

PD-AA-N-140

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO BRAZIL

ISN 31428

AUDIT REPORT
OF
PROMOTION OF HEALTH IN THE BRAZILIAN NORTHEAST
(CEARA, PERNAMBUCO, AND SERGIPE)

UNDER

PROJECT AGREEMENT No. 512-11-550-147 (SERGIPE AGREEMENT)
" " " 512-11-550-148 (CEARA AGREEMENT)
" " " 512-11-550-151 (PERNAMBUCO AGREEMENT)

(FORMERLY 512-AA-55-AA-5, 512-AA-55-AC-5, and 512-P-59-AF)

FOR THE PERIODS

DECEMBER 13, 1962 (SERGIPE AGREEMENT)
DECEMBER 16, 1962 (CEARA AGREEMENT)
DECEMBER 10, 1962 (PERNAMBUCO AGREEMENT)

THROUGH NOVEMBER 30, 1965

REPORT No. 15/66
COPY No. 4

OFFICE OF THE CONTROLLER
USAID/BRAZIL
DATE: JUNE 29, 1966

**AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO BRAZIL
Office of the Controller**

June 29, 1966

**TO Minister Stuart H. Van Dyke
Mission Director**

This office has completed a partial examination of the "Promotion of Health in the Brazilian Northeast" program for the period December, 1962 through November 30, 1965. The examination covers the activities in the states of Sergipe, Ceara, and Pernambuco.

The program, under P.L. 480, Title I, Cruzeiro Grant Funds, had four purposes: (1) construction and renovation or improvement of public health units (revised downward during the course of the program from 184 to 106); (2) providing adequate equipment; (3) establishing training courses for personnel, and (4) providing for maintenance and operating costs. The project agreements authorized Cr\$100 million in U.S. owned Local Currency to Sergipe, Cr\$150 million to Ceara, and Cr\$240 million to Pernambuco.

The overall findings indicate that the results of the program were unsatisfactory in the three states examined. Specifically the auditors noted the following:

(1) Although the revised program provided for the construction of 42 new health units, it was determined that the health centers designated as "established" were actually constructed prior to these project agreements. The Centers, however, were provided with nominal maintenance.

(2) The program (as revised) provided also for the renovation of 64 existing units. The auditors found no evidence of major building renovations although normal maintenance was generally provided.

(3) The program provided also for the provision of equipment, training courses for personnel and the operation and maintenance of public health services. The auditors found no evidence of large-scale

upgrading of equipment or of expanded training of personnel. AID's contributions were expended largely for operation and maintenance activities.

(4) In most locations visited the auditors were notified that the buildings were inadequate to accommodate the staff and patients. Smaller health centers were in general staffed inadequately and usually visited by physicians only once or twice a week. Laboratory equipment was observed in some centers not being used because of a lack of adequately trained personnel. Physicians and nursing attendants complained frequently of the inadequate quantities of medical supplies furnished.

(5) The financial commitment pledged by the Federal Ministry of Health was not met, and the commitments made by the three States were satisfied only partially. On the other hand it appears that PAHO/WHO and UNICEF substantially met their commitments.

(6) The auditors noted that the principal coordinating agency for the program, the Federal Social Public Health Service Foundation (FSESP), failed to exercise adequate controls, and that accounting and reporting procedures were unsatisfactory and not consistent with the related provisions of the project agreements.

(7) The project agreements provided that each of the locations listed should be marked so as to reflect cooperation under the Alliance for Progress Program. The auditors' physical observations of 30 health centers revealed no signs or reference to the Alliance for Progress. Only FSESP plaques were attached to the buildings.

(8) Your attention is invited also to the extract from the final report of Leo A. Daly Co., Architects and Engineers as set forth in Section III.A.1 of the enclosed audit report.

