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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES AID MISSION TO LAOS

4390066

9p.

AUDIT REPORT NO. 68-17

REPORT ON AUDIT
OF
VILLAGE HEALTH PROGRAM SUBACTIVITY . 02
PUBLIC HEALTH DEVELOPMENT
PROJECT NO. 439-11-590-066-2
JULY 1, 1963 TO SEPTEMBER 30, 1967

OFFICE OF THE CONTROLLER
AUDIT BRANCH
USAID/LAOS
March 25, 1968

TO : Mr. Joseph A. Mendenhall, Director
FROM : *Kenneth R. Monroe*
Kenneth R. Monroe, Acting Controller

March 25, 1968

SUBJECT: Audit Report No. 68-17, Report on Audit of Village
Health Program Subactivity

Attached for your information is a copy of Audit Report No. 68-17, covering our audit of the Village Health Program Subactivity.

The auditor's findings and recommendations are summarized below:

There had not been a complete physical inventory of medical supplies and equipment in the PHD Medical Warehouse in Vientiane for about 14 months and many of the stock record card balances did not agree with quantities actually on hand. We have recommended that PHD complete the wall-to-wall inventory as planned and submit a summary report of inventory to the Controller upon completion of the inventory.

End-use observations of non-expendable property disclosed that many items were not marked with AID emblems as required by AID Regulation I. We have recommended that PHD inspect equipment located at the various Village Health Program project sites and affix AID emblems to all non-expendable property items procured with project funds. We also recommended that PHD ensure that future non-expendable property items are marked with the AID emblem before release for use on the project and that marking violations by suppliers are reported promptly to the Office of the Controller so that violations can be reported to AID/Washington as required by Manual Order No. 1450.11.

Attached for your signature is an office memorandum to the Chief, PHD, requesting that he take the initiative in implementing the recommendations.

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TABLE OF CONTENTS

	<u>Page</u>
Scope of Audit.	1
Background Information.	1
Summary of Major Findings.	2
Follow-up on Prior Audits.	2
Findings and Recommendations.	2
PHD Supply Operations - Vientiane.	2
PHD Supply Operations - Provincial Areas	3
AID Marking Requirements.	4
Exhibit A - Summary of Obligations and Expenditures . .	5
Exhibit B - Distribution of Audit Report	6

REPORT ON AUDIT
OF
VILLAGE HEALTH PROGRAM SUBACTIVITY
PUBLIC HEALTH DEVELOPMENT
PROJECT NO. 439-11-590-066-2
JULY 1, 1963 TO SEPTEMBER 30, 1967

SCOPE OF AUDIT

The Audit Branch, Office of the Controller, has made an audit of the Village Health Program Subactivity of the Public Health Development Project. The audit was made for the purpose of determining whether (a) AID funds were adequately controlled, (b) objectives of the project were implemented in accordance with the Project Agreements and Activity Plans, and (c) commodities were effectively utilized and properly accounted for. The audit was conducted during the period from November 1, 1967 to January 15, 1968 and included representative transactions for the period from July 1, 1963 to September 30, 1967.

Financial records and related documents, progress reports, and correspondence in the Office of the Controller and Office of Program and Economic Affairs were reviewed; commodity records for expendable and non-expendable property were selectively tested for accuracy and adequacy; and end-use observations were made of selected commodities at project sites in Vientiane, Sedone, Attopeu, Wapikhamthong, Savannakhet, and Houa Khong provinces.

BACKGROUND INFORMATION

The purpose of the Village Health Program, administered by the USAID Public Health Division (PHD), in coordination with the RLG Ministry of Public Health, is to meet the immediate and minimum public health needs of the villages to which the RLG and USAID have access.

