmed) in hospitals and health clinics should not exceed 10 percent of total patients in attendance; and (c) the malaria case fatality rate (laboratory confirmed) in hospitals and health clinics should not exceed 0.4 percent."

We agree with USAID/Tanzania's proposed action but have retained our recommendation pending implementation.

RECOMMENDATION NO. 2

USAID/Tanzania assist the Ministry of Health to develop (a) a project purpose which requires more than just a reduction of the incidence of malaria and (b) interim benchmarks which measure project progress.

USAID/Tanzania Needs To Finalize The Project Paper Amendment And Related Financial Documents

A joint evaluation team, consisting of AID, MOH, and the Center for Disease Control (CDC), made an evaluation of the project in November 1983. They concluded that the original project paper

was ambitious and overly optimistic. The team recommended that USAID/Tanzania prepare a project paper amendment including the deobligation of \$4.3 million by June 1984. As of November 1984, the amended project paper had neither been finalized nor had the funds been deobligated. Based on our review of the project we feel that the evaluation is valid and the recommended amendments and deobligations should be made.

The evaluation team suggested that certain components of the project be amended. The evaluation report pointed out that the project was based on the use of chloroquine as a treatment and prophylaxis to malaria, and DDT¹ as an insecticide. Their investigation showed that some mosquito vectors had developed a resistance to chloroquine and DDT, therefore, their use should be eliminated.

The team recommended the project paper be amended so that the active case detection program, (blood slide collection from suspected malaria cases) be limited until the malaria incidence levels drop. Larviciding and source reduction activities should be less extensive and more basic in their approach. Malathion should be substituted for DDT in certain areas and chloroquine eliminated as a prophylaxis. The evaluation team analyzed the disbursement rates and concluded that the project was over funded. As a result they recommended deobligation of \$4.3 million from the original loan of \$11.8 million.

Although USAID/Tanzania accepted the revisions and suggestions made in the evaluation report, they had not finalized a project amendment. USAID/Tanzania indicated that a draft amendment was prepared in December 1983, but, since that time they were waiting for AID/W approval. The approval has now been received and USAID/Tanzania is presently updating the amendment. In addition USAID/Tanzania plans to amend the loan authorization and the loan agreement to deobligate \$4.3 million of loan funds.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response and Recommendation

USAID/Tanzania needs to expedite the action proposed by the evaluation team more than a year ago. Project officials need to finalize the project paper amendment incorporating revised project funding levels, objectives and implementation plans.

1/ Dichloro-diphenyl-trichloro-ethane

USAID/Tanzania stated in their written comments that a draft project paper supplement reflecting the findings and recommendations of the November 1983 evaluation has been prepared. It will be finalized as soon as the draft agreement amendment currently with the MOH is agreed to by the Principal Secretary. AID/W has been notified of the potential deobligation of \$4.3 million. USAID/Tanzania anticipates MOH's approval and signing of the amendment and deobligation of funds by April 1985. We have retained our recommendation pending final implementation action.

RECOMMENDATION NO. 3

USAID/Tanzania, in conjunction with the Ministry of Health amend the loan agreement and deobligate \$4.3 million.

The Ministry Of Health Needs To Finalize A Plan Of Operation And The Annual Workplan

A MOH plan of operation and annual workplan have not been finalized. These plans are needed to control and direct MCU activities.

The November 1983 evaluation team recommended that a MOH plan of operation and an annual workplan be prepared. At the time of our audit, about a year later, neither had been finalized. We agree that effective implementation of the project will require the operating and annual workplans recommended by the evaluation team.

The project paper for the malaria control program was developed without the benefit of a long range MOH plan of operations. AID policy on malaria control assistance requires such a plan as a prerequisite to the provision of AID assistance. Further in order for a long range plan to be effective it must be reduced to annual segments so that effective control can be exercised. USAID/Tanzania was unable to provide us with any information as to why such a plan was not part of the project paper development process.

Specific annual workplans have not been developed since the loan agreement was signed in September 1981. Workplans are needed to direct project activities which will tie into targets and benchmarks for control purposes. Project implementation can be adversely affected by lack of effective planning.