In September 1965 this office completed an audit of that portion of the overall "Promotion of Health in the Northeast" program which related to activities undertaken in the State of Maranhão. The findings at that time were substantially of the same unsatisfactory type. Also,

TO Minister Stuart H. Van Dyke
Mission Director

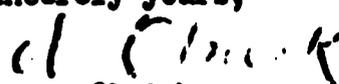
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a State Department Inspector General team recently observed selected health centers at 7 of the 68 health units pertaining to the Alagoas portion of the same program. In its recent report the IG referred to such deficiencies as unused or closed centers, unutilized equipment and inadequate staffing. We note from TOAID A-2179 to AID/W(Rocife USAID A-294) which sets forth the USAID's preliminary comments on the IG report that efforts have been made and are continuing to be made for the re-opening of closed health centers. I recommend that the USAID Director instruct the NEAO to report periodically to him (perhaps quarterly) on progress being made in improving on the generally unsatisfactory status of the "Promotion of Health in the Brazilian Northeast" program, until such time as the situation can be considered as relatively satisfactory.

The subject three project agreements terminated in December, 1965. The principal recommendations contained in this report concern a refund by FSESP to USAID of Cr\$88 million undisbursed under the program, and the preparation of certain final reports accounting for AID funds released to the projects.

Copies of the auditors' report have been distributed to those concerned. In accordance with established procedures, the USAID/B Controller's Office will make appropriate follow-ups to ensure that the recommendations for corrective action set forth in the report are expeditiously implemented.

Sincerely yours,


Norman Olnick
Controller

**DISTRIBUTION OF
AUDIT REPORT
No. 15/66**

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NOTE: All audit work papers are attached to Copy No. 24 which is on file
in the Office of the Assistant Controller (NECO), Audit Section, USAID/B/NE.

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THROUGH NOVEMBER 30, 1965

SECTION I - INTRODUCTION

A. PURPOSE

The purpose of this audit was to review and evaluate the progress in the expansion of health services for the states of Sergipe, Ceara, and Pernambuco as outlined in the project agreements, to determine the extent of compliance with AID regulations on grant agreements, to ascertain whether the signatories to the agreements fulfilled their financial obligations, and to establish that the funds were properly utilized.

B. SCOPE

This was the initial audit of the health program in the states of Sergipe, Ceara, and Pernambuco. The audit covers the period from inception of the projects in December, 1962 through November 30, 1965

We examined the accounting records and related files in the USAID/Brazil/NE offices of the Assistant Controller and Human Resources

Division, Public Health Branch; held meetings and discussions with the Regional Directors of Special Public Health Service Foundation (FSESP) in Recife, Fortaleza, Aracaju, Salvador, and Rio de Janeiro and reviewed their pertinent records. We also met with the Superintendents of FSESP and UNICEF in Rio de Janeiro, and the Secretaries of Health of the respective states.

In October and November of 1965, we made field trips to thirty health centers and five regional offices in the states of Ceara, Sergipe, and Pernambuco for purpose of physical observations and evaluation. Related discussions were also held with mayors, priests, and citizenry in the communities visited.

This audit was made in accordance with applicable Manual Orders, directives and generally accepted auditing procedures which we considered appropriate in the circumstances.

The report was reviewed by the chiefs of the USAID/D/NE Human Resources Division and Public Health Branch who are in accord with its contents. Although the report as such was not reviewed with FSESP, many of the findings contained herein were discussed with the Superintendent and other officials of FSESP during the course of this audit.

SECTION II - GENERAL

The health services provided in Northeast Brazil are not adequate to serve and reach all community levels. As a consequence, many parasitic and other preventable or controllable diseases are endemic. Infant mortalities reportedly range between 300 and 400 per 1,000 live birth.

The medical facilities of the Northeastern states and federal specialized assistance have been inadequate in terms of services offered and areas served. Recognizing the inadequacy the states entered into agreements with FSESP in the late 1940's by which FSESP

established integrated health centers in the respective states. FSESP is a semi-autonomous agency of the Federal Ministry of Health which grew out of a United States assistance program initiated during World War II. It has since been an active leader in promoting and developing integrated health services. In the late 1950's and early 1960's new agreements between the states and FSESP spelled-out detailed plans for the expansion of cooperative health services. However, lack of financial resources either prevented or delayed implementation of these plans.

