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AUDIT OF  
SUDAN'S RURAL HEALTH SUPPORT PROJECT  
Project No. 650-0030

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## GLOSSARY

AMREF	African Medical and Research Foundation (Southern Contractor)
GOS	Government of Sudan
MOH	Ministry of Health
NPHCP	Northern Primary Health Care Project (AID Funded)
OAI	One America, Inc. (Northern Contractor)
PHCP	Primary Health Care Program (On-going GOS Program)
RHSP	Rural Health Support Project
SPHCP	Southern Primary Health Care Project (AID Funded)

Currency Exchange Note: Exchange rate used throughout report is the official rate in effect throughout most of the period under review.  
\$1.00 = LS 1.3 (Sudanese Pounds).

## EXECUTIVE SUMMARY

### INTRODUCTION

The Rural Health Support Project (No. 650-0030) is striving to improve the capability of the Government of Sudan (GOS) to deliver primary health care to the rural population. Approximately 90 percent of Sudan's 18 million population is rural. The project's objectives are to be achieved by providing medical training, equipment and medical supplies, constructing training and dispensary facilities, and other logistical support.

The project is divided into two components -- northern and southern. Separate regional governments administer their respective component of the project. There are also separate technical assistance teams to assist with implementation of each component.

AID is providing an \$18 million grant to finance construction of primary health care facilities, equipment and medical supplies and technicians to provide medical training. The GOS's contribution of \$13.9 million is to come from PL-480 local currency generations. Project implementation began in August 1980 and the completion date has been extended to August 1987.

The purposes of our audit were to: (a) evaluate progress toward meeting goals and objectives (b) determine whether AID funded resources were effectively utilized (c) ensure that project implementation was carried out in accordance with applicable laws and regulations and (d) identify and report on any significant problems.

Our ability to assess program results was limited because little activity had taken place since the project paper was revised. Therefore, our audit primarily addressed financial, compliance, economy and efficiency matters. This effort disclosed numerous areas where project implementation could be improved.

Several serious problems, outside the control of project management, have hindered implementation of this large, complex project. Major hindrances which curtailed progress were:

- A planned overlap period with the predecessor northern and southern primary health care projects did not occur because signing of technical assistance contracts was delayed. The contract for the southern component

was signed 20 months behind schedule while the contract for the northern component was executed 28 months later than planned.

- Sudans' deteriorating economy eroded the support base for planned project activity.
- Project implementation was seriously affected when the GOS divided the south into three separate regions. Each region was to have its own government. The project was neither designed to work with three governments nor were the new governments sufficiently organized and staffed to implement a project.
- Hostilities still pose a major obstacle to implementation in the south. At the time of our audit technical assistance personnel had to be withdrawn from two regions because of fighting. It is not known when or if project activity can be resumed in these areas.

USAID/Sudan appropriately reacted to the above problems by commissioning a "revalidation exercise" to review the project's original objectives and assumptions. This exercise resulted in a project paper supplement which modified some project activities, altered certain inputs and outputs and revised implementation planning. Because of the USAID's action we did not make any recommendations concerning the need to alter project design, correct major obstacles to implementation or refine implementation plans.

We are, however, concerned about the feasibility of USAID/Sudan supporting a free medical service which the GOS can't afford. AID resources might better be used to provide assistance in developing a self supporting system rather than building more of an infrastructure that won't be maintained without massive foreign AID assistance.

Areas where project management could be strengthened are: (a) formation of a project coordinating committee to oversee implementation (pages 5 and 6) and (b) immediate selection of participants so they return to the project before it ends (pages 6 and 7).

The report makes recommendations to improve financial administration of this \$32 million project by (a) halting local currency advances to the south (pages 8 to 10), (b) improving controls over local currency expenditures in the north (pages 10 and 11), and (c) reviewing labor payments for construction (pages 11 and 12).

This and the two predecessor projects provided several million dollars of facilities, equipment and vehicles. Our review showed that accountability and utilization of these resources could be substantially improved if (a) a facility maintenance capability was developed in each Regional Ministry of Health (pages 13 to 15), (b) inventory controls were established in the south (pages 15 to 17), (c) an improper contract clause for disposition of construction equipment were negated (pages 17 and 18), (d) project vehicles were surveyed to improve their utilization and practicality (pages 18 and 19) and (e) training were given to Sudanese mechanics (pages 19 and 20).

At the conclusion of the audit, our findings were discussed with USAID/Sudan officials. A draft report was also provided for their review. Their remarks during the exit conference, and their written comments in response to our draft report were considered and, where pertinent, have been included in this report.

