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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C.

OFFICE OF THE AUDITOR GENERAL
AREA AUDITOR GENERAL - LATIN AMERICA

AUDIT REPORT
USAID/GUATEMALA
RURAL HEALTH SERVICES

Audit Report No. 1-520-74-88

Date Issued: June 12, 1974

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PART I

SCOPE OF AUDIT

The Area Auditor General, Latin America has performed an initial audit of \$5.9 million loan funds, and \$181,000 grant funds made available by AID to the Government of Guatemala for Rural Health Services. The audit was made for the primary purpose of evaluating (i) effectiveness and efficiency of project implementation, (ii) progress and achievements, and (iii) compliance with the terms of the loan and grant agreements.

The audit covered the period from June 21, 1971 through January 31, 1974, with emphasis on current transactions. Audit work was performed at the Mission, Office of the Government of Guatemala Ministry of Health, and selected health posts. Our audit was made in accordance with generally accepted auditing standards, giving due regard to existing AID regulations.

PART II

BACKGROUND

Standard health indicators such as mortality and morbidity rates show that the people of Guatemala endure a very low level of health and health services, particularly the rural populace. Facilities are lacking both in quantity and quality of medical services available, with 40 per cent of the population having no access to modern medical care. Of the country's 1,200 physicians, only 20 per cent live outside Guatemala City, although almost 80 per cent of the population is located outside the capital.

As part of its five year plan, the Government of Guatemala has placed high priority on strengthening its health program. It has adapted a Duke University School of Medicine program to train para-medical personnel to provide health care in the rural areas of Guatemala. The rural health program is under the direction of the Ministry of Health. The Mission became actively interested in the rural health program because of the potential it offered for providing family planning services to the Guatemala rural population. A feasibility study was initiated in 1970, involving principal activities of a rural health care delivery system.

Based on the feasibility study, the Government of Guatemala proposed a rural health program of about \$6.0 million of which \$2.5 million would be financed by an AID loan. Also, a project agreement for \$200,000 was signed June 29, 1971 to assist in the establishment of the training school at Quiriguá, and on November 19, 1971, a \$2.5 million loan (520-L-020) was made available for training and equipment. The major objectives of the program are to train para-medicals, and to equip health posts. A second phase was added to the program in 1972 at a total cost of about \$5.0 million of which AID will finance \$3.4 million under Loan 520-L-021, dated February 28, 1973. The major objectives of the second phase are to renovate and equip hospitals, and to construct and equip a nurses training school.

As of January 31, 1974, \$318,000 had been disbursed under Loan 520-L-020, and \$181,000 under Project Agreement 71-35. No disbursements had been made under Loan 520-L-021. The status of both loans and the grant are presented in Exhibit A of this report.

PART III

SUMMARY

The rural health project in Guatemala seems well conceived and promises good potential for achieving its purpose of providing a minimum health service in areas where it has been virtually non-existent. The project is in keeping with the current thrust of AID to promote developmental assistance to the poorest and most needy segments of the country's society.

Since inception of the project, thirty-two Health Technicians have been graduated and assigned to health posts, and 40 students were currently being trained. Health Technicians indicated that their training was adequate, and selection standards were high. Training of auxiliary nurses had started about one year ahead of schedule, and training was scheduled to coincide with the Health Technicians training program to assure adequate staffing for health posts to which they are assigned.

AID funded hospital renovation and construction, while slow of implementation, has potential for generating institutional reform. For example, because of loan requirements for adequate hospital budgets, the Ministry of Health conventional

budgeting analysis is now being supplemented by evaluation of per-patient care costs, cost-efficiency of full-service compared to limited service facilities.

While progress has been made in some areas, opportunities exist for improvement in the areas of organizational structure institutional reforms, planning activities, and coordination procedures. Unless improvements are made, these areas will remain a major problem to effective and efficient carrying out of programs.

In Part IV of this audit report, we have identified in detail the conditions requiring improvements, and have made suggestions which, in our opinion, will assist management in assuring effective utilization of assistance provided under the project grant and loans, and efficient implementation of ongoing activities of the projects. In general, the Mission agreed with the substance of the findings and recommendations in this report, and, as applicable, we have included their comments and observations in the text of this report.

