AUDIT REPORT
ON
INTEGRATED RURAL HEALTH AND POPULATION
PROJECT NO. 386-0468
USAID/INDIA
AUDIT REPORT NO. 5-386-85-2
NOVEMBER 23, 1984
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AUDIT REPORT
ON
INTEGRATED RURAL HEALTH AND POPULATION
PROJECT NO. 386-0468
USAID/INDIA

EXECUTIVE SUMMARY

On August 29, 1980, AID made a grant of $40 million to the Government of India (GOI) to assist the GOI in promoting family planning and providing basic health services.

India's population is growing at an annual rate of 2 percent, and health service to rural areas, representing 80 percent of India's 700 million people, is poor. The GOI estimates that nearly two thirds of all health services are provided to urban areas where only 20 percent of the population lives. To correct this imbalance the GOI has developed a comprehensive population and national health policy for providing health care to all citizens by the year 2000. For its part, AID is supporting the GOI's plan in 14 districts in 5 states. As of March 31, 1984, AID had disbursed $2.2 million in grant funds. The grant is presently scheduled to terminate on September 30, 1985.

The audit was made to assess project accomplishments including construction, to evaluate the effectiveness of project management and monitoring, and to determine if funds were spent in compliance with the grant agreement and AID policies and procedures.

The project's main targets were: to carry out a baseline survey and various needs assessments, to construct or renovate 2,339 health facilities, to provide training for health personnel, and to establish and staff support capabilities. The project, although in its fourth year, is two years behind schedule and will not be completed in the planned five years.

Major deficiencies noted during the audit were:

- The mid-term technical evaluation has 6 recommendations for improving the project and an implementation plan is needed to put these recommendations into effect. (See pp. 3 - 4.)
Baseline surveys and needs assessments were either incomplete or their results had not been analyzed. Detailed project implementation plans for each of the states were not prepared. (See pp. 4 - 5.)

The training and placement of health workers has fallen short of project objectives and little in-service training has taken place. Support skills requirements for the states have not been established and few of the support positions have been filled. (See pp. 5 - 8.)

Construction is 66 to 100 percent behind schedule, structures are not meeting plans and specification standards, and the buildings have not been inspected as required. (See pp. 9 - 11.)

The states have not complied with the grant provisions requiring signs at project sites, U.S. source for foreign exchange expenditures, and that project funds cannot be used for family planning motivation fees. (See pp. 11 - 12.)

The states have not submitted progress reports as required. (See pp. 12 - 14.)

Ineligible costs totaling $90,047 have been reimbursed under the grant. (See pp. 14 - 15.)

The report contains recommendations for USAID/India action.
INTRODUCTION

Background

India, with 700 million people, is the second most populous country in the world. The population is increasing 2 percent each year and is expected to be one billion in the year 2000. Because of this large population, India has been unable to realize the benefits of its recent impressive technological, industrial, and agricultural development.

Since independence, the Government of India (GOI) has made a major effort to promote family planning and to provide basic health care services. The family planning program has helped reduce the birth rate, but the present 2 percent population growth rate is still considered high. Similarly, in spite of improvements in health care, the health situation in India is still far from satisfactory. The mortality rate, particularly for infants, is one of the highest in the world. The GOI has yet to provide basic health services to a large segment of the rural population. An estimated two thirds of all health inputs are in urban areas which serve only 20 percent of the population.

The GOI has developed a population and health policy that calls for providing health care for all citizens by the year 2000. To implement this policy, the GOI has prepared a program for rural family planning and health services that is called the Model Plan. Forty-six districts in 12 states have been identified for participation in the Model Plan. The programs in several of these districts and states are supported by AID and other donors. In the districts receiving external assistance, the Model Plan is to be implemented in 5 years as compared to 10 years for districts that are not receiving external assistance.

The AID Integrated Rural Health and Population Project supports the Model Plan in 14 districts of 5 states; Maharashtra, Gujarat, Himachal Pradesh, Punjab, and Haryana. The project is estimated to cost $64.7 million that will be financed by an AID grant of $40 million and a GOI contribution of $24.7 million. The AID grant will finance specified local costs of the project and is scheduled to end on September 30, 1985.

The project objectives are to achieve a significant decline in the birth rate, a 15 percent decline in the infant mortality rate, and a 20 percent decline in mortality among children in the 1 to 4 year age group. These goals are to be met by improving access to health and family planning services and improving and expanding the services and support systems.
The project is to be managed by the state governments, with the Chief Medical Officer of each district responsible for implementation. The GOI Ministry of Health and Family Welfare is responsible for overall coordination and direction.