## . BACKGROUND

The Sudan Rural Health Support Project (RHSP) was designed to improve rural health services by providing support to the Government of Sudan's (GOS) Primary Health Care Program (PHCP). The principal beneficiaries of the project are the rural population in the northern and southern portions of the country (approximately 90 percent of Sudan's 18 million population is rural). The PHCP is a rural-based, preventive program, depending on trained health workers at the village level.

The project purpose is to improve the central and regional Ministries' of Health (MOH) capability to deliver primary health care to the rural population of Sudan, with special emphasis on maternal child health and family planning. This purpose is to be achieved by providing medical training and supplies, construction of training and dispensary facilities, and other logistical support. Since the GOS places considerable emphasis on decentralization, this project has been designed to focus most activity on a regional/province basis, rather than at the national level.

The project is divided into two components - northern and southern. There are separate regional governments to administer their respective component of the project. There are also separate technical assistance teams to assist with implementation of the components.

Project implementation was authorized in August 1980 and the project assistance completion date has been extended to August 1987. The financial plan calls for a \$18.1 million grant from AID and a GOS contribution of \$13.9 which will come from PI-480 Title III local currency generations. Total project funding is about \$32 million.

Implementation of the RHSP is administered by the GOS's central, regional and provincial Ministries of Health. Technical assistance to the northern portion of the project is provided by One America, Incorporated (OAI) based in Washington, D.C.. Technical assistance to the southern component is provided by African Medical and Research Foundation (AMREF) a New York headquartered corporation based primarily in Nairobi, Kenya.

## OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to (a) evaluate how well the project was progressing toward meeting its objectives, (b) ensure that AID funded resources were effectively utilized, (c) determine if project implementation was in compliance with applicable laws and AID regulations, and (d) identify and report on any significant problems. Audit work was performed in Sudan in October-November 1984 and focused on project activity since inception through November 1984.

Our review of program results was limited due to project implementation delays and the changed political situation in the south which necessitated a revision to the project paper design. Very little implementation had taken place since the project paper had been revised. Consequently, our audit primarily addressed financial, compliance, efficiency and economy matters. We reviewed internal controls over PL-480 Title III local currency generations which constitute the GOS contribution to the project. We also analyzed the accountability/utilization of assets provided by the previous Northern Primary Health Care Project (NPHCP) and the Southern Primary Health Care Project (SPHCP) because they are vital to the success of the current project.

Our audit included interviews with officials from USAID/Sudan, the Regional Economic Development Services Office for East and Southern Africa, AMREF, OAI, and the GOS. We reviewed pertinent files and financial records of USAID/Sudan, the GOS, AMREF and OAI. Field trips were made to the northern and southern sections of Sudan. These trips encompassed visiting regional governments as well as making inspection visits to several field site activities.

Our audit was made in accordance with generally accepted government auditing standards and included such tests of the projects' records and procedures as we considered necessary in the circumstances.

## AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### Project Progress Has Been Hindered By Sudan's Economic Problems, Contracting Delays and Political Instability

Several unforeseen problems have seriously affected implementation of this project. The effect of these problems is that the project could not be implemented as it had been originally designed. The principal difficulties have been:

The project design anticipated an overlap period with the predecessor NPHCP and SPHCP. This planned overlap never occurred because of very lengthy delays in fielding technical assistance teams. The contract with AMREF was signed 20 months behind schedule. The contract with OAI was executed 28 months later than planned.

- Sudan's serious economic problems continued to deteriorate rapidly. Economic growth has slowed and per capita income has declined. External indebtedness has increased substantially and the country has a large negative trade balance. These economic conditions have caused recurrent cost problems which have curtailed the institutional, infrastructural and logistical support base for planned project activities.
- The GOS seriously disrupted project implementation when they divided the south into three separate regions. Each region was to have its own governments. The project was not designed to assist three governments. Additionally, the new regional governments did not have functioning organizations in place to implement a project.
- Politically motivated hostilities in the south also pose a major obstacle to project implementation. At the time of our audit, technical assistance personnel in two of the three project regions had to be withdrawn because of fighting in the areas. It was not known when, or if, project activity could be resumed in these areas.

In response to these changed conditions and problems USAID/Sudan commissioned a "revalidation exercise" to review the projects original objectives and assumptions. This exercise resulted in modifications and refinements to some project activities, altered certain inputs and outputs, and revised the projects financial and implementation plans. For

example, the radio education component was removed; a health economist position was created to study recurrent costs; an oral rehydration therapy component was added; and a logistics officer position was created.

