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NEPAL FAMILY PLANNING
AND
MATERNAL CHILD HEALTH PROJECT

A Report Prepared By
PHILIP O. WEEKS

During The Period
OCTOBER 30, 1979 TO DECEMBER 22, 1979

Under The Auspices Of
THE AMERICAN PUBLIC HEALTH ASSOCIATION

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I. BACKGROUND

This end-of-contract report covers the period from October 30, 1979 to December 17, 1979. During this period I have been serving as a supply consultant for the American Public Health Association for the Family Planning/Maternal Child Health Project (FP/MCH) in Kathmandu, Nepal.

This is the third supply management consultancy provided to the FP/MCH project. Mr. Herbert R. Schloming worked with the Project for two months in 1976, and again for two months in 1978.

Mr. Schloming's mission in 1976 was "to establish an effective and responsive FP/MCH supply system". The purpose of the 1978 consultancy was:

"...to develop plans and programs to improve the delivery of family planning commodities within the existing supply system and to utilize those 1976 recommendations and additional recommendations not in conflict with the Auditor General, Nepal."

In addition, the AID Regional Auditor General reviewed the health and family planning project in August of 1977. In that report, several inadequacies in the supply system were pointed out and corrective recommendations were made. In July, 1979, the AID Regional Auditor General completed a second audit (#5-367-75-20) of USAID/N's health and family planning programs. The report cited several deficiencies in the FP/MCH project's supply system that still exist, despite Mr. Schloming's development of a new supply system and recommendations to improve and change the existing system. The latest audit report found that "...major problems that existed at the time of our last audit in 1977 still existed as of June 30, 1979..."

A. The AID Regional Auditor General made the following major recommendations relating to supply management:

1) Audit recommendation #3

The Director USAID/N should require the MOH to develop and implement a coordinated logistical supply system for all AID-supported projects that is capable of ensuring proper inventory, storage, procurement, and distribution.

2) Audit recommendation #4

The Director USAID/N should establish appropriate procedures to obtain the most complete and accurate data relevant to total contraceptive stock in country and on the number of contraceptives distributed to users for use in preparing the annual U-1612/4 and the quarterly U-1612/3 reports.

3) Audit recommendation #5

The Director USAID/N should require, before any action is taken to destroy existing overage condom stocks, that sufficient testing be conducted to determine the quality and usefulness of the substantial quantities of such commodities presently in country.

B. Other problems identified in the FP/MCH supply system by the audit were:

1) Improper inventory practices have resulted in a lack of control and accountability for AID-financed Family Planning and Maternal Child Health commodities which has led to extensive overstocking and waste of commodities.

2) Individual commodity stock cards are not maintained by the FP/MCH central warehouse. Receipts and issues are recorded in a stock ledger; however, running stock balances are not maintained on a continuing basis.

3) The FP/MCH central warehouse maintains a sub-warehouse, but does not maintain separate inventory records such as stock records or ledgers. Therefore, it is not possible to verify physical inventories against ledger balances maintained at the central warehouse.

4) Inventory records are not maintained for contraceptives donated to FP/MCH project from private sources such as the International Planned Parenthood Federation.

5) At the FP/MCH sub-warehouse (Pathalaiya), commodities stored were not properly stacked to facilitate a physical inventory.

C. Other management procedures investigated:

1) procedure to auction excess/used property

2) procedure to destroy defective/obsolete property

II. SUPPLY NETWORK

Family planning commodities are delivered from the central warehouse in Kathmandu or the sub-warehouse in Pathalaya (five to six hours' drive south of Kathmandu) to four regional FP/MCH offices throughout Nepal. The regional offices supply forty district offices which, in turn, supply their clinics.

The delivery of family planning commodities is made even more difficult by the rugged terrain. There are only a few roads connecting the four regions and it is not unusual for a village to be more than a week's walk from the nearest road.

III. SUPPLY MANAGEMENT WEAKNESSES

Many of the weaknesses in the supply management system can be tied to staff inadequacies. For the past two years, there has been persistent turnover of personnel at the top supervisory levels. Very few of the Store-in-Charge personnel have had any formal training in supply management. Motivation is low.

With a lack of top supervision, no budgeting for the needed training or leasing of additional warehouse space or renovation of warehouses could be accomplished during this fiscal year. As a result of a lack of supervision, there has been a breakdown which has brought about most of the inadequacies identified by the AID Auditor General.

However, improvements in the staff have been made during this fiscal year: 1) the Director FP/MCH project appointed Mr. Ganesh Man Shrestha as Chief of Supply and Procurement, and 2) Mr. Yogendra Raj Sharma returned from 22 months of training in supply management in the United States.

