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**THE BURMA PRIMARY HEALTH CARE PROJECT
HAS MADE PROGRESS IN MEETING ITS
OBJECTIVES**

**AID/Burma Memorandum Audit Report
No. 2-482-84-05**

This \$7.2 million project has made progress in achieving its objectives. There are, however, some matters which require AID/Burma attention.

TO: Mr. Charles Ward
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April 9, 1984

FROM: ^{AID} Frank A. Dickey
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SUBJECT: Memorandum Audit Report No. 2-482-84-05
"The Burma Primary Health Care Project Has
Made Progress In Meeting Its Objectives"

INTRODUCTION

On August 29, 1980, AID signed a \$2 million grant agreement with the Government of the Socialist Republic of the Union of Burma (SRUB) to finance a primary health project (Project No. 482-0002). On December 12, 1980, the grant agreement was amended to increase the AID contribution from \$2 million to \$5 million. The agreement was amended a second time on September 30, 1982, to grant the SRUB 9,498,000 Kyat, (about \$1.2 million 1/), to finance local currency project costs. On January 7, 1983, a third amendment was signed which granted the SRUB an additional 7,748,000 Kyat (about \$1 million) to assist in financing the construction of 1,542 tubewells.

As of August 31, 1983, the financial status of the project was as follows:

<u>Component</u>	<u>Planned</u>	<u>Disbursed</u>
Dollar Funds:		
Technical Assistance	\$ 133,000	\$ 68,953
Participant Training	200,000	96,479
Commodities	4,617,000	3,597,668
Contingency	50,000	0
Total Dollars	\$5,000,000	\$3,763,100
Kyat Funds:	<u>2,211,026</u>	<u>1,527,180</u>
Total	<u>\$7,211,026</u>	<u>\$5,290,280</u>

PURPOSE AND SCOPE

The audit covered project activities from inception through October 1983. The audit objectives were to assess controls over project finances and commodities, and to evaluate project accomplishments. In performing

1/ The Kyat exchange rate used throughout this report is Kyat 7.8 = US\$ 1.00

this audit, we reviewed applicable documentation at AID/Burma and at the USAID/Thailand Controller's Office in Bangkok where AID/Burma financial records are maintained. We interviewed personnel at AID/Burma and the SRUB Department of Health, inspected project commodities at the Department of Health warehouse facilities, and visited project station hospitals and community health centers.

Our audit coverage of the Kyat funds that were to assist in financing the tubewells was limited to the review of financial information provided to AID/Burma by the SBUB. The SRUB Agricultural Mechanization Department would not give us access to the supporting documentation without first obtaining approval from higher levels within the Burma Government. Because of the delays in obtaining such approval, we terminated our audit efforts in this area. AID/Burma also did not have any information on the locations where the tubewells were to be constructed. Consequently, we were not able to make any visits to any of the tubewell construction sites.

OVERALL ASSESSMENT OF THE PROJECT

The overall goal of the primary health care project is to reduce morbidity and mortality among Burma's rural population, particularly among infants and young children. This was to be done by expanding the coverage and the quality of the primary health care system in 147 rural townships. The project has made progress in achieving its goals and objectives. Project activities consisted of three major efforts: health care training, commodity procurement, and technical assistance.

Training - Most of the training of primary health care workers has been completed. A brief summary of planned and actual training of health workers follows:

<u>Health Workers Trained</u>	<u>Planned</u>	<u>Actual</u> <u>August 31, 1983</u>
Auxiliary Midwives:		
Pre-Service	1,677	1,597
In-Service	4,557	3,043
Community Health Workers:		
Pre-Service	9,537	9,394
In-Service	13,155	7,028
Traditional Birth Attendants	<u>5,000</u>	<u>3,512</u>
Total	<u>33,926</u>	<u>24,574</u>

These health workers have returned to their villages and are providing basic health care services to the community.

Technical Assistance - The technical assistance provided to the SRUB Department of Health consisted of the following activities:

Evaluation -- Protocols for six evaluation studies were developed. After these studies were completed, an assessment is to be made of the Department of Health's performance.

Malaria Assessment -- A review of the malaria situation in Burma was completed and resulted in a report which made several recommendations.

Training -- Reports and materials were prepared on curriculum development and teaching methods for health worker trainers.

Data Processing -- The Department of Health received assistance in computer programming, data processing and report formatting.

Nutrition -- Assistance was provided on nutrition training and intervention. Work was also done on integrating nutrition training and intervention into the Burma health delivery plan.

Commodity Procurement - There is a need to improve the distribution of commodities and timing of commodity procurements (discussed in detail on page 7). Nevertheless, medical and/or drug kits were being provided for all auxiliary midwives, community health workers and traditional birth attendants trained under the project. Intravenous fluids and equipment were provided to station hospitals and rural health centers. Also, approximately 60 station hospitals were receiving additional supplies and equipment for expanding their referral capabilities.