At the time our audit began, USAID/Sudan had just finalized a project paper supplement which incorporated these modifications. Very little activity had taken place under the revised planning. Additionally, it had still not been decided whether project activity could be resumed in the other regions in the south.

#### Conclusion

Project implementation has been hindered by factors beyond the control of USAID/Sudan. USAID/Sudan has reacted appropriately to these problems by revising the project paper to reflect the changed environment. Consequently we are not making any recommendations related to implementation delays, obstacles to implementation or the need to revise project planning.

Our ability to assess program results was limited because little activity had taken place since the project was revised. For this reason, our audit primarily focused on financial, compliance, economy and efficiency matters. The remainder of this report addresses the problems identified in these areas.

#### Project Management Can Be Strengthened

This project will be very difficult to manage because it attempts to bring about improvements in a multitude of primary health care areas. This difficulty will be compounded by the vast territory project implementation covers and the poor logistical and infrastructural support in rural areas. The following sections discuss areas where we feel project management can be strengthened. One section was deleted because events had overtaken our finding. We found that one project manager could not function as a project manager, health planner and a medical training officer in three regions. USAID/Sudan in their response to our draft report indicated that two of the regions have been deleted from project assistance; therefore, one project manager can handle the workload.

## Management Can Be Improved If A Project Coordinating Committee Is Activated

At the time of our audit an important organization for planning and managing project activity in the south had still not been activated. A project coordinating committee was to have been established within 90 days from the date the project agreement was signed. Section 5.11 of the project agreement contained the following special covenant:

"The Grantee covenants that it will establish in the south a project coordinating committee for the purpose of coordinating the PHCP component of the project. The committee will be chaired jointly by the regional Ministers of Health and Agriculture or their designated representatives. Other members of the committee will be the director of the Primary Health Care Program, an appropriate AMREF staff representative and other members as designated by the Agriculture and Health Ministries."

Officials from the regional MOH in Juba told us they did not form this committee because they felt that a steering committee formed under the predecessor SPHCP satisfied the requirements for the RHSP's coordinating body. However, other project personnel told us this steering committee was defunct and had not met recently.

As planned, a coordinating committee can make a valuable contribution to achieving project objectives. For example, it can help ensure that coordination between the GOS's overall PHCP and this project takes place; monitor the progress of various components; and provide guidance when project activities need alteration. It can also help bring regional MOH officials into a more active role in project activities.

We were unable to demonstrate the negative effects stemming from failure to establish a coordinating committee. However, if it had been formed as planned, project management would have been improved and the GOS would have been more actively involved in project activities.

### Conclusion

An important organization for managing project activity (required by a special covenant) has not been formed. We feel pressure should be placed on the regional MOH to activate this committee immediately.

## RECOMMENDATION NO. 1

USAID/Sudan issue a project implementation letter to the Ministry of Health (a) instructing them to establish the project coordinating committee and (b) providing specific guidelines for the functions the committee is to perform.

### USAID/Sudan Comments

USAID/Sudan in response to our draft report indicated that a project implementation committee for the Equatoria Region was formed in December 1984. They further indicated that this committee would develop a terms of reference, work plan and a schedule for regular meetings.

### RIG/A/N Response

The reported actions taken or planned are acceptable and meet the intent of our recommendations. Since the committee has been formed part (a) of the recommendation will be considered closed when this report is published, part (b) will remain open until the planned action has been implemented.

### Participants Need To Be Selected As Soon As Possible

Current long term training plans call for educating three participants to the masters degree level. One participant has been selected and has attended classes, however, nothing had been done to start the selection process for the remaining two participants. If these participants are not selected immediately then long term management of project activities could suffer because they will not have had the opportunity to work with the expatriate staff during implementation of project activities.

The northern and southern components of the project are each to select one participant. The southern component had done nothing to select a nominee because of confusion over which region the individual should come from. This should no longer be a problem since two of the regionals have been deleted. The northern component simply had not started the selection process. AID Handbook 10, Sec. 3B3-4 states the following regarding the need to select nominees in a timely manner:

"The timing aspects of any project involving participant training must take into account the leadtimes needed to select and prepare participants for training out of the country, as well as the time necessary to arrange their individual training programs. The selection of participants from among available candidates can be a time-consuming process for both mission and host country officials. Many participants require in-country training to improve their English language skills before they are ready to begin their training program. In addition to these time factors in the host country, those responsible for planning and managing the training will require reasonable leadtime. Training to be arranged by S&T/IT (the bureau of Science and Technology/International Training) requires 90 to 150 days leadtime."