On June 4, 1962, the Federal Ministry of Health, the Superintendency for the Development of the Northeast (SUDENE), FSESP and The Agency for International Development Brazil (USAID/B) entered into a "Basic Agreement" (512-AA-55-AA-5 formerly 512-P-59-AF) pledging additional resources to expand and accelerate the cooperative state health programs. Under this authority in December 1962 the states of Sergipe, Coarã, and Pernambuco, the Ministry of Health, FSESP, USAID/B, and PAHO/WHO/UNICEF entered into State Project Agreements No. 512-11-550-147 (Sergipe), 512-11-550-148 (Coarã), and 512-11-550-151 (Pernambuco).

These project agreements provided financial resources to FSESP for: (1) the construction of 81 new public health units and the renovation and improvement of 103 existing ones; (2) equipment; (3) training courses for personnel; and (4) the operation and maintenance of public health services. On December 31, 1963, the scope of the project agreements was revised downward thereby reducing the number of new health units to 42 and the renovation of existing units to 64, including equipment, training courses and operation and maintenance support. The revisions also advanced the project termination dates from June 15, 1967, to December 1965.

USAID/B pledged financial assistance to the respective projects from funds generated under the Second Sales Agreements - P.L. 480, Title I, Section 104 (c) Cruzeiro Grant Funds as follows:

Project Agreement No.	512-11-550-147	(Sergipe)	Cr\$100,000,000	
"	"	"	512-11-550-148 (Ceará)	150,000,000
"	"	"	512-11-550-151 (Pernambuco)	<u>240,000,000</u>
TOTAL			Cr\$490,000,000	

SECTION III - FINDINGS AND RECOMMENDATIONS

A. PROJECT PROGRESS

1. General

The primary purpose of these project agreements was aimed at expanding and up-grading 184 health centers. Due to the rapid pace of inflation, however, the scope of the original project agreements was revised downward by Revision No. 1 dated December 1962 as follows:

	<u>ORIGINAL AGREEMENTS</u>		<u>REVISED AGREEMENTS</u>	
	<u>Establish</u>	<u>Improve</u>	<u>Establish</u>	<u>Improve</u>
State of Sergipe	38	23	14	18
State of Ceará	21	5	18	-
State of Pernambuco	<u>22</u>	<u>75</u>	<u>10</u>	<u>46</u>
TOTALS	81	103	42	64

During our field trip in October and November, 1965, we visited thirty (30) health centers, fifteen (15) of which were designated as established and fifteen (15) as improved. Our observations and discussions with local personnel revealed the following findings:

1. The health centers designated as "established" (that is, where none existed previously) were constructed prior to these agreements. In some cases, we were informed that they had been in existence for several years. These centers, however, were provided with nominal maintenance.
2. The up-grading of health centers was generally limited to normal maintenance. We found no evidence of major building renovations, no large scale up-grading of equipment, and no expanded training of personnel.

Subsequent examination of FSESP reports and accounting records indicated that the financial assistance provided by these project agreements was primarily utilized for the operational support of existing health centers, i.e., salaries, rent, etc.

The U.S. firm of Leo A. Daly Co., Architects and Engineers engaged by AID/W to review, inspect, and approve the construction and renovation of health centers, reported the following in their final report submitted to USAID/B/NE on January 10, 1966:

1. "Many health centers were closed and difficult or impossible to examine in detail;
2. When we were able to see them, the responsible individual disclaimed any knowledge of USAID funds involved, and therefore, was unable to inform us of the disposition of funds or of accomplishments;
3. We were unable in most cases to verify, with any accuracy, either the scope or the cost of any remodeling, reconstruction or repair work."

2. Health Centers

The health centers, for the most part, were located in small rural towns consisting of two to eight thousand inhabitants. The size varied between three and twenty rooms with the average size being about eight rooms. In most locations we were informed that the buildings were inadequate to accommodate the staff and patients.

We found that the smaller centers were in general staffed inadequately and usually visited by physicians only one or two times a week. We saw laboratory equipment in some centers which was not being used because of a lack of adequately trained personnel. We noted only four diploma nurses among the 30 centers visited. It is reported that the Northeast has a shortage of at least 25,000 professional nurses. Consequently, most nursing is done by practical nurses who are either trained on-the-job or in a FSESP course usually requiring two to eight weeks.

The most frequent complaint we heard from the physicians and nursing attendants operating the health centers was that the quantities of medical supplies furnished were inadequate.

