493-0283

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THE
INSPECTOR
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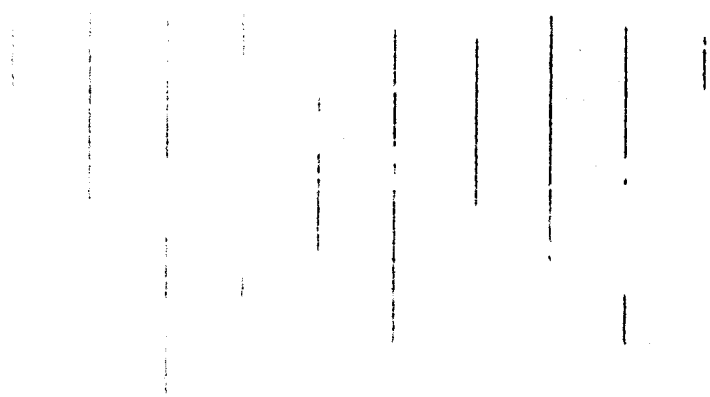

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POPULATION PLANNING PROJECT
USAID/THAILAND

Project No. 493-0283

Memorandum Audit Report No. 2-493-82-02
November 13, 1981

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA GEN. REG. NO. 27

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Donald D. Cohen, Director
USAID/Thailand

DATE: November 13, 1981

FROM : Russel E. Adlik, Regional Inspector General
for Audit, East Asia

SUBJECT: Memorandum Audit Report No. 2-493-82-02
Population Planning Project, USAID/Thailand
Project No. 493-0283

BACKGROUND AND SCOPE

Background

The Royal Thai Government (Government) established its National Family Planning Program (NFPP) in 1970, under the jurisdiction of the Ministry of Public Health (MPH). The NFPP was established to carry out the Government's new policy of discouraging unlimited population growth and actively encouraging voluntary family planning. In 1970 Thailand's population was about 36 million and growing at the rate of 3.0 percent annually. In 1980 the estimated population was 47 1/ million, but the growth rate had declined to an estimated 2.2 percent.

Even at the lower rate of 2.2 percent Thailand's population would double in less than 35 years if the rate continued unabated. Therefore the Government has set a target of reducing the growth rate to 1.5 percent by the end of 1986. By 1976 the government was making sterilization services available at rural hospitals and Maternal Child Health (MCH) centers, and was providing free oral contraceptives at health facilities.

The United States, through AID, began assisting Thailand in its family planning effort in 1970 with an $8.3 million project administered by the Thailand USAID Mission. The money was primarily for oral contraceptives and training and was provided during the period 1970 to 1975.

In 1975 USAID/Thailand provided an additional $16.6 million mostly for voluntary surgical contraception ($7.8 million) and for oral contraceptives ($5.7 million). This second project is expected to continue into 1981 when USAID/Thailand plans to make an additional $18.8 million available through 1986.

Thus, since 1970, the USAID has provided about $25 million to Thailand for oral contraceptives ($11 million), voluntary surgical contraception ($8 million) and other family planning costs such as training, information/education materials and medical kits and equipment ($6 million).

1/ Actual population figure based on a 1980 census was not available at time of our audit.

Though AID is one of the largest contributors to the Thai family planning program, such countries as Canada and Japan also provide substantial assistance. Also, 17[2]/multinational and private organizations contribute to the program. According to USAID/Thailand an estimated $34 million will be provided by the above donors (including AID) for family planning, demographic and related activities in just the period 1979-1981.

About 12,000 part time family planning agents (doctors, midwives and lay volunteers) extend services from district levels to village and local MCH centers. As of August 1980 approximately 2.8[3]/million people were active contraceptive users in the NFPP, a 1 million increase over the number reported at the end of 1977.

Audit Scope

We audited the USAID/Thailand sponsored population project to determine if: (a) the project was administered in accordance with sound financial management practices and AID regulations; and (b) AID funds were used in an efficient and economical manner.

Our review included an examination of project documents and correspondence, interviews with USAID personnel and Government officials; and covered the period through FY 1980. We inspected field operations in Nakorn Nayok, Chachoengsao, Kamphaengphet, Hang Chat, Chiang Mai, Khon Kaen and Kalasin provinces.

USAID/Thailand's comments were considered in finalizing this report.

AUDIT FINDINGS AND RECOMMENDATIONS

Commodity Management

The NFPP central warehouse in Bangkok manages all the program supplies including contraceptives, medical equipment, drugs and information/education and communications material.

An October 1976 IG audit report on the Thailand Mission noted the following conditions relating to the family planning program:

-- insufficient warehouse space resulting in sloppy and improper storing of commodities precluding accurate counting of stock, and precluding distribution on a first-in-first-out basis.

-- significant discrepancies between recorded quantities of commodities and physical counts.

2/ AID is a major donor to many of these organizations.
3/ According to a USAID/Thailand report.