USAID/Tanzania stated that they had received the MOH draft malaria operational plan in June 1984. In September and October it was reviewed by USAID/Tanzania and MCU officials, and, with slight changes, all concurred with the draft. The draft will soon be returned to the MCU for finalization. USAID/Tanzania also stated that the MCU has developed an annual workplan and is finalizing the plan. This plan implements one year of the operational plan.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response, and Recommendation

USAID/Tanzania needs to follow-up with the MOH to see that their plan of operation and the annual plan are finalized. Also, USAID/Tanzania needs to approve the plans prior to implementation.

In response to our draft report, USAID/Tanzania stated that the plan of operations has been published by the MCU and they have received a copy. Both the project officer and malaria advisor have reviewed it and have suggested some changes. The project paper supplement reflects the objectives stated in the plan of operations. The draft annual work plan was submitted in January 1985. It closely follows the plan outlined and recommended by the evaluation team. USAID/Tanzania anticipates approving the plan of operations and workplan in March 1985. Meanwhile project activities are being implemented according to the work plans. Our recommendation has been retained until the plans have been finalized and approved by USAID/Tanzania.

RECOMMENDATION NO. 4

USAID/Tanzania, in conjunction with the Ministry of Health, finalize and approve the plan of operation and the annual workplan.

USAID/Tanzania Needs To Obtain Financial Reports From The Ministry Of Health

USAID/Tanzania has not received financial reports from the MOH on local currency contributions to the project. These reports are needed by USAID/Tanzania to verify that the MOH is making its agreed-to contribution to the project in a timely manner.

The project loan agreement stipulates that the MOH is to contribute not less than \$4.3 million to the project. These contributions can be on an "in-kind basis". The loan agreement

provides that the USAID/Tanzania may request such information, but, we found no evidence indicating that this had ever been done. As a result USAID/Tanzania did not know if the MOH had met its financial commitment to the project.

This lack of reporting takes on more significance because the MOH is having difficulties meeting its obligations under the project. For example, during calendar year 1984 the malaria project obligated more funds than they were allotted by about Tanzania shillings (Shs) 40,000 (\$2300). Although this is not significant it indicates a need for more funds.

The MOH project director stated that he had requested an allotment of Shs 1.5 million (about \$85,000)* for the quarter beginning October 1, 1984. As of October 31, 1984 these funds had not been received. USAID/Tanzania, however, is optimistic that the allotment will be forthcoming.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response and Recommendation

The MOH is not reporting on its contribution to the project because USAID/Tanzania has not requested such information. We believe that this report is an important monitoring tool and should include information on the budget amount, funds received and expended and the period covered.

USAID/Tanzania in responding to our draft recommendation stated that although the MOH has contributed funds to the malaria control program in the form of drugs, staff salaries, rent, oil, petrol and lubricants, records of the MOH's contributions are sketchy. This is due mainly to irregular and unsystematic accounting. USAID/Tanzania also stated that they had discussed this problem with MOH officials who acknowledge and appreciate the need for recording their contributions to the project. The project officer and controller plan to meet with the MCU staff to help develop a procedure for recording and reporting the MOH's contributions to the project. The project officer expects to implement these arrangements by a project implementation letter before the end of March 1985. We have retained our recommendation pending definitive action.

RECOMMENDATION NO. 5

USAID/Tanzania, in conjunction with Ministry of Health, develop a reporting system that will provide information on the Ministry of Health's financial contribution to the project.

The Contractor Needs To Submit Quarterly Progress Reports

The contractor needs to submit quarterly progress reports as required by his personal service contract (PSC). Since the contractor's arrival in May 1983, he has submitted only two reports while six reports should have been prepared. One report covered the quarter ending September 30, 1983, and the other report covered the quarter ending March 31, 1984. Our review of these two reports showed that they lacked specificity regarding project activities. In fact the reports were rather cryptic. As a result USAID/Tanzania lacked current information on project activities, implementation status and problems.