The Village Health Program is carried out in four major types of areas (a) secure cluster areas, (b) cluster village areas where security is fluid, (c) less secure village and refugee areas which are near enemy-controlled territory, and (d) somewhat urbanized areas, wherever necessary to treat victims of contagious diseases and prevent outbreaks of epidemics. The health program concentrates on providing medical care, with secondary attention to longer range problems of environmental sanitation, immunization and personal hygiene.

At present, there are about 210 medical facilities under the Village Health Program, of which 20 are hospitals and infirmaries of varying degrees of sophistication. The Village Health Program medical facilities are operated by about 392 locally trained medics and nurses under the supervision of USAID/PHD in consultation with the RLG Ministry of

Public Health through the civil and military medicin-chefs of the various provinces.

Since inception of the Village Health Program on July 1, 1963, through September 30, 1967, dollar obligations have totaled \$3.9 million and accrued expenditures totaled \$3.7 million. Obligations and expenditures of Counterpart funds for the same period totaled K124.5 million and K116.3 million respectively. A summary of obligations and expenditures by fiscal year and cost category is shown on Exhibit A.

Of the total dollar expenditures, \$2.7 million (73%) was for commodities, primarily pharmaceuticals and medical supplies.

Current staffing for the Village Health Program consists of nine American direct-hire personnel, four Third Country Nationals, and about 409 Lao Nationals.

SUMMARY OF MAJOR FINDINGS

The auditor's findings are summarized below and presented in detail in the Findings and Recommendations section of this report.

There had not been a complete physical inventory of medical supplies and equipment in the PHD Medical Warehouse in Vientiane for about 14 months and many of the stock record card balances did not agree with quantities actually on hand. (Recommendation No. 1)

End-use observations of non-expendable property disclosed that many items were not marked with AID emblems as required by AID Regulation I. (Recommendation No. 2)

FOLLOW-UP ON PRIOR AUDITS

Two prior audits have been made of activities related to the Village Health Program. Audit Report No. 65-31, dated May 19, 1965, covered a review of supply operations at the PHD Medical Warehouse in Vientiane. Audit Report No. 68-5, dated November 6, 1967, covered a review of supply operations at the Village Health Storage Center in Samthong. All recommendations in the two reports were satisfactorily implemented.

FINDINGS AND RECOMMENDATIONS

PHD Supply Operations - Vientiane

There had not been a complete physical inventory of medical supplies and equipment in the PHD Medical Warehouse in Vientiane for about 14 months and many stock record card balances did not agree with quantities actually on hand.

Our test counts of about 10% of the items on hand disclosed that, for the selected items, 46% of the stock record card balances did not agree with quantities actually on hand. The results of our test counts are summarized below:

	<u>Items Counted</u>	<u>Count Under</u>	<u>Count Over</u>	<u>Total Incorrect</u>
Drugs and Medicines	22	8	8	16
Equipment and Supplies	<u>65</u>	<u>10</u>	<u>14</u>	<u>24</u>
Total	<u>87</u>	<u>18</u>	<u>22</u>	<u>40</u>
% Error		<u>21%</u>	<u>25%</u>	<u>46%</u>

During the course of the audit in December 1967, we recommended that PHD conduct a wall-to-wall inventory in order to adjust stock record cards to reflect balances actually on hand. We also recommended that physical inventories be conducted at least semi-annually in the future.

In response to our recommendation, PHD personnel stated that preparations are being made to conduct a wall-to-wall inventory to establish accurate accountability records. Thereafter, inventories will be conducted on a cycle basis, assuring a complete cycle inventory at least annually.

Recommendation No. 1

The Public Health Division should complete the wall-to-wall inventory as planned and submit a summary report of inventory to the Controller upon completion of the inventory.

PHD Supply Operations - Provincial Areas

Our review of PHD supply operations at provincial supply centers and dispensaries disclosed that established procedures and practices were generally adequate for effective supply management. Stock record cards were fairly accurate and stock control levels and re-order points had been established and maintained.