Mr. G.M. Shrestha is a graduate from San Jose State University, California, and has an M.P.H. in Public Health Administration. He has been employed by the FP/MCH project for eleven years; therefore, he is thoroughly familiar with the needs of the Project and is bringing about changes in the staff's skills.

IV. AUDIT RECOMMENDATION ANALYSIS

A. Audit Recommendation #3

This consultancy was restricted to the supply problems of the FP/MCH project and did not address the broader aspects of the Ministry of Health's supply system. Rather than requiring the MOH to develop and coordinate such a plan (which could possibly be interpreted by the MOH as a peremptory request), it might be more effective to have the Director of AID/N and an MOH representative mutually work out an effective system.

B. Audit Recommendation #4

With reference to the establishment of appropriate procedures to obtain complete and accurate data, it should be noted that quarterly reporting of total contraceptive stocks in the country (40 districts) was only begun this fiscal year. Over 50 percent reporting has been received for the first quarter of this fiscal year (July 17, 1979 to October 17, 1979). Reports received for the last quarter of last fiscal year were 90 percent. The reason for the high percentage in the last quarter was due to the HMG regulation requiring all books of accounts to be closed at the end of the year.

In the first half of this consultancy it was anticipated that the percentage of reporting would not be less than last year's. The reasons reporting has dropped can probably be attributed to the following:

- 1) quarterly reporting of contraceptive stocks is new,
- 2) the Store-in-Charge personnel are not familiar with the reporting system,
- 3) because the figures in the register book do not always tally with a physical inventory, there is apprehension on the part of the Store-in-Charge to make a report, and
- 4) most of the non-reporting districts are remote.

Follow-up material (letters and telegrams) sent to the non-reporting districts are slow in getting results.

Plans were being made to train Store-in-Charge personnel this fiscal year to correct the reporting problem. However, due to turnover of personnel at the top supervisory level, no plans were made to train staff this fiscal year. Therefore, no funds are available for training.

The Evaluation Division of the FP/MCH has been receiving, for more than five years, monthly reports from each Panchayat, clinic or health post concerning the number of contraceptives distributed. These monthly reports include the number of pills and condoms distributed to new and old acceptors on a daily basis and are available to USAID/N.

C. Audit Recommendation #5

This suggests that adequate testing measures be undertaken before existing condom stocks are destroyed. Samples of condoms and pills were collected from Biratnagar, Terhathum, Hitauda, Janakpur, Pathalaiya, Dharan, and Pokhara and sent to the United States on November 20, 1979 for testing. A second batch was sent to Bangkok for testing. When the test results are received, appropriate action will be taken on the disposition of current stocks.

Recommendations

- to ensure inclusion of training in the 1980-1981 budget, a plan should be drawn up now
- a physical inventory of stock should be taken and the register books brought up to date
- seminars should be held for Store-in-Charge and supply staff not less than once every six months

V. OTHER PROBLEMS IDENTIFIED IN AUDIT

A. Improper inventory practices result in overstocking and waste.

1) The newly appointed Chief of Supply and Procurement has only recently begun to address the problems of the supply section by redefining job descriptions and shifting responsibilities of some of the staff.

2) In the first half of this consultancy, additional warehouse space was located. The additional space was to be used to alleviate the over-crowding of the central warehouse at Teku. Unfortunately, because of a lack of planning, fiscal funds were not available to rent the warehouse. It was determined, on second examination, that considerable warehouse space could be freed if the central warehouse were cleaned and organized.

Renovation of Teku warehouse was being planned in the first half of this consultancy but, again, funds were not available this fiscal year.

Recommendations

- on-site inspection of storage facilities throughout Nepal, including shelving, furniture, and suitability of room, should be conducted
- the Supply and Procurement Section should begin now to plan the budget for 1980-1981 requirements

Progress of Implementation

A request was made to the Finance Department for money to clean up and organize the Teku warehouse. The money was received by the supply section and work will begin in the last part of December.

B. Individual commodity stock cards are not maintained by the FP/MCH central warehouse. Receipts and issues are recorded in a stock ledger; however, running stock balances are not maintained on a continuing basis.

The commodity stock card system (developed by Mr. Schloming in 1976) is not being used because the system has not been approved by the Auditor General of Nepal. I have learned that it is very unlikely that the Auditor General will approve this system because it is too easy to substitute a bogus card. Register books have consecutive page numbers and are much more difficult to alter. It is also much more difficult to remove an entire page or register. The supply section is now keeping registers with separate ledger headings for all donor agencies, regions, districts, and departments. Mr. G.M. Shrestha has also instructed the storekeeper to redesign the stock ledger page along lines similar to those recommended by Mr. Schloming.