3. Local Training

Our examination indicated that the FSESP training program was not expanded under this program. According to the project agreements FSESP was expected to participate in the selection and training of auxiliary personnel necessary for the development of the public health activities.

Our audit revealed that FSESP was operating two training centers; one was located in Palmares, State of Pernambuco, and the other in Maranguapo, State of Ceara. We were unable to determine the number of personnel trained at these centers because of inadequate records; however, we were informed by the staff at these centers that the number of students had not increased subsequent to the agreements. Interviews with the staff indicated that the training facilities were inadequate to thoroughly train sufficient personnel for the health centers.

The Superintendent of FSESP also informed us that there were deficiencies in FSESP's training programs. He stated that although he was opposed to the use of foreign funds in the operation of health centers he would gladly welcome foreign assistance in training programs.

B. FUNDING

1. General

A total of Cr\$2,099,105,800 was pledged by the signatories to accomplish the objectives of the three states agreements, however, our examination revealed that as of November 30, 1965, only Cr\$... 761,319,575 was provided by the signatories to FSESP as presented in summary form below. (For a more detailed presentation refer to Exhibit I).

	<u>PLEDGED</u>	<u>PROVIDED</u>
USAID/B	Cr\$ 490,000,000	Cr\$490,000,000
FSESP	372,000,000	■
Federal Ministry of Health	140,000,000	-
PAHO/WHO/UNICEF	111,000,000	111,000,000
State of Sergipe	94,705,800	30,819,575
State of Ceara	243,400,000	105,500,000
State of Pernambuco	<u>648,000,000</u>	<u>24,000,000</u>
TOTALS	Cr\$2,099,105,800 *****	Cr\$761,319,575 *****

■ Unable to determine.

2. USAID/B

USAID/B pledged Cr\$490,000,000 under the project agreements.

Our examination revealed that all USAID/B funds were properly released to FSESP prior to the final contribution dates in December 1964 as follows:

	<u>SERGIPE</u>	<u>CEARA</u>	<u>PERNAMBUCO</u>	<u>TOTAL</u>
December 13, 1962	Cr\$ -	-	66,000,000	66,000,000
December 14, 1962	23,000,000	-	-	23,000,000
December 27, 1962	-	55,700,000	-	55,700,000
October 30, 1963	42,100,000	63,300,000	112,830,000	218,230,000
March 24, 1964	<u>34,900,000</u>	<u>31,000,000</u>	<u>61,170,000</u>	<u>127,070,000</u>
TOTALS	Cr\$100,000,000 *****	150,000,000 *****	240,000,000 *****	490,000,000 *****

The project agreements stated that all interest earned on USAID/B funds deposited in the Bank of Brazil could be utilized for the purposes of the projects. However, a subsequent U.S. Controller General decision, applicable to all such agreements, stated that all interest earned by the grantee on Title I, Section 104 (e) Grants between the time of transfer and utilization of the grant for project purposes, should be returned to the Treasury Miscellaneous Receipts Account. The decision outlined in AIDTO 28 dated July 1965 (Airgram Rio de Janeiro) requested refund of the interest from the grantee if practicable; if not, USAID/B should request an AID/W waiver of refund stating justification.

Our examination revealed that all funds received by FSESP, Rio

de Janeiro, under these project agreements were deposited into one special account at the Bank of Brazil. We were, therefore, unable to determine the interest earned on the funds contributed to each project because of the comingling.

This matter of earned interest was discussed with the Chief, USAID/B/NE Human Resources Division, for appropriate action in accordance with AID/W's Airgram AIDTO 28. On the basis of this discussion, it was decided that all earned interest should be returned to USAID/B.

RECOMMENDATION No. 1

That the USAID/B/NE Human Resources Division, Public Health Branch, with the cooperation of the Controller's Office, request FSESP to return all earned interest.

3. FSESP

FSESP pledged Cr3372,000,000 to these project agreements. The project agreements, however, did not clearly define the basis for establishing FSESP's contribution; we, therefore, discussed this point with the USAID/B/NE Program Office, Human Resources Division, and Public Health Branch. As a result of these discussions we were still unable to determine if FSESP's contributions were to be regarded as additional increments to their normal operating expenses in the respective states or simply minimal operating support for health activities.