If these participants are not selected immediately they will be unable to complete their training before the project ends. It could easily take three years or more for a nominee to be selected, have his application processed and complete a masters degree program. Only two-and-one-half years presently remain until the project completion date.

If the participants can return and be placed in positions where they work alongside technicians, then they can benefit from this interaction. This will give them the opportunity to learn how to manage the tasks the expatriates had been performing. If this occurs, Sudanese will be in a better position to carry on project activities after AID assistance ends.

#### Conclusion

Participant trainees should have been selected long ago. If they are not selected soon their effectiveness will be lessened because they will not have had an opportunity to interact with technicians. This could detract from the capability of Sudanese to manage and carry on project activity in the future.

#### RECOMMENDATION NO. 2

USAID/Sudan instruct the Government of Sudan to nominate candidates for participant training immediately.

#### USAID/Sudan Comments

USAID/Sudan concurred with our recommendation and requested the GOS to identify candidates for long-term participant training as soon as possible.

#### RIG/A/N Response

The action taken by the mission meets the intent of our recommendation, however, we have retained our recommendation to follow up that the candidates are nominated and begin training.

#### Financial Administration Needs Improvement

The financial budget for the project is approximately \$32 million. Around \$14 million of this amount represents PL-480 local currency generations. The local currency funds are susceptible to misuse and will require close oversight to ensure the propriety of expenditures and accountability. The following sections detail areas where administration of these funds needs to be improved.

#### Local Currency Advances To The South Should Be Halted

The system to account for local currency advances in the south was inadequate. Internal controls and operational procedures for administering the funds were weak. We found instances where local currency funds had been expended on non-RHSP activities.

AID is providing approximately \$14 million in local currency funds which are to be used in furtherance of project activities. It is essential that a good accounting system and proper operating procedures be in place to adequately control this money. Without proper controls unauthorized expenditures/defalcation can easily occur which would be detrimental to project objectives.

Our ability to review local currency expenditures was somewhat limited because the custodian of the fund was out of town during the entire period we were in Juba. Additionally, receipts supporting expenditures were locked in his files which no one could open. However, the AID office in Juba did have copies of some of the receipt documents which we reviewed.

The accountant in the MOH kept a check register for a few months to record local currency transactions. However, he stopped maintaining this register in February 1984. He told us he discontinued the register because he had too many other duties.

Internal controls over the local currency account were weak because almost exclusive control of funds was vested in the regional director of the PHCP. Two signatures were required to issue a check, however, this control element was weakened because the second signatory was the accountant who told us he "signs whatever he is told to."

The approval system for purchases was also weak. Generally, approval for items to be purchased was given orally (we found some instances where the purchase request was documented in writing). Much tighter controls could be achieved if all purchases were documented in writing and approved by two responsible officials.

Another major weakness is the absence of any provision for external review or detailed audit. Considering the large amount of funds involved and their susceptibility to misuse, an audit of transactions by an independent audit firm would be desirable. An alternative control mechanism which could easily be employed is to have AMREF periodically review the records.

Due to the lack of records and the fact that all receipts were not available it was difficult to document the effects of the poor controls described above. However, based on our limited review of available documents we did note that in one instance LS 7,174 (U.S. \$5,519) of local currency was spent by an MOH official to repair his house. Project personnel told us that other expenditures were not for RHSP activities, approved budgets were not followed; too much money was reported as being spent on petrol, vehicle repairs, stationary, etc. The validity of several receipts for expenditures also appeared to be very questionable.

#### Conclusion

Adequate accounting records and operational procedures for controlling local currency advances were not in place. USAID/Sudan should not make any additional advances of funds until the conditions noted during our audit have been corrected.

#### RECOMMENDATION NO. 3

USAID/Sudan halt local currency advances to the south until (a) adequate accounting records are established (b) proper internal controls/separation of duties are instituted (c) guidelines are developed regarding the purpose for which funds can be expended and (d) an independent review of expenditures is arranged.

#### USAID/Sudan Comments

USAID/Sudan agreed with our recommendation and sent a letter to the GOS requesting the withholding of local currency advances to Equatoria Region.

#### RIG/A/N Response

Steps taken by the mission to withhold future advances are appropriate. However, we are uncertain whether they intend to resume making advances at some point in the future. The intent of our recommendation was that advances be withheld until adequate records and internal controls are in place. We are retaining our recommendation until we are advised that adequate controls have been instituted or no additional advances will be made.