- C. The FP/MCH central warehouse does not maintain separate inventory records for its sub-warehouses.

The inventories of the central and sub-warehouse had not been separated out at the time I left Nepal; however, I was assured that this would be done.

- D. Inventory records are not maintained to reflect donations from private sources.

The supply section keeps accounts of all supplies and equipment received. In the case of International Planned Parenthood Federation, contraceptives (Depo-Provera) were donated by IPPF, but through UNICEF. The UNICEF documents did not show that they had been received from IPPF; hence, the receiving report showed the contraceptives as received from UNICEF.

- E. At the sub-warehouse, commodities were not properly stacked to facilitate a physical inventory.

On November 7, 1979, I visited the Pathalaiya sub-warehouse. The conditions of the warehouse had apparently changed completely since the audit was conducted. The outside of the warehouse had recently been painted, inside walls and floors had been swept clean, and cracks in the walls had been cemented. These steps had destroyed all visible termite tunnels.

Damaged cartons of condoms and pills had been separated and stacked separately from the good stock. The cartons of condoms and pills in good condition had been lock-stacked and arranged on pallets to allow maximum ventilation. Pallets and stacks were 18 to 24 inches away from the walls; this allows for ventilation and inspection for termites. There was also 18 to 24 inches between stacks in the two rooms. I did not see any signs of squirrels. The warehouse was clean and organized.

VI. OTHER PROCEDURES INVESTIGATED IN AUDIT

A. Procedure to auction excess/used property

HMG has established procedures on this subject. The procedures appear to be very adequate to handle the needs of the FP/MCH project.

1) An order for auction (Auditor General Nepal Form No. 50) from the Authorized Officer (Chief of Supply and Procurement) is to be taken before selling old and used property. After receiving the authority, the concerned officer is to publish the information in the newspaper and place a notice at the Zonal office, Custom office, nearby government offices or Panchayats giving the following information:

- name of goods or materials
- date of auction
- place of auction
- any other pertinent information

2) The old, used and broken tools, machines, goods, etc., can be sold by the head of the office except those properties which are fixed or immovable. While selling things at an auction, information should be given according to Sub-Rule 1:

- was the maintenance and protection of the goods handled properly?
- can the goods be repaired?
- which goods are no longer useful and are ready to be auctioned?
- who is responsible for any loss or damage to the goods?
- if there are goods which have not been entered as income in the register book, what is their number and condition?

The above was an approximate English translation of the written procedure.

B. Procedure to destroy defective/obsolete property

Auditor General Nepal Form No. 50 is also used for goods that are to be destroyed. Again, the destruction procedure has been translated into English:

1) Goods which have deteriorated because of dryness, wetness, leakage, or damage may be destroyed by the concerned Ministry. The Ministry of Finance, from time to time, will decide to destroy goods

according to the conditions found by inspection.

2) If there is a loss of goods due to natural or accidental cause and the goods have a value up to Rupees 2,500, the concerned Ministry may destroy the goods. Goods exceeding this amount can be destroyed only after the concerned Ministry has received a letter of permission from the Ministry of Finance.

VII. SUMMARY

A change in the FP/MCH project Supply Section began in this fiscal year. The new Chief of Supply and procurement is moving ahead in re-organizing the supply section. Many of his ideas and plans to improve the system coincide with the recommendations made by the previous consultant and made in the audit.

It is essential that planning begin now for the next fiscal year's requirements. The major requirements at the moment are the training of the staff and the renovation, leasing, and possible new construction of warehouses.

The key factor in accomplishing these goals will be motivated personnel. The FP/MCH project, as well as USAID/N, must have persons willing to work out of Kathmandu in other cities and in rural areas. Even though the staff in the central supply office has improved, it is unlikely that a supply system will develop to meet the needs of the Project without persistent supervision in the districts, especially in the remote areas. However, with consistent supervision and technical assistance to HMG/N from USAID/N, it will be possible to establish a supply system that will meet the needs of the Family Planning/Maternal and Child Health Project.

Field Trip

APPENDIX A

Dates traveled: November 6th to November 9th, 1979

Sites visited: Hetauda, Pathalैया, Birganj, Rampur, Janakpur,
and Gnerghas

Accompanying travelers: Mr. Ganesh Man Shrestha, Chief Supply and
Procurement FP/MCH Project, Mr. Gobinda
Prasadmishra, Project General Auditor FP/MCH,
Dr. Curtiss Swezy, Financial Consultant, APHA

Purpose of trip: To familiarize APHA consultants with the FP/MCH
Project delivery system.