Two recommendations in that report called for USAID/Thailand to have commodity storage and control procedures improved, and to have the NFPP designate an individual on a permanent basis to maintain commodity records. Both recommendations were closed, based upon the Mission's reported action. However during this audit, about four years later, essentially the same conditions still existed.

In late 1980 USAID/Thailand engaged consultants from AID/Washington and the Atlanta Communicable Disease Control Center to project contraceptive commodities requirements through 1986, evaluate the NFPP logistics system, identify problems and recommend improvements. The consultants' reports identified the following significant deficiencies in the logistics system:

-- no provision for physical inventories of contraceptives on hand and recording of manufacture dates;

-- stock records did not always accurately reflect stock movements or balances on hand;

-- no comprehensive guidelines for NFPP management or stated policy for quantities in the supply system;

-- stock imbalances throughout the system indicated lack of effective maintenance of stock levels;

-- unrecorded "borrowings", indicative of a breakdown in the system;

-- overcrowded storage facilities lacking first-in-first-out procedures and lacking adequate information on damaged commodities.

The consultants made 13 recommendations to correct these deficiencies such as the issuing of instruction guidelines and the establishment of stock levels based on projected use. They also urged taking a nationwide contraceptive inventory in December 1980, to be followed-up at semi-annual intervals.

Our audit in March 1981 confirmed the consultants' findings. The recommended December 1980 inventory was taken but had not been completely reported or reconciled to stock records at the completion of our audit. Seven out of 72 provinces had not yet reported their December 1980 inventory results. Also the stock at the NFPP central warehouse could still not be counted readily because of persistent conditions of overcrowding .

The December 1980 inventory disclosed significant variances between the inventory quantities and stock-on-hand records.

In 14 provinces pill inventory reported was less than stock records for a total of 2.9 million cycles, with shortages ranging in the individual provinces from 54,000 cycles to as much as 527,000 cycles. In 18 other provinces pill inventory quantities were greater than stock records for a total of 3.4 million cycles, with averages in the individual provinces ranging from 54,000 cycles to as much as 696,000 cycles. Because of the poor condition of commodity records it was not reasonably possible to determine if these variances were actual losses and misuses, or the failure to adequately record legitimate commodity transactions.

In one province warehouse there were 268,000 pill cycles valued at over $50,000 mostly manufactured in 1976. These pills could have become unusable in 1981 had they been left in the warehouse. After being advised of the situation NFPP officials told us later that the pills had been transferred to locations where they will be used.

Recommendation No. 1

USAID/Thailand determine and document for the record how it plans to resolve the problems and recommendations in the consultants' report.

Mission Comments

USAID/Thailand in commenting on a draft of this report addressed the issue of commodity management and how it planned, in cooperation with the RTG, to correct the deficiencies noted above. Nevertheless, the Mission's response did not clearly state that the proposed actions were actually incorporated into the Mission's new population planning project which is due to commence in FY 1982.

As noted earlier, some of these reported deficiencies have existed for more than four years. Therefore, even though the Mission has indicated that it plans to take positive corrective action, we are retaining the above recommendation pending the Mission's assurance that its planned actions have actually been incorporated into the Mission's new population planning project.

Implicit in implementing the consultant's recommendations is insuring that physical quantities of commodities are reconciled to inventory records.

Recommendation No. 2

USAID/Thailand obtain from the National Family Planning Program (NFPP) reconciliations of provincial and warehouse inventory differences with the records. If such reconciliations appear to USAID/Thailand to warrant recoveries for misuse of commodities, the Mission should take appropriate action to recover comparable value for the commodities determined to have been misused.

A basic requirement for improved commodity management is for a senior level NFPP Manager to be responsible for this function, and provide the essential direction, coordination, and oversight needed to effectively manage contraceptive stocks. The NFPP agreed that this position should be established, but at the time of our audit in March, 1981 had yet to do so. However USAID/Thailand in response to our draft report in October, 1981 stated that a senior staff person has been appointed to be in charge of commodity management.

Program Information

The NFPP accumulates family planning statistical data from the provinces, prepares monthly information reports and then distributes the reports to program managers in the 72 provinces throughout Thailand. The reports serve as a means of evaluating the program and planning future needs. The reports contained such information as:

-- New acceptors by contraceptive method, and total numbers of new acceptors;

-- Number of married women of reproductive age (MWRA) as of the beginning of the calendar year;

-- Recruitment percentages (year to date) of MWRA;

-- Number of continuing participants in the program by type of contraceptive device (pills, IUDs, and injections);

-- Quantities of pills distributed to both new and continuing participants.

The reports' usefulness was questionable because they contained significant unexplained discrepancies. For example, normal distribution per active user is about 11.6 cycles[4/] per year, But available data show the following for 1978, 1979 and 1980 and the three year composite:

4/ A pill cycle is a package of 30 pills.