#### Controls Over Local Currency Expenditures In The North Can Be Improved

Our review of local currency expenditures in the north disclosed that the accounting system although rather basic, was adequate to handle the present level of project activity. Assurances that expenditures were proper was enhanced because OAI periodically reviewed the accounts and an independent audit firm had recently performed a detailed audit of the accounting records. We do feel that much better control over expenditures could be achieved by developing a detailed budget. We also noted that a LS 17,000 (\$13,077) discrepancy between the accounts at El. Obeid and central MOH had not been satisfactorily resolved.

One of the more useful tools management has for analyzing and controlling project expenditures is the annual budget preparation and periodic review process. A budget basically represents the resources needed, broken down into line item expenditures, which are required to execute the projects operational plan for a given period of time. The analysis of actual costs against the budget is an excellent method to control costs, identify excessive expenditures and uncover possible expenditures that should be investigated further.

We could not determine why a local currency budget was not prepared. Local currency expenditures in the north will be around \$10 million over the life of the project. A detailed budget plan and periodic review is imperative with planned expenditures of this magnitude.

Local currency advances are periodically made from the central MOH to the local currency account maintained in El Obeid. The records in El Obeid show that they have received LS 17,000 (\$13,077) less than the records at the central MOH reflect as having been advanced. We could not obtain a satisfactory explanation for this discrepancy.

#### Conclusion

A detailed budget has not been prepared for local currency expenditures in the north. This weakens managements' ability to measure project progress and monitor the integrity of expenditures. A discrepancy in local currency advances exists which should be satisfactorily reconciled.

#### RECOMMENDATION NO. 4

USAID/Sudan in conjunction with the Government of Sudan (a) develop a detailed budget for local currency expenditures in the north and (b) investigate the local currency account discrepancy and take the necessary corrective action.

#### USAID/Sudan Comments

USAID/Sudan officials informed us that the Kordofan Region submitted a local currency budget on February 17, 1985 and the central MOH budget would be submitted on March 20, 1985. They also stated the LS 17,000 discrepancy had been partly resolved and that related documentation would be reviewed by an accounting consultant.

#### RIG/A/N Response

It appears that our recommendation for developing local currency budgets has been satisfied, consequently, that part of the recommendation will be considered closed when this report is issued. We are retaining the recommendation pertaining to the LS 17,000 discrepancy until documentation has been reviewed and we receive USAID/Sudan assurances that the discrepancy has been satisfactorily accounted for.

#### Labor Payments For Project Construction Should Be Reviewed

A subcontractor hired by AMREF is constructing various public health facilities in the south. The subcontractor submits his

monthly expenses, including labor costs, to AMREF for review and reimbursement. Our review of reimbursement procedures disclosed that proper internal controls over payroll costs were not followed and that erroneous payments had occurred.

The subcontractor submits his total labor costs to AMREF's accountant without any of the detailed payroll records. Payment controls require the accountant to review the details which support payroll disbursements. The accountant never reviewed the support for payroll and always reimbursed the total amount claimed. This breakdown in controls has led to improper payments.

We reviewed details supporting the payroll for two months. We found that labor charges were overstated by LS 1,114 (\$857) in one month and understated by LS 30 (\$23) in the other month.

#### Conclusion

Proper controls over reimbursements for payroll costs were not exercised. This has resulted in at least two instances where monthly payroll reimbursements were inaccurate.

#### RECOMMENDATION NO. 5

USAID/Sudan direct African Medical Research Foundation to (a) review payroll records for prior periods (b) offset any overcharges against future reimbursements and (c) ensure that supporting payroll details are submitted with future expense statements.

#### USAID/Sudan Comments

USAID/Sudan agreed with our recommendation and requested AMREF to take steps to satisfy our recommendation.

#### RIG/A/N Response

We are retaining our recommendation until we are advised that AMREF complied with the USAID/Sudan request.

#### Project Facilities, Equipment And Vehicles Require Managements' Attention

The RHSP as well as the prior NPHCP and SPHCP have provided a very substantial investment in primary health care facilities, equipment, supplies and vehicles. These resources are vitally important to the success of the primary health care program. Because the Sudan will have difficulty replacing equipment due

to economic problems it is particularly important that these assets be efficiently utilized, properly accounted for and adequately maintained. The following sections discuss areas where management needs to improve administration over these assets.

#### Attempts Should Be Made To Develop Facility Maintenance Capability

This project as well as the prior NPHCP and SPHCP have constructed numerous dispensaries, training centers, warehouses, and office space to support the delivery of primary health care services. Several parties (AID/Washington; USAID/Sudan; AMREF) have questioned whether the GOS will have the financial capability to maintain and effectively utilize the facilities AID has provided. In our view, the recurrent cost implications of maintaining project construction is a serious issue which warrants an attempt at resolution now.