As of March 31, 1984, AID had disbursed $2,180,261 under the grant. Project expenditures have been reimbursed in 4 of the 5 participating states; as of the audit date, no disbursement claims had been received from Maharashtra. After four years of operation only 7 percent of the projected disbursements have been made.

Purpose and Scope

The purpose of our audit was to assess project accomplishments, to review the construction program, and to determine whether the project was effectively managed and monitored and grant funds were expended in compliance with AID policies and procedures.

We visited 3 of the 5 states where AID was funding activities. We reviewed the records, reports, and correspondence available within USAID/India and the three states visited. We also discussed project implementation with concerned Mission and state officials. We visited 4 districts and inspected AID supported construction in the states of Gujarat and Himachal Pradesh. We also tested the procurement and expenditure internal control systems of these two states. We did not visit Punjab and Haryana because of the political situation there. These 2 states have not submitted progress reports since September 30, 1983.

Our audit was made from November 1983 through June 1984, and covered the period from August 1980 through March 31, 1984. The audit was conducted in accordance with the Comptroller General's Standards for Audit of Government Programs, giving due regard to AID regulations. A draft copy of this report was reviewed by USAID/India officials and their comments were considered when preparing the final report.
AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The Project Evaluation Recommendations Should Be Implemented

A mid-term technical evaluation of the project was made during October and November 1983. The final evaluation report was received by USAID in March 1984 and transmitted to the GOI shortly thereafter. The GOI's response to the evaluation recommendations was not available at the time we completed the audit.

The evaluation report stated that although the project has gained momentum and is increasing the quantity and availability of services in the target areas, the content and quality of services have shown little improvement. These modest improvements were unevenly distributed and varied considerably between the states. The report concluded that the new procedures that are to be introduced by the project will not be in full operation until near the end of the project period, or 2 to 3 years later than anticipated.

The project has not succeeded in accelerating implementation of the GOI's Model Plan for rural family planning and health services. The delays have increased construction costs and left AID resources unexpended for several years. The project targets and goals will not be met by the September 30, 1985, planned completion date; the evaluation report suggested extending the project period.

Conclusion and Recommendation - The evaluation report contains 6 recommendations which address specific project constraints, including all of those identified in this audit report, with the exception of deficiencies in the construction program. USAID/India also reviewed the evaluation and, with the exception of two recommendations, agrees with the report. The evaluation, however, is still to be accepted by the GOI. We are not making recommendations that address areas covered by the evaluation, but if the evaluation is to have optimum impact, an action plan including a schedule should be developed for implementing the evaluation report's recommendations.
Recommmendation No. 1

The Director, USAID/India, in conjunction with the GOI, should establish an action plan and schedule for implementing the mid-project evaluation report's recommendations, and develop internal procedures to monitor the progress against the plan.

Plans and Implementation Need Improvement

The project is in its fourth year, and the major components of the project are about 2 years behind schedule. The baseline surveys and needs assessments have not been completed. The training programs have fallen short of targets. The plans for improving the health services management have not been implemented, and research studies needed to improve health services have not been made.

Incomplete Baseline Surveys and Needs Assessments - The baseline surveys and needs assessments for training, communication and management requirements should have been completed by the end of the first project year. The results were to have been used for developing detailed project implementation plans and establishing baseline indicators for evaluating progress. Critical requirements for equipment and contraceptive supplies were to have been determined and plans made for procuring the needed items on a priority basis. The project plan anticipated that the supply system improvements would have been completed by the end of the second year.

The 3 states we visited had completed the field work on the baseline surveys, but at the time of our audit had not received the related reports. In Gujarat and Maharashtra, analysis of the data was reported to be nearing completion and the final reports were expected within the next couple of months. In Himachal Pradesh, the data had been sent to the computer center for processing, but no date had been given as to when the report would be completed.

The 3 states had not completed the communication (CNA) and management (MNA) needs assessments, and although the training needs assessment (TNA) had been made, it did not cover all health personnel, as required. The needs assessments are an important factor in project implementation, especially the MNA. The MNA results were to have been used for designing the management training program, the logistical procedures, the management information system, and other management procedures.
In Himachal Pradesh, instead of conducting the MNA they held a 9 day workshop in October 1983 in which 23 participants were given training in management techniques. This workshop, which was organized even before determining what training was required, was no substitute for the MNA that was intended to assess the management needs and develop new procedures. In Maharashtra, the survey for the MNA was expected to be completed by June 1984. In Gujarat, work on the MNA had been limited to one of 3 studies.