At the PHD medical warehouse in Pakse, some errors were noted in postings of receipts and issues and the system for flow and filing of supply documents was somewhat disorganized. During the audit, we proposed some revisions to procedures, which should provide more orderly flow and filing of supply documents and related reports. The PHD

Medical Technician in Pakse concurred in the proposed changes in procedures and initiated the changes during the audit.

AID Marking Requirements

Our observations of non-expendable property disclosed that many items were not marked with AID emblems as required by AID Regulation I. We noted that some items of equipment arrived without emblems on containers or the equipment. Other items of equipment arrived with emblems affixed only to the container. AID Manual Order No. 1454.11 requires that the Mission monitor arrivals of commodity shipments in order to assure compliance with marking requirements and initiate corrective action when monitoring discloses non-compliance with AID marking requirements. Corrective action means applying emblems to commodities and containers as appropriate and submitting form AID-1450-1, "Report of Violation-Marking Requirements" to AID/W so that appropriate action may be taken against suppliers.

Recommendation No. 2

The Public Health Division should inspect equipment located at the various Village Health Program project sites and affix AID emblems to all non-expendable property items procured with project funds. PHD should also ensure that future non-expendable property items are marked with the AID emblem before release for use on the project and that marking violations by suppliers are reported promptly to the Office of the Controller so that a Form AID-1450-1 "Report of Violation-Marking Requirements" can be submitted to AID/W as required by M.O. 1454.11.

Participant Training

Our review of the participant training program showed that returned participants were being effectively employed in Laos, principally in RLG Provincial Hospitals. Required reports were prepared by participants upon completion of their training and such reports were on file in the USAID Participant Training Branch.

VILLAGE HEALTH PROGRAM SUBACTIVITY
PUBLIC HEALTH DEVELOPMENT
SUMMARY OF OBLIGATIONS AND EXPENDITURES
JULY 1, 1963 TO SEPTEMBER 30, 1967

<u>D o l l a r s</u>	<u>FY 1964</u>	<u>FY 1965</u>	<u>FY 1966</u>	<u>FY 1967</u>	<u>FY 1968</u>	<u>Total Obligations</u>	<u>Accrued Expenditures</u>
Commodities	\$ 399,802	\$ 604,728	\$ 895,453	\$ 850,100	\$ 162,000	\$ 2,912,083	\$ 2,698,627
Contract Services	-	-	104,550	6,053	-	110,603	110,603
Personal Services	100,800	157,741	207,524	227,160	60,055	753,280	745,315
Participants	9,666	-	24,942	1,750	-	36,358	31,735
Other Costs	<u>33,971</u>	<u>1,485</u>	<u>5,544</u>	<u>55,005</u>	<u>1,058</u>	<u>97,063</u>	<u>97,063</u>
Total Dollars	<u>\$ 544,239</u>	<u>\$ 763,954</u>	<u>\$ 1,238,013</u>	<u>\$ 1,140,068</u>	<u>\$ 223,113</u>	<u>\$ 3,909,387</u>	<u>\$ 3,683,343</u>
<u>Counterpart (Trust Fund)</u>							
Salaries and Allowances	2,832,117	9,740,481	22,315,337	38,341,683	9,891,503	83,121,121	82,805,040
Local Travel	-	22,600	582,610	2,132,853	955,560	3,693,623	3,049,680
Transportation of Commodities	6,350	7,500	65,299	122,280	9,200	210,629	210,480
Contract Services	601,090	137,275	2,309,614	16,069,040	161,832	19,278,851	12,085,680
Supplies and Materials	<u>99,240</u>	<u>4,698,657</u>	<u>6,456,431</u>	<u>6,226,730</u>	<u>765,845</u>	<u>18,246,903</u>	<u>18,186,960</u>
Total Counterpart	<u>3,538,797</u>	<u>14,606,513</u>	<u>31,729,291</u>	<u>62,892,586</u>	<u>11,783,940</u>	<u>124,551,127</u>	<u>116,337,840</u>

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