While the project is making progress in meeting its goals and objectives, there are some matters that require the attention of AID/Burma management.

MONITORING OF THE KYAT PROJECT FUND ACCOUNT NEEDS IMPROVEMENT

AID/Burma needs to improve its control and monitorship of local currency grant funds:

- * Quarterly bank statements, used to monitor activities in the Kyat Project Fund Account, were neither received nor requested by AID/Burma.
- * Supporting documentation for SRUB expenditure reports was not being reviewed.

Bank Statements Not Provided

Although bank statements were to be sent by the SRUB to AID quarterly, they were neither received nor requested by AID/Burma. These bank statements were intended to provide AID with a tool to monitor the SRUB usage of project funds. Without these statements, AID cannot verify the amount of funds reported as disbursed by the Burma Ministry of Planning and Finance.

The funds were provided to the SRUB in one, lump-sum payment on January 12, 1983. On January 27, 1983, a total of 129,007,694.55 Kyat (\$16,539,448) was deposited into a special Project Fund Account at the Union of Burma Bank. Drawdowns from the Project Account were to be made on the basis of local currency expenditure reports. The funds were to cover local currency costs for three separate AID projects in Burma.

<u>Project</u>	<u>Kyat</u>	<u>Dollar Equivalent</u>
Primary Health Care I *	17,246,000.00	\$ 2,211,026
Primary Health Care II	34,000,000.00	4,358,974
Maize and Oilseed Production	<u>77,761,694.55</u>	<u>9,969,448</u>
Total	<u>129,007,694.55</u>	<u>\$16,539,448</u>

* Subject of this audit report.

One of the requirements of the three Kyat grant agreements was that the SRUB would provide AID/Burma with copies of the bank statements for this account at least quarterly. No statements had been provided by the SRUB to AID/Burma, until they were requested for the audit on September 14, 1983.

Expenditure Supporting Documentation Not Reviewed

Prior to making a withdrawal from the Project Fund Account, the SRUB was to prepare and furnish to AID/Burma, not less than ten workdays before withdrawal, a schedule of actual expenditures eligible for reimbursement under the Kyat Grant. The SRUB was complying with this requirement. However, AID had not bothered to review the SRUB records supporting these withdrawals. Consequently, Kyat project funds were spent without AID review of supporting documentation. This procedure has resulted in payments to the SRUB which were in excess of recorded costs.

Our review of expenditure supporting documentation showed that the SRUB withdrew more money than it had spent on the project. As of March 31, 1983, a total of \$1,217,692 in Kyat had been reported by the Department of Health as being spent on training activities. These funds were reimbursed to the Department of Health out of the Kyat Project Fund Account. However, Burma's Department of Health records show that as of March 31, 1983, only \$1,176,845 in Kyat had been spent on project activities. This represents \$40,847 in Kyat overpayments which should not have been withdrawn from the Project Fund Account.

AID/Burma stated that the \$40,847 could have been drawn down from the Project Fund Account as an advance. While the Implementation Letters do permit advances, such advances should be clearly identified and not labeled as a reimbursable cost. The Mission also stated that \$1,217,692 had actually been spent on authorized project activities by March 31, 1983, but \$40,847 in expenditures

had not been recorded at the time of the audit because of slow posting procedures. Subsequent to our audit, the SRUB Department of Health provided AID/Burma the necessary supporting documentation to liquidate the \$40,847 in overpayments.

Mission Comments

Our draft report recommended that AID/Burma improve control over the Kyat Project Fund Account by (a) taking steps to assure that bank statements are received at least quarterly from the SRUB, and (b) establishing procedures for the periodic review of supporting financial records obtained from SRUB agencies that request reimbursement. In response to our draft, AID/Burma stated:

"Steps have been taken to assure that bank statements for the Project Fund Account are received at least quarterly from the Union of Burma Bank, and the AID/Burma Program Officer has been assigned primary responsibility for monitoring the Project Fund Account. That officer will review both the bank statements and the disbursement reports, in consultation with the applicable technical officers, immediately upon receipt and will take appropriate actions with the SRUB concerning any items or amounts as to which any questions may appear. Bank statements from the Union of Burma Bank dating back to the inception of the Project Fund Account have been received and reconciled to the disbursement reports..."

"We plan to propose that regular audits of the Fund and the SRUB's disbursement reports be undertaken by the Burmese Government's Central Accounts Office, which is the equivalent of a national office of auditor general. The Project Grant Agreement and Project Implementation Letter No. 12 give AID and its authorized representatives the right to review the Project Fund Account at the Union of Burma Bank and the SRUB's books and records supporting the information shown in disbursement reports furnished to AID/Burma. If, in addition to regular IG audits under the Project, added assurances as to the correctness of SRUB disbursement reports are deemed necessary or prudent, special audits by the IG and/or additional spot-checks or reviews by the AID/Burma Controller's Office will be arranged."