General information on the audit exit conference, and the status of actions on prior Auditor General internal audits, inspections, and appraisal reports, and other external reports are presented in Part V of this audit report.

PART IV

STATEMENTS OF FINDINGS AND RECOMMENDATIONS

FOR THE DIRECTOR, USAID/GUATEMALA

A. Guatemalan Health Sector

1. National Level

The largest problem area inhibiting the rational utilization of available health resources in Guatemala is the multiplicity of facilities, and lack of adequate coordination between institutions involved in the Guatemalan health sector. Because of this problem, a National Health Council, within the Ministry of Health, was established in 1969 to make recommendations on health policy within overall development planning, budgeting, and coordination of the health sector. Unfortunately, it never became operational.

Subsequently, the functions of the former National Health Council were revived under Loan 520-L-021. The functions were assigned to the Health Sector Planning Unit, an activity of the Government of Guatemala National Economic Planning Council. This activity has broader powers to coordinate national health plans and programs.

Implementation of the Health Sector Planning Unit was slow, due to reluctance of the Ministry of Health to release budgeted funds to the National Economic Planning Council. Presently, the problem has been resolved, and action was taken to obtain technicians to staff the Health Sector Planning Unit. Although the Unit should improve health planning and coordination, its effectiveness will be limited until the Ministry of Health develops more adequate administrative capabilities to carry out the programs. Additionally, its recommendations are advisory in nature, subject to revision or rejection by the Guatemalan Ministry involved.

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2. Ministry of Health Level

Various levels within the Ministry of Health operate quasi-autonomously without adequate guidance, and coordination or integration efforts. Consequently, this has hampered efficient planning, implementation and operation of its programs.

During our review of the Rural Development Program in Guatemala, we observed the reorganized structure of the Ministry of Agriculture. We particularly noted implementing and coordinating procedures of the General Directorate of Agricultural Services. This activity effectively translated National Economic Planning Council plans into coordinated action programs throughout the Ministry of Agriculture. We believe this approach is worthy to observe and, to the extent feasible, incorporate into the Ministry of Health.

Recommendation No. 1

The Mission should encourage and assist the Ministry of Health to incorporate in its structure a strong administrative unit charged with planning, coordinating and monitoring all Ministry of Health programs.

B. Planning and Implementation

1. Project Implementation Plan

Lack of adequate project planning and coordination has seriously restrained efficient implementation of the projects financed under Loans 520-L-020 and 520-L-021. Loan 520-L-020 did not have a plan nor was one required under the loan. An implementation plan was required under Loan 520-L-021, however, documents in support of the plan were not adequate. Effects of inadequate planning and coordination were apparent, as described below:

a. Thirty-two Health Technicians had graduated, but there were no equipment and supplies at the health posts to which assigned. The Ministry of Health has requested waiver of certain bidding requirements to expedite procurement of these items.

b. The school at Quirigua will graduate an increasing number of Health Technicians at about one year intervals. But construction and renovation of health posts to which they will be assigned have been delayed by lack of planning and coordination between the Ministry of Health, Institute for Municipal Development, Ministry of Public Works, and municipalities.

c. Uncertainty exists as to the availability of funds for operating health posts. Municipalities are to provide operating funds. In those instances where they cannot, the Ministry of Health agreed to assume operating costs. As the Ministry of Health had not budgeted for this contingency, an emergency appropriation or deferred action will be required until budgeted funds are available. The Mission has requested a firm commitment to a plan for funding costs of health posts operations.

d. Little coordination exists between Guatemala's Social Security Agency and Ministry of Health in planning of construction and utilization of hospitals. Because of this, the Mission had unilaterally decided to not use AID funds for renovation or construction of Ministry of Health hospitals in towns where Social Security Agency hospitals exist. The purpose of the Mission's action was to have both target groups utilize existing Social Security Agency hospitals in these instances, instead of building a Ministry of Health hospital specifically for the project's target group use.

e. An inadequate attempt to increment the 140 existing health posts in Guatemala resulted in the acquisition of about 130 additional facilities between the time the loan program was planned and implemented. Also, ownership of many facilities was not known, causing delay in renovation and reconstruction plans until legal ownership can be established.

f. The health posts' radio communications network was delayed due to unavailability of a Guatemalan communications survey team to perform necessary work. The survey team will start work about March 1974. Until the radio system becomes operative, health technicians will have inadequate contact with doctors and other medical personnel for advice and instructions.