Hetauda

The district office is located within the town of Hetauda. The building is rented by the project and is a solid, substantial structure. Medical supplies, condoms, and pills were stored in two separate rooms. The size of the rooms are 18 x 15 feet. The medical supplies are kept on wooden shelves in an orderly manner. The store room was not cluttered and was clean.

Mr. Herbert Schlooming, Supply Management Consultant, visited the storerooms in 1978 and found them to be in good condition. He did recommend that the cartons of condoms and pills be placed on pallets. This had been done. The room in which the condoms and pills are stored is also used as the sleeping room for the peon.

Shortly after our arrival, the newly appointed Central Regional Medical Officer arrived at the office. The doctor was on his way to Kathmandu from a sterilization camp. He inspected the store rooms with me. When he saw that the condoms and pills were kept in the same room where the peon slept, he asked that the supplies be moved into the medical store room.

When I examined the stock register, I found that it was not completely up-to-date. On one date, eight different health posts had sent in requisitions. The Store-in-Charge had made only one entry in the register. This entry gave the total number of condoms and pills issued, but did not to where or to whom they had been sent. Mr. G.M. Shrestha explained to him the importance of listing each requisition separately. In addition, the last issue of condoms and pills to the Hetauda FP/MCH Clinic had not been entered in the register.

The Hetauda Clinic is located on the hospital grounds in the town. The building which houses the clinic is in bad repair. It is a wooden frame, one-room shack. It was by far the worst physical facility we visited on the trip.

The condoms and pills were stored in a wooden cabinet. The quantities were small enough that the cabinet provided adequate protection and storage.

Pathalैया Sub-Warehouse

The outside of the warehouse had recently been painted. The inside walls and floors had been swept clean. The cracks in the walls had been cemented. These steps had destroyed all termite tunnels.

Damaged cartons of condoms and pills had been separated and stacked away from the good stock. The cartons of condoms and pills which were in good condition had been lock-stuffed and arranged on pallets to allow maximum ventilation. Pallets and stacks were 18 to 24 inches away from the walls. This allowed for ventilation and inspection for termites. There was also 18 to 24 inches between stacks in the two rooms.

I did not see any signs of squirrels which had been seen on a visit by Schloming. The warehouse was clean and organized.

From Pathalaiya condoms and pills are sent to the eastern, central, and western regions. The Store-in-Charge has verbal orders from the Project Chief to issue small quantities of condoms and pills to those centers that requisition them directly, rather than first going through Kathmandu.

Birganj

The Ministry of Health Zonal Health Center is located here. There are nine health posts administered by this zonal health center. Each health post is within a one day's walk. There are three peons who carry supplies to the nine health posts on a regularly scheduled program.

The storeroom was dusty and cluttered. The condoms and pills were kept in their original cartons and were not being damaged by the lack of housekeeping.

After leaving the health center in Birganj, we drove to Rampur. This health post is located about two miles off the Birganj-Hitarra Highway. We arrived at the health post shortly after office hours and found the health post locked up. However, one of the employees living nearby opened the main entrance to the health post. I was not able to see the store room because it was locked.

Janakpur

The building that houses the FP/ACH offices, clinic and storeroom was a solid brick and mortar building. The store room was a solid brick and mortar building. The store room was very large and uncluttered. The condom and pill cartons were not stacked on pallets off the floor.

The stock register was fourteen months behind. At this District Office, the accountant also has responsibility for keeping the storeroom in order and the stock register up-to-date.

Ghorghas Health Post

We drove out of Janakpur for approximately thirty minutes before arriving at this integrated health post. Again, the building was a brick and mortar structure in good condition.

The FP/MCH office was in a very small room. Approximately 8 feet by 12 feet was the total area. Condoms and pills were stored in a wooden cabinet and were in good condition. The health post was relatively clean.

Summary:

All of the storage facilities visited were brick and mortar structures in good condition and of adequate size. With the exception of the sub-warehouse at Pathalaiya, none of the stock registers tallied with a physical inventory.

Although a seminar was held in August, it is apparent that more needs to be done in the area of supervising and training Store-in-Charge personnel.

APPENDIX B

Persons Contacted by P. Weeks

U.S. AID/NEPAL

Gerold van der Vlugt
Chief, Office of Health and Family Planning

Sigrid Anderson
Family Planning Advisor

Robert Mills
Health and Family Planning Program Officer

Donald Long
Controller

FP/MCH PROJECT

Dr. Badi Raj Pande
Project Chief

Mr. Ganesh Mar Shrestia
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Dr. Hiranga Dev Pradhan
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