In light of these actions, we are not making any recommendations on these matters.

CONSTRUCTION OF TUBEWELLS NOT VERIFIED

Although the SRUB was reimbursed \$993,333 for costs associated with the construction of 1,542 tubewells, AID/Burma has not verified whether any of the tubewells were constructed.^{1/}

About \$1 million in Kyat grant funds was programmed under the primary health care project to finance rural water supply improvements. Both the project paper and the Kyat grant agreement state that the Kyat grant funds were to be used to support an acceleration of the SRUB rural water program, particularly in Burma's dry zone where many villages have no potable water source. The project documents state that priority will be given to those villages which are near rural health centers and which are within the target areas of the primary health care projects. More specifically, Project Implementation Letter No. 12 states:

"Kyat Grant funds will be used to assist in financing the costs of constructing an estimated 1,542 tubewells, pipe-water supply works, and housing for construction workers; costs of equipment, spare parts, machinery, and supplies for such construction; costs of transporting materials to the dry zone; and maintenance and repair costs for the drilling rigs, village pumps, and hydrological equipment commencing from the beginning of SRUB Fiscal Year 1982/1983. ***

"The SRUB will finance or cause to be financed, the costs of all salaries of personnel employed in the Agricultural Mechanization Department's rural water supply program and all costs of the program in excess [estimated at \$265,000] of the amount *** of the Kyat Grant."

On October 6, 1983, AID/Burma received from SRUB supporting documentation for the Kyat grant costs incurred for rural water supply improvements. Below is the summary of these costs.

	<u>Amount Budgeted</u>	<u>Amount Spent</u>
Construction	\$159,230	\$159,230
Supply and Equipment	667,436	667,436
Maintenance and Repair	<u>166,667</u>	<u>166,667</u>
Total	<u>\$993,333</u>	<u>\$993,333</u>

^{1/} Because of an access to records problem and the lack of information on the locations of the tubewells, we were not able to verify whether the tubewells were actually constructed. This was discussed in more detail on page 2.

However, the documentation did not show whether any of the 1,542 tubewells were actually constructed. Further, the AID/Burma project officer had not verified whether any of the tubewells were actually constructed. AID/Burma stressed that the AID funds were only to assist in financing the costs of constructing tubewells as well as other costs of the SRUB rural water supply program. Therefore, AID/Burma contends that the assistance was not provided under procedures requiring the satisfactory completion of any of the 1,542 tubewells or of any other anticipated outputs.

Conclusion

The purpose of the rural water supply component was to provide potable water to villages in the project area. This was going to be accomplished through the construction of an estimated 1,542 tubewells. AID was to assist in financing the construction of the tubewells. However, AID/Burma does not know whether any of the tubewells have actually been constructed. But, the entire \$933,333 grant has been spent to support tubewell construction. If AID/Burma cannot obtain adequate assurance that the tubewells were actually constructed, the AID funds used in support of the tubewell construction should be recovered.

Recommendation No. 1

AID/Burma (a) determine whether or not the tubewells were actually constructed as specified in the Kyat grant agreement, and (b) take all necessary actions to recover the construction costs relating to any tubewells that may not have been constructed.

Mission Comments

AID/Burma has requested the SRUB to furnish copies of the Agriculture Mechanization Department's internal project progress reports regarding the construction of the tubewells. The Mission also intends to visit some tubewell construction sites.

The recommendation will be closed once it is established how many tubewells were constructed and the recommended recovery action has been completed, if warranted.

DISTRIBUTION OF PROJECT COMMODITIES NEEDS IMPROVEMENT

There have been problems in this project with slow distribution of project commodities. In addition, some large, expensive equipment sent to station hospitals cannot be used. These problems were brought about by poor planning when equipment and recipients were being selected. Efforts should be made to improve the timing of procurement, and the targeting and distribution of commodities in the follow-on project, Primary Health Care II.

The commodity component was a major portion of the first primary health care project. Out of \$5 million in grant funds, \$4.6 million, or 92 percent, was programmed for commodities. In the Primary Health Care II project there is also a significant portion of funding allocated for commodity procurement.

Out of \$7.14 million in planned AID contributions, \$4.1 million, or 58 percent is budgeted for commodities.

In April 1982 (20 months into the project), a mid-term evaluation of the primary health care project found that only about a third of commodities designated for the project had actually arrived in Burma. This situation had left many trained voluntary health workers deployed without supplies or only partially equipped. On the other hand, in the case of station hospital sets (which made up 16 percent of the total project budget) there was some concern that the sets might arrive too early--or before they could be integrated into the physical plant of the hospital facility.