	Active Pill Users Reported	Pill Cycles Reported as Distributed	Pill Cycles Distributed Per Active User
1978	1,182,470	8,376,566	7.1
1979	1,340,476	9,603,390	7.2
1980	1,557,235	9,993,486	6.4
3-Year Totals	4,080,181	27,973,442	6.9

Other unexplained report discrepancies were, for example: Pills reported distributed in Bangkok in January 1980 were 168,280 cycles compared to a monthly average of 45,070 for the other eleven months of the year. Similar distortions occurred elsewhere. The inconsistency of the numbers suggested that their accuracy and/or plausibility had not been carefully checked. Such variances (i.e. 6.9 cycles based on reported pill users and reported pill cycles distributed versus a norm of 11.6) indicate serious deficiencies in the information gathering and reporting process.

We have already noted that commodity management is deficient, a situation which renders the above figures on "Pill Cycles Reported as Distributed" questionable. And USAID/Thailand recognized that numbers of "pill users" data could be improved. In fact the Mission suggested (among other things) that the following steps if adequately implemented would help improve the quality of the reports:

-- Confirm that all concerned personnel understand that "distributed" means contraceptives dispensed to end-users, and not contraceptives transferred from one location to another.

-- Include condoms and all other contraceptive techniques in distribution reports.

-- Include late reports in the distribution data.

-- Conduct more frequent continuation rate surveys.

-- Determine percentage of service units reporting each month.

-- Follow-up with all provincial locations which are either not submitting reports at all or are chronically late.

-- Revise active user estimate in the light of new data such as the 1980 census findings.

If the monthly reports prepared by the NFPP are to be an effective management tool for program decision making USAID/Thailand should insure that they are as accurate as possible.

Recommendation No. 3

USAID/Thailand present to the NFPP its recommendations (including the seven listed on page 6 of this report) and obtain from the NFPP satisfactory evidence that NFPP is taking steps to execute the recommendations.

General Program Management and Execution

1. Program Audits

The current USAID/Thailand project agreement provides that AID will reimburse the NFPP for each voluntary surgical contraception (VSC) performed by hospitals and other medical centers involved in the family planning program. Of the more than $16 million budgeted in the 1975 to 1981 project agreement, $7.8 million was for VSC services.

The project agreement required the Government to audit[5/] the VSC program so that USAID would have reasonable assurance that the program was functioning properly and that reimbursements were for VSCs actually performed. According to the project agreement the Government was to contract with an audit firm to verify at least 3 percent of reported VSC recipients. The audit firm was to report its findings quarterly within 60 days of the end of each quarter. Also the requirement to audit 3 percent of reported recipients was to be a part of the contract agreement.

The government executed a contract with a local reputable audit firm. However:

-- the contract did not contain the required clause that at least 3 percent of VSC recipients were to be audited.

-- by mid 1980 just over 1 percent of recipients only were audited.

-- as of March 1981 the most recent audit report USAID/Thailand had was for the quarter ended June 30, 1980.

5/ "Audit"in this case means a verification either by personal interview or via questionnaire that a reported VSC recipient had in fact received the operation.

Recommendation No. 4

USAID/Thailand reassess its VSC audit requirements, insure that required clauses are included in the contract, and require the audit firm to adhere to the requirement as determined by the Mission's reassessment.

2. USAID Reimbursement Procedure

USAID/Thailand reimburses the Government for project costs on the basis of periodic vouchers submitted by the MPH central office. These vouchers summarize the costs reportedly incurred by institutions in the 72 provinces throughout Thailand. However, the 72 provincial offices do not submit their reports uniformly, consistently and on time. Thus any given voucher submitted to USAID could contain a combination of costs incurred for several different time periods by any number of reporting provincial family planning centers or hospitals. The vouchers do not detail which institutions or provinces make up the composite totals being requested for reimbursement.

Given the irregularity of reporting by the provinces and the lack of detail in the vouchers submitted to the USAID, the Mission could not be reasonably assured of not inadvertently making duplicate payments.

Our examination of supporting documentation at the Government's project offices disclosed that no duplicate payments had occurred during 1980. Nevertheless, without a record of voucher reimbursements by location and by periods of time there is a clear possibility that duplicate payments could be made and perhaps never detected. USAID/Thailand agreed that better controls should be established and that there should be some cut-off point beyond which late reimbursement requests are not accepted.

Recommendation No. 5

USAID/Thailand (a) establish a monitoring procedure that will assure AID that the Royal Thai Government's system and procedures for claiming reimbursements are adequate to preclude duplicate payments; and (b) establish procedures to preclude reimbursement of any Royal Thai Government claims for activities which occurred earlier than a reasonable cut-off date.

REPORT RECIPIENT

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Assistant Administrator	1
Deputy Assistant Administrator (Audit Liaison Officer	1
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Bureau for Development Support:	
Office of Development Information & Utilization (DS/DIU)	4
Bureau for Program & Management Services:	
Office of Contract Management (SER/CM)	3
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Inspector General (IG)	1
Executive Management Staff (IG/EMS)	12
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