The MOH and the contractor entered into a PSC effective May 16, 1983. The purpose of the three year contract was to provide the services of a senior malariologist to assist the GOZ in its malaria control program. The estimated cost of the contract is \$360,000 and is funded by the project loan.

The contract requires the contractor to submit quarterly progress reports to USAID. The first report was due on June 30, 1983. The contractor told us that he saw no need to prepare quarterly reports, because until recently, nothing was happening. The contractor's rationale does not make sense because he has not submitted reports for the last two quarters. Further, he mentioned that his contract is with the MOH so his reports can not be as candid as USAID/Tanzania would like.

USAID/Tanzania agreed with the contractor on the candidness aspect and thus questions the report's value. They state, however, that they will see to it that the reports are submitted as provided for in the contract. They also stated that they will see to it that both the candidness and specificity aspects are addressed.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response

The purpose of the quarterly progress reports is to summarize the work performed and the progress made during the period. In addition, the report should include problems encountered and planned solutions. The reports are an effective management tool for monitoring the project.

In response to our draft report, USAID/Tanzania stated that the contract requires the submission of quarterly reports. Although these reports have not been forthcoming USAID/Tanzania

recognizes the value of these reports. A format for the reports has been jointly developed by the project officer and contractor. The first report, received in January 1985, discussed implementation activities, problems and proposed solutions.

Since USAID/Tanzania has implemented the recommendation, upon issuance of this report the recommendation will be considered closed.

RECOMMENDATION NO. 6

USAID/Tanzania in conjunction with the Ministry of Health develop a reporting format and require the contractor to submit the quarterly progress reports.

The Malaria Control Unit Needs To Improve Its Vehicle Maintenance and Usage System

The MCU has not established vehicle maintenance records that ensure regular servicing of the 31 project vehicles. Also the use of project vehicles must be closely controlled to prevent their use for non-official purposes. Effective management of project equipment requires a regular maintenance program. Further the project agreement stipulates that steps be taken to ensure that project financed vehicles are used only in support of project activities.

There were no maintenance records kept for project vehicles. Each driver was responsible to ensure that his assigned vehicle was serviced on a routine basis. However, there was no schedule which showed when a driver was to bring his vehicle in for routine service, nor was there any record kept showing which vehicles were serviced. Unless a preventive maintenance system is established and adhered to costly repairs can result in excessive vehicle downtime. Further, preventive maintenance usually extends the life of a vehicle.

The November 1983 project evaluation found that MCU personnel had used AID purchased vehicles for non-project purposes. We, therefore, followed up to see what controls were established to correct this problem. We found none. We also found that drivers were not maintaining daily trip tickets to account for the use of vehicles. Thus, the possibility still exists that vehicles are used for non-official purposes.

MCU had taken some steps to correct the situation by hiring an administrative assistant to supervise the motorpool operation. MCU was also in the process of hiring a transport advisor who will have responsibility for scheduling maintenance and monitoring the use of vehicles.

Although these are steps in the right direction, the administrative assistant has not been on the job long enough to establish an adequate system for vehicle maintenance. Furthermore, MCU needs to expedite the hiring of the transportation advisor in order to monitor the use of the vehicles.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response

MCU needs to establish a preventive maintenance program and see that the program functions properly. Vehicle trip tickets should be monitored by the motorpool supervisor to see that the forms are properly completed. Attention should also be given to see that project vehicles are not used for non-official purposes.

USAID/Tanzania responded that a Peace Corps Volunteer (PCV) with an automotive mechanics background was assigned to the project on a fulltime basis in December 1984. He has developed and instituted a well planned and functioning maintenance program. A local mechanic has been hired to take over the supervision when AID funding ceases. Vehicle usage has been closely monitored since the arrival of the contractor and project officer. A trip manifest is in every vehicle and the PCV closely checks the daily usage reports. USAID/Tanzania has satisfactorily implemented our recommendation therefore it will be considered closed when this report is issued.

RECOMMENDATION NO. 7

USAID/Tanzania ensure that the Malaria Control Unit establish a preventive maintenance program for vehicles and monitor vehicle usage.