The extremely poor financial condition of the GOS makes the recurrent cost factor a pertinent issue in any project. The GOS has difficulty meeting payrolls and has little or no funds to devote to recurrent cost. No one we talked to was optimistic that Sudan's financial problem would be alleviated in the foreseeable future. What support the project is getting is coming from local currency generations from other AID projects. We noted that the GOS constitution provides for free health care. This concept probably is not plausible in Sudan when considering the current financial problems and little potential for significant improvements in the future.

We discussed the capability of the GOS to maintain public health facilities with officials from the central and regional MOH. All of these officials indicated that they had not developed maintenance budgets or plans nor did they have any funds which could be devoted to maintenance. External donor assistance was the only source they could rely on for maintenance assistance.

In addition to a shortage of funds, USAID/Sudan and technical assistance personnel believed that the lack of a maintenance philosophy was also a contributing problem. They felt that the requirement to perform preventive or periodic maintenance simply was not an established practice within the GOS.

The effects of a lack of maintenance were already apparent for facilities constructed under the SPHCP. Our visit to a training center and a dispensary indicated that no maintenance had ever been performed at either location. The training

center was already in need of repairs and had cracks in the walls. Also several doors were broken and the roofs were rusting. In addition routine upkeep was very poor as there was fungus growths on walls, beehives inside buildings and overall filthy conditions.

Because of security problems we were unable to travel to the field to inspect additional facilities. However, we reviewed trip reports filed by AMREF staff detailing their visits to various locations in the southern region. These reports described conditions similar to those we noted at numerous other public health facilities.

Considering the recurrent cost problem in the Sudan it is difficult to logically justify providing additional facilities under the RHSP. USAID/Sudan recognizes this problem and feels they have scaled down the construction portion of the project to only replacing facilities and constructing new ones which are considered essential for the success of the project. We feel that if additional facilities must be constructed then USAID/Sudan has to attempt to build a component into the project to ensure that these facilities are maintained in addition to helping the GOS develop a self supporting medical system.

The potential benefits which this project has to offer the rural Sudanese will be adversely affected if the useful life of public health facilities is shortened because of inadequate upkeep. This project attempts to promote institution building in numerous areas of the primary health care field. Institutionalizing a maintenance program for facilities is an important part of the health care delivery system and should be made part of the project.

#### Conclusion

The capability of the GOS to maintain facilities provided by the predecessor projects and the RHSP is not encouraging. USAID/Sudan should attempt to institutionalize a maintenance capability within the GOS to help prolong the useful life of a substantial AID investment and to ensure the benefits to the rural population. USAID/Sudan should also look into a system of health care that is not totally free and is partially self supporting.

#### RECOMMENDATION NO. 6

USAID/Sudan in conjunction with the Government of Sudan (a) establish a maintenance position in the regional Ministry of Health

(b) develop appropriate maintenance plans for project facilities (c) budget a portion of local currency funds to execute these plans and (d) investigate possible ways of providing assistance to the Government of Sudan to make the health system at least partially self supporting.

#### USAID/Sudan Comments

USAID/Sudan requested the Kordofan Region to institute parts a, b, and c of the recommendation. USAID/Sudan stated that for Equatoria Region (a) they would request that a maintenance position be established (b) they proposed that AMREF's construction subcontractor work with the regional government to develop appropriate maintenance plans and (c) that AMREF could establish a local currency line item for repair and maintenance of facilities in lieu of the regional government since their local currency funds had been cut off.

With regards to the recommendation to investigate ways to make the health system partially self supporting (part d) USAID/Sudan cited several examples where inroads were being made to collect a fee for health services. They stated they would continue to encourage these fee schemes.

#### RIG/A/N Response

The planned measures to be instituted for facility maintenance (recommendation parts a, b and c) should fully satisfy the intent of our recommendation when they are implemented. Since we do not know what action has been taken to put them into effect we are keeping these three parts of the recommendation open.

We realize that making the health care system self supporting is going to be a lengthy process. We recognize that some inroads are being made to help accomplish greater self sufficiency. In view of the fact that USAID/Sudan is pursuing this objective, this part of the recommendation will be considered closed when this report is published.

#### Inventory Control Over Project Assets In The South Needs To Be Established

We found that an inventory system had not been established to control and account for AID financed equipment and supplies. No records had been created which identified what items were purchased, in what quantity, where they were located or how they had been disposed of.

Section B. 5(b) of the Project Grant Agreement states that the grantee will,

"maintain or cause to be maintained, in accordance with generally accepted accounting principles.... books and records... adequate to show the receipt and use of goods and services acquired under the Grant."