We believe planning, implementation, coordination, and reporting problems are substantially resolvable through preparation and utilization of an adequate implementation work plan. Even so, Guatemalan implementing agencies, in general, do not fully understand the function of an effective implementation work plan. In the case at hand, we prepared some basic guidelines for use in developing a work plan. Our guidelines were presented, under separate cover, to the Mission.

Recommendation No. 2

The Mission should assist the Ministry of Health to improve the implementation work plan for the projects financed under AID loans 520-L-020 and 520-L-021.

2. Project Financial Plan

The Ministry of Health submitted financial plans to the Mission in fulfillment of conditions precedent to initial disbursement for Loans 520-L-020 and 520-L-021. The Mission approved the plans on August 22, 1972 and October 31, 1973. The plans contained only brief summaries of estimated costs and, in our opinion, they were not adequate to serve their purposes. This condition was due to misunderstanding of the plans' purposes, and what the essential characteristics consist of to accomplish those purposes.

We believe that an adequate financial plan should contain at least:

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- a. A reasonably detailed listing of specific costs for each project activity.
- b. Financial and budget control centers, and explanation of how they are established, utilized, and measured.
- c. Procedures for coordinating funding; controls for insuring contributions from cooperating entities; and, alternative actions to be taken in the event of external as well as internal short-falls in funding.
- d. Method used for estimating costs, and a description of inflation and contingency factors and any other economic factors affecting project costs.
- e. Detailed review procedures for evaluating actual operations against planned expenditures on a periodic basis.

Recommendation No. 3

The Mission should assist the Ministry of Health to develop and implement adequate financial plans as a means of planning, evaluating and controlling the financial resources of AID projects.

C. Progress Reporting

The Ministry of Health quarterly and monthly project progress reports, as required under Loans 520-L-020 and 520-L-021, were not submitted to the Mission, although they were requested many times. As a result, the Mission was denied an essential source of monitoring information, and assurance of the Ministry of Health's capability to adequately monitor and control the project. The lack of reporting was due to the Ministry of Health's ineffective administrative and coordinating procedures.

We are not making a recommendation regarding project reporting since it is covered under Recommendation No. 2 of this report.

D. Financial Management

Improved review procedures were needed to assure that reimbursable expenditures were in accordance with project guidelines,

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tion of allowable costs and documentation requirements would avoid time-consuming process of disallowance and resubmission of vouchers, and prevent depletion of the revolving fund for unallowable costs. Moreover, supplementary vouchers should be utilized for resubmission of costs disallowed on the original reimbursement voucher.

3. Project Budget

The Mission needs to improve its controls to assure that individual components of the project budgets are not exceeded. A summary analysis of expenditures by project component should be maintained for this purpose. Failure to maintain this control may result in abrogation of the project financial plan through over-use of funds in one area, creating funding shortfalls in other areas. For example, some of the funds allocated by Project Agreement 71-35 for the Quiriguá school furniture and fixtures were utilized for renovation and construction of the school.

Recommendation No. 4

The Mission should:

- a. Establish definite guidelines on allowable project costs for Loans 520-L-020 and 520-L-021, and coordinate these guidelines with the Ministry of Health.
- b. Reimbursement voucher review procedures should be coordinated with the Controller's Office and the Project Manager's Office to assure compliance with established policy and regulations.
- c. Encourage the Ministry of Health to submit reimbursement vouchers on a more frequent basis.
- d. Establish procedures whereby supplementary vouchers are utilized for resubmission of disallowed costs.
- e. Establish and maintain a project budget control in the project records.

E. Operation of Health Posts

1. Equipment and Supplies

Health care equipment, supplies and training aids were inadequate at the four health posts we visited. This was caused by procurement delay within the Ministry of Health, and an inadequate operating plan to determine needs of health posts. Inadequate supplies and equipment will hamper Health Technicians in gaining confidence of communities to accept the health post programs.