The Malaria Control Unit Needs To Establish An Inventory Control System

The MCU does not have an effective inventory system to control the receipt and issuance of about \$1.1^{1/} million of expendable and non-expendable project commodities. The MCU needs technical assistance to establish such a system.

At present MCU does not have such a system in place because it lacks knowledgeable staff to install an inventory system. MCU personnel are in the process of taking a physical inventory and recording the count on inventory cards. However, records have not been established based on items purchased and received as a basis of comparison to the physical count. Until all purchase and receipts are recorded MCU will be unable to determine if all commodities are accounted for. We attempted to test the inventory system but found it in such a disarray, no further work was done to determine the magnitude of possible differences. The inventory will have to be reconstructed just to determine what should be on hand.

Effective control over commodities requires that records be established and maintained by someone whose duties are independent from those of the storekeeper. The storekeeper should be responsible for receiving, issuing, and safeguarding project commodities. Periodically, an inventory should be taken and the physical count compared to the book balance. Variances should be investigated and reconciled.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response and Recommendation

MCU needs to prepare inventory control records. These records should be periodically reconciled to physical inventories. USAID/Tanzania's Controller and General Service Offices could be used to develop an adequate system.

USAID/Tanzania stated in their response to the draft report that the MCU has established an inventory control system for expendable and non-expendable project commodities based upon a supply and administration consultant's recommendations. A storekeeper has established a monitoring system. A fulltime stock clerk has also been hired to maintain stock records.

^{1/} The major items purchased with project funds were insecticides, malaria suppressants, vehicles and spraying equipment.

Commodity management is now closely monitored by both the contractor and project officer as well as the project director. The system will be reviewed in six months and modified as required to ensure effective operation.

USAID/Tanzania has taken adequate steps to correct the deficiencies surfaced during the review. Therefore our recommendation will be considered closed when this report is issued.

RECOMMENDATION NO. 8

USAID/Tanzania, provide technical assistance to Malaria Control Unit, to develop an inventory control system for expendable and non-expendable project commodities.

Late Receipt Of Shipping Documents Delayed Custom Clearance

The custom clearing office within the MOH does not receive shipping documents for the majority of project commodities prior to the time the shipment reaches port. As a result, warehouse charges are incurred until the documents are received. For example, of 25 shipments received in Zanzibar, the average number of days taken to clear customs was 20 days and varied from 4 to 66 days. Warehouse charges on some of the shipments varied from \$20 to slightly over \$4000.

These charges, by and large, represent a waste of scarce assistance dollars and their elimination can provide more funds for development purposes. Also, if these commodities were cleared from customs in a timely manner they would be more readily available for project use.

USAID/Tanzania's procurement assistant stated that vendors are requested to send all shipping documents to Zanzibar when the shipment is made. The vendors are also to send 2 copies to USAID/Tanzania, one for the procurement assistant and one for the controller. Upon receipt of the copy the assistant sends a cable as well as pouches a duplicate set of documents to Zanzibar. However, according to the project officer these documents are not received by the MOH or the clearing office. USAID/Tanzania officials attribute the failure to receive these documents to the poor postal system between Tanzania and Zanzibar.

Conclusion, USAID/Tanzania Comments, RIG/A/Nairobi Response and Recommendation

The MOH needs the shipping documents in a timely manner to expedite customs clearance of project commodities. The MOH administrative assistant and the USAID/Tanzania procurement specialist must coordinate their efforts to resolve this problem so that the cost of warehousing can be reduced or eliminated.

In response to our draft report, USAID/Tanzania stated that the problem of ensuring prompt delivery of shipping documents has been a recurring one and there appears to be no easy solution. Procedures call for the vendor to send one copy of the shipping documents to the MOH, one copy to the USAID/Tanzania controller and a third to USAID/Tanzania's Project Development and Monitoring Office (PDM). PDM immediately sends a copy to Zanzibar in the event the other copy didn't arrive.