We could not clearly establish why this provision had not been complied with due to personnel transfers. We were told by project personnel that an inventory system may have been established at one time but the records could have been stolen during a break in at the AMREF compound.

AID is funding in excess of \$2.4 million in equipment and materials for the southern project component. There is also a large quantity of supplies and equipment purchased under the prior SPHCP which is pertinent to the success of this project and should be under proper accountability. The construction subcontractor is also purchasing a considerable amount of construction equipment which AID is paying for and which must be properly controlled.

We feel that it is essential to establish an adequate inventory control system. Without inventory records, assets can easily be misappropriated without detection or holding someone accountable. Additionally, project objectives suffer when required equipment and supplies are not available.

#### Conclusion

A large AID investment in project assets is not under adequate controls and accountability. An inventory system should be established as soon as possible.

#### RECOMMENDATION NO. 7

USAID/Sudan (a) direct Africa Medical and Research Foundation to establish inventory records for all capital assets purchased under this project, the Southern Primary Health Care project and the construction subcontract and (b) follow-up to ensure they have been established and are being updated.

USAID/Sudan Comments

USAID/Sudan instructed AMREF to establish an inventory control system and will request updating information on an annual basis. They also informed us that an inventory for the southern primary health care project and the rural health support project was completed in November 1984.

RIG/A/N Response

The steps reported as taken are well on the way to satisfying our recommendation. We have retained the recommendation until USAID/Sudan has had an opportunity to review the systems developed and review the results of the physical inventories.

Contract Clause For Disposition Of Construction Equipment Is Contrary To AID Regulations

The agreement between AMREF and their construction subcontractor contains a provision which is contrary to AID regulations. This provision gives the subcontractor first option to purchase, at a reduced price, any building, plant or equipment which remains at the end of construction or be given the equipment free as a bonus if construction is completed within specified schedules or budgets. We feel that this clause violates AID regulations and could result in unnecessary equipment purchases because the subcontractor knows he will be getting the items free as a bonus or at a reduced price.

Generally, capital equipment items which remain at the end of a project are turned over to the host government to be used in furtherance of project activity or to be used for a purpose approved by the USAID. Section five of the additional general provision section of the AMREF contract with AID states:

"Title to all non-expendable property purchased with contract funds under this contract and used in the cooperating country, shall at all times be in the name of the cooperating government, or such public or private agency as the cooperating government may designate..."

Since title to the equipment is vested in the GOS, AMREF has no authority to enter into an agreement to dispose of the equipment. We were told by an AMREF official that the agreement between AMREF and the subcontractor had been forwarded to USAID/Sudan for their review, however, this specific clause was never questioned.

### Conclusion

AMREF's agreement with their subcontractor for disposition of construction equipment is contrary to AID regulations. Construction equipment purchased with AID funds would be better utilized if it were turned over to the GOS for the express purpose of maintaining the facilities constructed under the project.

### RECOMMENDATION NO. 8

USAID/Sudan have Africa Medical and Research Foundation amend their agreement with the construction subcontractor deleting the provision that gives the subcontractor first option for obtaining construction equipment.

### USAID/Sudan Comments

USAID/Sudan informed us that the contract provision in question was deleted as of January 1, 1985.

### RIG/A/N Response

Our recommendation will be considered closed when this report is published.

### Project Vehicles Should Be Surveyed

The predecessor NPICP purchased 26 Chevrolet Suburbans (station wagon) to provide transportation for the rural primary health care program. Transportation in the health program is vital to improving supervision, increasing visits to rural villages, and delivering medical supplies. However we found that these vehicles were not fully utilized because they were unsuitable for Sudan.

The basic problem with these vehicles stems from having gasoline engines which develop carburetor problems in the desert conditions in Sudan. Additionally these large vehicles get very poor gas mileage. Shortages of funds for gasoline has been a major problem in the Sudan for quite some time.

Because these vehicles were dispersed throughout Sudan we could not determine how many were deadlined. Officials in the MOH also did not know the status of these vehicles. However, two vehicles which we were able to inspect at the central MOH had both been down for lengthy periods due to engine problems. This same condition probably applies to many of the other AID funded vehicles.

A viable option may exist for improving the suitability of these vehicles for project purposes while reducing their operating cost. We learned that the engine of one of the Chevrolets had been converted to diesel fuel at a reasonable cost. A diesel fueled vehicle was much more suitable for the environment and fuel costs were only about one third that of gasoline.