The evaluation team suggested that during any consideration of Phase II of this project (Primary Health Care II), the commodity procurement process should be initiated as early as possible by ordering all items that are needed and where capability for use exists. Conversely, should the ability to utilize equipment need time to develop, then procurement should be delayed accordingly.

Commodity Distribution

At the time of our audit, we found that over 80 percent of the \$4.6 million in commodities financed by the project have been delivered. As the evaluation team predicted, there have been problems with slow distribution and non-use of station hospital equipment provided by project funds. Although all of the station hospital equipment has arrived in Burma, about one third still had not been distributed. We were told by SRUB Department of Health officials that the primary reason for the distribution delay was that equipment recipients had not yet been identified. As a result, complete station hospital equipment sets had been sitting in the central medical storage depot for several months.

The SRUB States and Divisions were supposed to identify station hospitals to receive equipment. Selection is made based on criteria established by the SRUB Department of Health. Some States and Divisions were either slow to make selections or had not made them at all. Compounding the delay in distribution was the fact that six items in the station hospital kits were separated and redirected by the Department of Health to hospitals -- not necessarily to hospitals originally targeted. As a result, of the six commodities the SRUB Department of Health has targeted for controlled distribution, the following had not been delivered as of September 6, 1983.

<u>Commodities</u>	<u>Not Delivered</u>	<u>Delivered</u>	<u>Total</u>
Refrigerator	58	2	60
Microscopes	58	2	60
Generators	54	6	60
Hurricane Lantern	90	0	90
Kerosene Stove	60	0	60
Kerosene Lantern	60	0	60

Unusable Equipment

Some of the medical equipment also is too sophisticated for station hospital use. A total of 60 station hospitals were to be equipped under the project. We found large pieces of medical equipment in a station hospital which were not being utilized. We believe that these pieces probably cannot be used in the small station hospitals. These pieces were an autoclave valued at \$1,256 and an anaesthesia machine valued at \$1,715. For the 60 station hospitals, the total value of this equipment is \$178,260. The autoclave was not being used because the hospital lacked kerosene. The anaesthesia machine was not being used for a number of reasons: (a) its operation requires a trained anaesthetist which is normally not available at a station hospital, (b) the station hospital did not have the required gasses (oxygen and nitrous oxide) to operate the machine, and (c) the discharge valve on the oxygen tanks do not fit the receptacle of the machine.

The station hospitals are small and not sophisticated. It is doubtful whether the majority of the 60 station hospitals scheduled to receive autoclaves and anaesthesia machines will be able to use them. Doctors at the station hospitals hope to find larger hospitals which can use the two pieces of equipment and possibly trade them for other medical equipment.

Conclusions

Commodity procurement is a large part of the primary health care effort in Burma. In Primary Health Care I, some commodities were not available when needed by the trained health workers. On the other hand, station hospital commodities have been sitting awaiting the identification of recipients. In addition, medical equipment was procured which cannot be utilized by the station hospitals. In the future, commodity recipients should be identified prior to receipt of the goods. In summary, AID/Burma needs to improve its management of commodity procurement and distribution for the follow-on project, Primary Health Care II.

Recommendation No. 2

AID/Burma take steps to (a) assure that the medical equipment scheduled for delivery to the station hospitals can be fully utilized, and (b) develop and implement procedures for ordering and distributing project commodities in a timely manner.

Mission Comments

The Mission stated that the autoclaves and anaesthesia equipment will be transferred to hospitals where they can be fully utilized. In order to improve distribution of commodities, AID/Burma is now requiring a list of designated recipients from the Department of Health prior to placing the commodity purchase orders.

The recommendation will be closed once we receive evidence that (a) all sophisticated equipment has been properly distributed to hospitals where it can be utilized, and (b) procedures are in place for the timely ordering and distribution of commodities for the Primary Health Care II project.

REPORT RECIPIENT

AID/Burma

Representative 5

USAID/Thailand

Controller 2

AID/W

Bureau for Asia:

Assistant Administrator 1

**Deputy Assistant Administrator (Audit
Liaison Officer)** 2

**Office of the Philippines, Thailand & Burma
Affairs (ASIA/PTB)** 1

Bureau for Science & Technology:

**Office of Development Information & Utilization
(S&T/DIU)** 2

Bureau for Management:

Assistant to the Administrator for Management 1

Accounting System Division (F/FM/ASD) 2

Directorate for Program & Management Services:

Office of Contract Management (M/SER/OM) 3

Office of the Inspector General:

Inspector General (IG) 1

Executive Management Staff (IG/EMS) 12

Policy, Plans & Programs (IG/PPP) 1

Office of Legislative Affairs (LEG) 1

Office of the General Counsel (GC) 1

Office of Public Affairs (OPA) 2

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RIG/A/Nairobi (Africa East) 1

RIG/A/Dakar (West Africa) 1

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RIG/A Karachi (Near East) 1

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