If the MOH does not receive the documents prior to arrival of commodities, USAID/Tanzania immediately cables the vendor asking for the prompt dispatch of the necessary papers. Many shipments destined for Zanzibar are shipped to Dar Es Salaam for transshipment. The situation has improved since the ship "Mapinduzi" returned from overhauling and is again in service between Zanzibar and the mainland. Also, since regular flights from Nairobi and Zanzibar have been initiated and restrictions on charter flights between these two cities have been eased, commodity problems are fewer. Still, all concerned are continually on the alert for any missing shipping documents and take immediate action when necessary.

Since USAID/Tanzania has indicated that there is no reasonable solution to the problem we have revised our recommendation to try to attack the problem in another way.

RECOMMENDATION NO. 9

USAID/Tanzania in coordination with the Ministry of Health study alternative procedures such as having commodities released to the Ministry of Health pending receipt of shipping documents or stored in a bonded government warehouse where no charge would be assessed to another government ministry.

EXHIBIT I

Zanzibar Malaria Control Project
Schedule Of Interest Payments
Period 12/17/82 - 7/15/84

Per AID/W - Notice of Payment Due

Per GOZ/MOF Records

Loan No. 621-U-026A

<u>Due Date</u>	<u>Amount</u>	<u>Amount Received</u>	<u>Amount Paid</u>	<u>Date</u>
12/17/82	\$ 314.81		\$ 314.81	9/10/83
6/17/83	799.07		799.07	9/10/83
12/17/83	2865.52	\$2865.52	2865.52	12/10/83
6/17/84	2128.40		1/	
	<u>\$6107.80</u>	<u>\$2865.62</u>	<u>\$3979.40</u>	

Loan No. 621-U-026 B

1/15/83	\$ 1209.17		\$ 1209.17	9/10/83
7/15/83	1787.95		1787.95	9/10/83
1/15/84	3186.26		3186.26	1/15/84
7/15/84	4285.19		4285.19	7/14/84
	<u>\$10468.57</u>		<u>\$10468.57</u>	

TOTAL	<u>\$16576.37</u>	<u>\$2865.62</u>	<u>\$14447.97</u>	
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1/ Peoples Bank of Zanzibar received a telex from their correspondent bank (Bankers Trust N.Y) that payment of \$2128.40 was returned by AID. No reason was given why the payment was not accepted.

List of Recommendations

	<u>Page</u>
<u>RECOMMENDATION NO. 1</u>	4
USAID/Tanzania notify the Government of Zanzibar that the Zanzibar Malaria Control Project Loan is in default and that future loan disbursements are suspended until the interest payments are paid as stipulated in the agreement.	
<u>RECOMMENDATION NO. 2</u>	6
USAID/Tanzania assist the Ministry of Health to develop (a) a project purpose which requires more than just a reduction of the incidence of malaria and (b) interim benchmarks which measure project progress.	
<u>RECOMMENDATION NO. 3</u>	8
USAID/Tanzania, in conjunction with the Ministry of Health amend the loan agreement and deobligate \$4.3 million.	
<u>RECOMMENDATION NO. 4</u>	9
USAID/Tanzania, in conjunction with the Ministry of Health, finalize and approve the plan of operation and the annual workplan.	

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RECOMMENDATION NO. 5 10

USAID/Tanzania, in conjunction with Ministry of Health, develop a reporting system that will provide information on the Ministry of Health's financial contribution to the project.

RECOMMENDATION NO. 6 12

USAID/Tanzania in conjunction with the Ministry of Health develop a reporting format and require the contractor to submit the quarterly progress reports.

RECOMMENDATION NO. 7 13

USAID/Tanzania ensure that the Malaria Control Unit establish a preventive maintenance program for vehicles and monitor vehicle usage.

RECOMMENDATION NO. 8 15

USAID/Tanzania, provide technical assistance to Malaria Control Unit, to develop an inventory control system for expendable and non-expendable project commodities.

RECOMMENDATION NO. 9 16

USAID/Tanzania in coordination with the Ministry of Health study alternative procedures such as having commodities released to the Ministry of Health pending receipt of shipping documents or stored in a bonded government warehouse where no charge would be assessed to another government ministry.

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