#### Conclusion

AID financed vehicles could be contributing more to the project. One way to obtain more of a return would be to convert them to diesel fuel. This would make them more suitable to the desert conditions and less costly to operate.

#### RECOMMENDATION NO. 9

USAID/Sudan in conjunction with the Government of Sudan (a) survey the Chevrolet vehicles to determine their operational status (b) develop a plan for restoring vehicles found to be down and (c) convert more vehicles to diesel fueled engines if feasible.

#### USAID/Sudan Comments

USAID/Sudan informed us that the technical assistance contractor had developed a plan to survey ten Chevrolet suburbans still within the RHSP area to determine their operational status and the feasibility of converting them to diesel engines. As a result of this survey, a plan will be developed to rehabilitate these vehicles as feasible.

#### RIG/A/N Response

The plans for surveying the vehicles should lead to satisfactory compliance with our recommendation. We are retaining our recommendation until we are informed of the results of this survey and what plans are developed to rehabilitate the vehicles.

#### AMREF Mechanic Should Be Utilized In An Institution Building Capacity

AMREF recently hired an expatriate mechanic under the AID contract to maintain AMREF vehicles, buildings and electrical systems. There was no provision in his contract for him to train Sudanese mechanics nor did AMREF have any plans to have him do so. This individual indicated that he had considerable

overseas experience in teaching maintenance of heavy equipment and vehicles. At the time of our audit this individual was not training any GOS mechanics nor were there any plans to utilize him in this capacity.

A major purpose of bringing in experienced expatriates is to have them transfer needed skills to host government personnel. If institution building is successful than the prospects for long term project success are enhanced. Additionally, the useful life of AID funded equipment could be prolonged through improved GOS maintenance. This is very desirable because the GOS cannot afford to replace equipment.

GOS's maintenance capability was very poor and they could benefit from some training. A joint administrative workshop previously had been established for vehicle repair but this was not considered to be successful. We also noticed, while reviewing local currency expenditures, that the MOH was spending a considerable amount of project funds to have project vehicles repaired at commercial facilities.

#### Conclusion

An opportunity exists to provide a degree of institution building in the area of maintenance which is in need of assistance.

#### RECOMMENDATION NO. 10

USAID/Sudan have Africa Medical and Research Foundation amend the expatriate mechanics job description to include training of Government of Sudan mechanics.

#### USAID/Sudan Comments

USAID/Sudan agreed with our recommendation and issued a project implementation order amending the AMREF contract which revised the scope of work for the project operations offices to include a requirement to train GOS mechanics.

#### RIG/A/N Response

The recommendation will be considered closed when this report is published.

List of Recommendations

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USAID/Sudan issue a project implementation letter to the Ministry of Health (a) instructing them to establish the project coordinating committee and (b) providing specific guidelines for the functions the committee is to perform.	
<u>RECOMMENDATION NO. 2</u>	7
USAID/Sudan instruct the Government of Sudan to nominate candidates for participant training immediately.	
<u>RECOMMENDATION NO. 3</u>	9
USAID/Sudan halt local currency advances to the south until (a) adequate accounting records are established (b) proper internal controls/separation of duties are instituted (c) guidelines are developed regarding the purpose for which funds can be expended and (d) an independent review of expenditures is arranged.	
<u>RECOMMENDATION NO. 4</u>	11
USAID/Sudan in conjunction with the Government of Sudan (a) develop a detailed budget for local currency expenditures in the north and (b) investigate the local currency account discrepancy and take corrective action if necessary.	

RECOMMENDATION NO. 5

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USAID/Sudan direct Africa Medical and Research Foundation to (a) review payroll records for prior periods (b) offset any overcharges against future reimbursements and (c) ensure that supporting payroll details are submitted with future expense statements.

RECOMMENDATION NO. 6

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USAID/Sudan in conjunction with the Government of Sudan (a) established a maintenance position in the regional Ministry of Health (b) develop appropriate maintenance plans for project facilities (c) budget a portion of local currency funds to execute these plans and (d) investigate possible ways of providing assistance to the Government of Sudan to make the health system at least partially self supporting.

RECOMMENDATION NO. 7

16

USAID/Sudan (a) direct Africa Medical and Research Foundation to establish inventory records for all capital assets purchased under this project, the Southern Primary Health Care project and the construction subcontract and (b) follow-up to ensure they have been established and are being updated.

RECOMMENDATION NO. 8

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USAID/Sudan have Africa Medical and Research Foundation amend their agreement with the construction subcontractor deleting the provision that gives the subcontractor first option for obtaining construction equipment.

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RECOMMENDATION NO. 9

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