Due to the absence of clarity in the project agreements we were, therefore, unable to make a proper determination.

The following figures show FSESP's budgetary requirements and the difficulties they had in obtaining funds from the GOB to carry on their activities:

<u>YEAR</u>	<u>■ FSESP BUDGET</u>	<u>■ GOB RELEASES OF FUNDS TO FSESP</u>	<u>o/o FUNDS RECEIVED</u>
1961	1.71	1.54	90.0
1962	3.58	2.34	65.4
1963	4.74	2.48	52.3

■ Expressed in billions of cruzeiros.

The above figures reflect that FSESP funds only increased 6.0 per cent from 1962 to 1963 as compared with a 32.4 per cent increase in their budgetary requirements. We were unable to obtain figures for 1964; however, we were informed by FSESP officials that the same situation existed.

These figures indicate that FSESP could have made little, if any, contribution to the program if its contributions were regarded as additional increments to normal operating expenses.

4. Federal Ministry of Health

The Federal Ministry of Health pledged Cr\$140,000,000 to the Ceara and Pernambuco project agreements.

Our examination revealed that the Federal Ministry of Health did not make its contribution of Cr\$140,000,000 pursuant to the project agreements.

5. PAHO/WHO and UNICEF

PAHO/WHO and UNICEF pledged the equivalent of Cr\$111,000,000 in trucks, medical supplies, and other medical equipment. Our examination revealed that these organizations fulfilled their pledge; however, we were unable to verify the amount of these contributions as no value was stated in the FSESP records. We requested financial details from the UNICEF office in Rio de Janeiro but we were informed that they did not have this information. Their records reflected that they had given overall assistance to the program "Promotion of Health in the Northeast" amounting to \$2,221,211 as of June 30, 1965. Notwithstanding the absence of adequate accounting records, it is our opinion the organizations fulfilled their obligation under the agreements.

6. State of Sergipe

The State of Sergipe pledged Cr\$94,705,800 to the Sergipe project agreement of which only Cr\$30,819,575 has been contributed to the project. The State Secretary of Health informed us that the State budgets for health during the implementation period of this

project were not adequate to support state medical facilities and this program.

7. State of Ceará

The State of Ceará pledged Cr\$243,400,000 to the Ceará project agreement. Under this agreement the State disbursed Cr\$105,500,000 to FSESP.

The Secretary of Health informed us that the State also paid the salaries of 131 physicians and supporting personnel employed in the FSESP operated health centers. We were not able to determine the value; however, FSESP officials confirmed that this assistance was received from the State of Ceará.

8. State of Pernambuco

The State of Pernambuco pledged Cr\$648,000,000 to the Pernambuco project agreement but disbursed only Cr\$24,000,000 to FSESP under this project.

The State Secretary of Health told us that the State also paid the salaries of an unidentified number of physicians and supporting personnel employed in the FSESP operated health centers as well as providing a considerable sum in medical supplies. We were unable to ascertain the amount of these contributions; however, FSESP officials confirmed that they received this assistance from the State of Pernambuco.

C. ACCOUNTING AND REPORTING PROCEDURES

1. Accounting

The project agreements required that FSESP account for the disbursement of USAID/B funds separately on each project.

We found that FSESP maintained separate accounting records for each project in the regional offices; however, the disbursements for each project were made from comingled funds. We were, therefore, unable to determine the purposes for which USAID/B funds were used.

We examined the accounting records maintained by the FSESP offices in Recife, Salvador, Aracaju, Fortaleza, and Rio de Janeiro.

The FSESP bookkeeping system did not reflect the distribution of expenses by health centers. We found that funds were disbursed from the Rio de Janeiro office to the regional offices without an itemized program of expenditures. The regional offices disbursed funds, materials, equipment, and supplies to the individual health centers without documentation that could subsequently be cross-checked.

A comparison of the bank balance with the disbursements of USAID/B funds was not possible due to comingling. The most current bank statement reviewed was applicable through November 10, 1965, and reflected a credit balance of Cr\$87,704,233. We were informed that Cr\$57,180,198 represented funds not released to the Pernambuco project; the balance of Cr\$30,524,035 belonged to other state project agreements not covered by this examination. These funds included some interest earned; however, we were unable to determine the amount and if any interest, as such, was applied to the projects.