2. Assignment of Medical Interns

We interviewed Health Technicians at several health posts. The Health Technicians stated that medical interns would also be permanently assigned at health posts and, upon their arrival, health posts would be designated as health centers with expanded medical care capabilities. The assignment of Health Technicians to health centers was not anticipated in the Health Technician Program; consequently, their roles at the health centers have not been defined. This situation may result in possible conflict between the medical interns and the Health Technicians because (i) medical interns have not had the benefit of specialized training in rural public health techniques, whereas the Health Technicians were trained for such purposes, and (ii) medical interns will be the senior leaders at the health posts. We believe the potential impact of the rural health program can best be realized by placing only personnel specially trained in the necessary rural health techniques into these environments lacking essential health care, and allowing them to exercise their skills within the framework of the planned program.

An additional problem that may result from assignment of medical interns to health posts is the cost of their salaries and support costs which were not budgeted for by the Ministry of Health, nor were funds provided for in the AID loan. The medical intern program was rejected in 1970 by the Ministry of Health as beyond its capacity. Reinstatement of the program may present serious project funding problems unless the Ministry of Health makes its own funds available to pay for the intern program.

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Recommendation No. 5

The Mission should:

a. Request assurance from the Ministry of Health that health posts will be adequately equipped and supplied.

b. Encourage the Ministry of Health to coordinate the medical intern program with the Quiriguá training school to assure that selected students are trained and oriented in rural public health principles.

c. Request assurance from the Ministry of Health that it will finance the cost of the medical intern program associated with the health centers.

F. Training Materials

1. Equipment

At the Quiriguá training school, we observed a significant amount of unused training and medical equipment, much of it in original cartons. The school director states that a substantial quantity of items were too specialized or too sophisticated for students' use. We discussed utility and practicality of the equipment with Mission personnel, and it appears that non-use may stem from omissions in the training schedule, and misunderstanding by the faculty as to the intended use of the equipment. It appears, therefore, that this area of training may need further emphasis in the curriculum to assure that all aspects of the planned training program are accommodated.

Moreover, equipment not needed at the school should be made available to other health institutions on a proven need basis.

2. Text Material

Much of the school's text material was reportedly not apt for the training needs of the students, being too advanced and too particularized for their needs. A basic text, or training manual would be extremely useful to supplement the lecture courses.

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Work has started on a basic training manual for the Health Technician program, but we believe efforts to produce such a manual should be intensified in order to assure the quality of training as well as introducing a reasonable level of uniformity. An adequate training manual could also serve as a valuable reference text for other training programs of the Ministry of Health, including auxiliary nurses and health promoters. In addition, adaptation could be practical for other Latin American countries if the Health Technician program proves to be exportable.

Recommendation No. 6

The Mission should:

- a. Encourage the Ministry of Health to place more emphasis on laboratory and practical demonstration, utilizing the equipment procured for this purpose.
- b. Request that an analysis be made of unused equipment, and transfer surplus items to institutions where they can be utilized.
- c. Assist the Ministry of Health, as feasible, in the preparation of a Health Technician training manual with a view to additional utilization in other Ministry of Health training programs.

G. Special Evaluation

The Guatemalan Health Technician program was to receive special attention because of its uniqueness and potential value as a pilot program for all of Latin America. Plans were to evaluate (i) community attitudes, (ii) demand and delivery of health services, (iii) selected physical parameters on samples of the under-15 population, and (iv) morbidity statistics. Plans were also contemplated for a study of efficiency of the health care system within itself; evaluating degree of supervision, logistical support, supply level and administrative effort. In addition, an AID/W evaluation project was planned to measure the impact of the improved health care delivery system on a before and after basis, using communities selected from predominantly Indian, and some non-Indian areas.

AID/W agreed to the pilot evaluation program, but subsequently it requested that a second evaluation activity be undertaken; that of an evaluation of technical assistance needs. AID/W wanted the second evaluation project to be accomplished concurrently with the first evaluation project. The Government of Guatemala declined the second activity because (i) it had neither resources nor capability to undertake such a program and, (ii) the study would be of limited benefit to Guatemala. At the time of our audit, no further progress had been made in implementing the original evaluation project.

While the need for a sector-wide analysis of the health programs in Guatemala seems undeniable, it does not seem prudent to impose it as a condition if it results in substantial delay for the Health Technician evaluation project. An accurate analysis of conditions preceding full implementation as well as subsequent operation of the project is needed if an adequate evaluation of the effectiveness of the project is to be made.