The bank balance was subsequently verified as of March 21, 1966, and reflected Cr\$88,954,597. In the interim period Cr\$1,250,364 was added to the account in earned interest.

We were told by the Superintendent of FSESP that these USAID/B funds would not be used. He said that FSESP was no longer interested in the use of foreign financial assistance for the program.

RECOMMENDATION No. 2

That the USAID/B/NE Human Resources Division, Public Health Branch, with the cooperation of the Controller's Office, request that FSESP return the Cr\$88,954,597 to USAID/B.

2. Reporting

Our examination disclosed that SUDENE did not carry out its responsibility to ensure the proper reporting on the projects. The "Basic Agreement" stated that SUDENE would

"ensure that such entities are fully aware of the requirements relating to operating practice, reports, auditing and other rules agreed upon between SUDENE and USAID/B."

The financial statements and progress reports prepared and submitted by FSESP to USAID/B, for releases of funds were constructed without supporting detail. We were informed during discussions with the Regional Director of FSESP in Recife that inaccurate information was deliberately furnished to USAID/B to comply with the reporting requirements. He said that FSESP's accounting system was not designed to provide the information required by USAID/B.

Our review of the Assistant Controller's files, Recife, indicated that FSESP did not provide details on the disbursement of USAID/B funds to prepare vouchers for the following amounts:

	<u>SERGIPE</u>	<u>CEARA</u>	<u>PERNAMBUCO</u>
Contribution	Cr\$100,000,000	150,000,000	240,000,000
Less disbursements reported	65,100,000	107,370,000	172,400,000
Less portion of USAID/B contribution requested to be returned	-	-	<u>57,180,198</u>
Disbursements not reported	<u>Cr\$34,900,000</u> *****	<u>42,630,000</u> *****	<u>10,419,802</u> *****

RECOMMENDATION No. 3

That the USAID/B/NE Human Resources Division, Public Health Branch, obtain the necessary details from FSESP so that USAID/B/NE can prepare final accountings for Cr\$34,900,000 (Sergipe); Cr\$42,630,000 (Ceará); and Cr\$10,419,802 (Pernambuco).

D. PUBLICITY AND MARKING REQUIREMENTS

1. Publicity

We contacted the United States Information Service (USIS), Recife, who provided us with information which indicated that the projects were adequately publicized after the announcement of these project agreements.

On August 1, 1964, however, FSESP made public a report prepared for the Brazilian Congress which criticized USAID/B aid. FSESP stated in the report that they were unable to maintain their services and

that certain expanded facilities had been closed or were scheduled to be closed because USAID/B had abruptly terminated their financial support as of January 9, 1964.

In the report FSESP listed 47 health centers which were to be closed in the states of Sergipe, Ceara, and Pernambuco. We were able to ascertain that only three were closed.

2. Marking

The project agreements stated that each of the locations enumerated should be marked so as to reflect the cooperation of the Alliance for Progress. Our physical observation of thirty (30) health centers revealed no signs or references indicating that USAID/B contributed to the program. We noted that only FSESP placques were attached to the buildings.

RECOMMENDATION No. 4

That the USAID/B/NE Human Resources Division, Public Health Branch, request that FSESP place AFP and AID marks at all operative health centers enumerated in the project agreements.

EXHIBIT I

PROMOTION OF HEALTH IN THE BRAZILIAN NORTHEAST
FUNDS PLEDGED TO STATE PROJECTS
AS STATED IN PROJECT AGREEMENTS
(In Cruzeiros)

<u>SIGNATORY</u>	<u>SERGIFE</u>	<u>CEARA</u>	<u>PERNAMBUCO</u>	<u>TOTAL</u>
USAID/B	Cr\$100,000,000	Cr\$150,000,000	Cr\$240,000,000	Cr\$ 490,000,000
FSESP	111,000,000	80,000,000	181,000,000	372,000,000
Federal Ministry of Health	-0-	80,000,000	60,000,000	140,000,000
2) PAHO/WHO/UNICEF	14,000,000	20,500,000	76,500,000	111,000,000
State of Sergipe	94,705,800	-0-	-0-	94,705,800
State of Ceara	-0-	243,400,000	-0-	243,400,000
State of Pernambuco	-0-	-0-	648,000,000	648,000,000
TOTALS	<u>Cr\$319,705,800</u>	<u>Cr\$573,900,000</u>	<u>Cr\$1,205,500,000</u>	<u>Cr\$2,099,105,800</u>

FUNDS RELEASED TO STATE PROJECTS BY SIGNATORIES
AS BASED ON AUDIT FINDINGS
(In Cruzeiros)

USAID/B	Cr\$100,000,000	Cr\$150,000,000	Cr\$240,000,000	Cr\$490,000,000
1) FSESP	-0-	-0-	-0-	-0-
Federal Ministry of Health	-0-	-0-	-0-	-0-
2) PAHO/WHO/UNICEF	14,000,000	20,500,000	76,500,000	111,000,000
3) State of Sergipe	30,819,575	-0-	-0-	30,819,575
3) State of Ceara	-0-	105,500,000	-0-	105,500,000
3) State of Pernambuco	-0-	-0-	24,000,000	24,000,000
TOTALS	<u>Cr\$144,819,575</u>	<u>Cr\$276,000,000</u>	<u>Cr\$340,500,000</u>	<u>Cr\$761,319,575</u>

- 1) Unable to determine.
- 2) Contribution made in-kind.
- 3) Does not include in-kind contributions which we were unable to verify.

EXHIBIT II

**PROMOTION OF HEALTH IN THE BRAZILIAN NORTHEAST
SOURCE AND APPLICATION OF FUNDS
TOTAL FSESP EXPENDITURES FOR OPERATIONS OF HEALTH CENTERS
FOR YEARS 1963 AND 1964**

<u>FUNDS PROVIDED</u>	<u>SERGIPE</u>	<u>%</u>	<u>CEARA</u>	<u>%</u>	<u>PERNAMBUCO</u>	<u>%</u>
Contributions of Funds:						
USAID/B	Cr\$100,000,000	28.4	Cr\$150,000,000	30.2	Cr\$240,000,000	31.4
State of Sergipe	30,819,575	8.7	-0-	-	-0-	-
State of Ceara	-0-	-	105,500,000	21.3	-0-	-
State of Pernambuco	-0-	-	-0-	-	24,000,000	3.2
Total Contributions	Cr\$130,819,575	37.1	Cr\$255,500,000	51.5	Cr\$264,000,000	34.6
1) FSESP funds	221,434,308	62.9	241,034,691	48.5	499,417,084	65.4
Total funds provided	Cr\$352,253,883	100.0	Cr\$496,534,691	100.0	Cr\$763,417,084	100.0
<u>FUNDS APPLIED</u>						
Salaries	Cr\$216,063,307	61.3	Cr\$289,549,499	58.3	Cr\$393,579,707	56.4
Contract Services(physic., etc)	30,222,284	8.6	44,404,257	8.9	136,530,302	19.6
Travel	12,830,649	3.6	19,266,321	3.9	35,537,623	5.1
Freight	1,385,713	0.4	1,746,900	0.4	3,150,999	0.4
Telephone and telegraph	381,465	0.1	492,565	0.1	2,293,762	0.3
Rent, water, light, etc.	2,067,707	0.6	2,601,337	0.5	6,752,085	1.0
Stationery	1,542,628	0.4	1,811,654	0.4	3,458,928	0.5
Supplies (medical and other)	81,518,145	23.2	102,086,188	20.6	98,366,725	14.1
Equipment	6,241,985	1.8	34,575,970	6.9	18,193,674	2.6
Total funds applied	Cr\$352,253,883	100.0	Cr\$496,534,691	100.0	Cr\$697,863,805	100.0
Funds applied in 1965					8,373,081	
USAID/B funds to be returned					57,180,198	
					Cr\$763,417,084	

1) Refer page 6 for explanation. (This figure was obtained by subtracting cash contributions made to FSESP by others from total FSESP expenditures).

Source of information was FSESP's records.