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Recommendation No. 7

The Mission should, in coordination with AID/W, give consideration to a return to the first evaluation project envisioned in the loan Capital Assistance Paper, with plans for subsequent implementation of the second evaluation project to be based on expanded capabilities of the Government of Guatemala to undertake a broader scope of work.

PART V

GENERAL COMMENTS

A. Exit Conference

A formal exit conference was held on April 4, 1974 with the Mission Director and his senior staff, to discuss the audit report.

B. Prior AID Auditor General Audit Reports, Inspections and Appraisals

This was the initial audit of these projects.

C. External Audit Reports and Inspections

The Mission files contained one external audit report dated May 18, 1973, made by the Inspector General for Foreign Assistance. We reviewed this reports, and where applicable, the contents were considered to the extent deemed necessary in our audit.

EXHIBIT A

Rural Health Services - Guatemala
Financial Status of Projects at January 31, 1974

	(In \$000)		
	<u>Obligated</u>	<u>Liquidated</u>	<u>Unliquidated</u>
<u>Proj. 520-15-580-189</u>			
<u>(ProAg 71-35)</u>			
Commodities	\$ 76	\$ 76	\$ -0-
Other Costs	<u>105</u>	<u>105</u>	<u>-0-</u>
Total	<u>\$ 181</u>	<u>\$ 181</u>	<u>\$ -0-</u>
 <u>Proj. 520-22-530-206</u>			
<u>(AID Loan 520-L-020)</u>			
Training School	\$ 1,098	\$ 318	\$ 780
Health Posts	483	-0-	483
Radio Net	423	-0-	423
Technical Assistance	77	-0-	77
Vehicles	267	-0-	267 ^{1/}
Maintenance	45	-0-	45
Contingency Reserve	<u>107</u>	<u>-0-</u>	<u>107</u>
Total	<u>\$ 2,500</u>	<u>\$ 318</u>	<u>\$ 2,182</u>
 <u>Proj. 520-22-530-218</u>			
<u>(AID Loan 520-L-021)</u>			
	<u>Committed</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Hospital Renovation	\$ 2,000	\$ -0-	\$ 2,000
Paramedical Training	252	-0-	252
Planning Office	430	-0-	430
San Carlos University Equipment	300	-0-	300
Vehicles	100	-0-	100
Contingencies	<u>318</u>	<u>-0-</u>	<u>318</u>
Total	<u>\$ 3,400</u>	<u>\$ -0-</u>	<u>\$ 3,400</u>
Expenditures Covered in this Audit		<u>\$ 499</u>	

^{1/} To be used for other purposes

EXHIBIT B

DISTRIBUTION OF AUDIT REPORT

	<u>No. of Copies</u>
Mission Director, USAID/Guatemala	4
Guatemala Desk Officer, AID/W	1
LA/OPNS, AID/W	2
AG/AUD, AID/W	4
AG/IIS, Miami	1
IGA/W	1
AG/OAS/W	1
LA/DR, AID/W	1
Office of Engineering, AID/W	1

AUDIT REPORT FLY-SHEET
AAG/LA: Guatemala

Report Title: Rural Health Services Audit Start Date: Dec 10, 1973
Guatemala

Report Number: 1-520-74-88 Date Aud. Work Comp. Feb 22, 1974

Issuance Date: Jun 12, 1974 Audit Cut-off Date: Jan 31, 1974

Audit Responsibility Concluded: Type of Audit: Initial

Yes

No X

	<u>Names</u>	<u>Hours</u>
<u>1. American Auditors</u>		
	John P. Daddio, Audit Manager	4
	Charles Churchman, AIC	<u>237</u>
		<u>241</u>
<u>2. Local Auditors</u>		
	Federico Ruata	64
	Richard W. Layton	<u>260</u>
		<u>324</u>
	TOTAL HOURS	<u>565</u>

<u>3. Audit Coverage</u>	<u>3</u>	<u>499</u>
	Number of Units	Value in (\$1,000's)

4. Identification of Units Covered:

<u>Number</u>	<u>Name</u>	<u>Value (000)</u>
520-15-580-189 (ProAg 71-35)	Population-Family Health	181
520-22-530-206 (Loan 520-L-020)	Rural Health Services I	318
520-22-530-218 (Loan 520-L-021)	Rural Health Services II	-0-