None of the 3 states we visited had determined the project's critical drug, contraceptive, and equipment needs, nor made the systems improvements to ensure that stocks of the critical commodities were maintained at the centers. We found that stocks were replenished on an ad-hoc basis by the health center staff during routine visits to the headquarters. We also found shortages of supplies at nearly all the centers we visited.

Shortfall In Training Of Rural Health Workers - Planned training provisions included: (a) basic training for new workers* to meet the states' requirements for additional personnel; (b) in-service and promotional training for existing workers; and (c) increasing the capacity of training institutions. Limited progress has been made towards these objectives, and more training is needed to achieve the improved health care objectives. The project evaluation team stated that although the number of trained workers had been increased there were major shortfalls in the knowledge and skills of the workers. The team felt that the content and quality of the training needed to be improved to make the training more competency-based, and that the monitoring and quality control systems in the project districts should be refined.

Basic Training - The 3 states we visited had made satisfactory progress in assigning additional village-level workers. There was, however, a shortfall of about 45 percent in the training and placement of rural subcenter-level workers, as shown by the following table:

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*Workers include Community Health Volunteers (CHV) and Traditional Birth Attendants, (TBA) at the village level; and Female Multipurpose Workers (FMW), Male Multipurpose Workers (MMW), Lady Health Visitors (LHV), and Male Health Supervisors (MHS) at the subcenter level in rural areas.
<table>
<thead>
<tr>
<th>Type of Worker</th>
<th>Number of Workers</th>
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<tr>
<td></td>
<td>Required</td>
</tr>
<tr>
<td>Village Level</td>
<td></td>
</tr>
<tr>
<td>CHVs</td>
<td>9,698</td>
</tr>
<tr>
<td>TBAs</td>
<td>9,698</td>
</tr>
<tr>
<td>Sub-Total:</td>
<td>19,396</td>
</tr>
<tr>
<td>Subcenter Level</td>
<td></td>
</tr>
<tr>
<td>FMWs</td>
<td>2,280</td>
</tr>
<tr>
<td>MMWs</td>
<td>2,280</td>
</tr>
<tr>
<td>LHVss</td>
<td>576</td>
</tr>
<tr>
<td>MIVss</td>
<td>576</td>
</tr>
<tr>
<td>Sub-Total:</td>
<td>5,712</td>
</tr>
<tr>
<td>Grand Total:</td>
<td>25,108</td>
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The states expected that they would easily meet the targets for village-level workers during the project period. They were also optimistic that the shortfalls in subcenter-level workers would be met as additional personnel currently under training became available before the project's expiration date. We believe, however, that it will be difficult to achieve the latter targets because of the slow progress to date, the long training period involved, and the delays that have occurred so far in placing trained workers. In Himachal Pradesh, between October 1980 and May 1983, 114 FMWs received promotional training to become LHVss. Only 75 were placed as of March 31, 1984, because of the government's delays in approving the positions for which the LHVss trained. Gujarat was having problems placing trained LHVss because of a shortage of supporting multipurpose workers.

In-Service Training - In the 3 states we visited, we found little progress in implementing the in-service training program. Neither Maharashtra or Himachal Pradesh had conducted any in-service training. A training course on management techniques was arranged in Himachal Pradesh in October 1983, that was attended by 2 of the 3 district project officers and 16 of the 72 medical officers in the state. Gujarat held one 7 day training program for the LHVss. According to the training schedule in the project paper, 14,160 workers, including medical officers, should have attended at least one refresher course in their fields by the third year of the project, and a second refresher course by the fourth year. The project paper also included plans for contracts to institutions for training trainers, managers, and communication staff. In addition, 75 percent of the project managers and trainers should have received at least one basic
course in management or educational science in the first year, advanced courses in the second year, and special skill courses in the third year. None of this training has taken place. Effective implementation of the training program is dependent on the results of the training needs assessment, and many parts of that assessment have not been completed.

Increased Training Capacity - Forty-three additional training facilities were to have been constructed and operational by June 1984, but only 13 were completed and these completed facilities do not have the required number of trainers (See Exhibit A). Furthermore, these facilities were missing equipment, curricula materials, and books for the libraries.

Inadequate Project Staffing and Management - The GOI's Ministry of Health and Family Welfare (MOHFW) is responsible for project coordination and for compliance with project terms. The states are responsible for project implementation, management, and evaluation. They also appoint the project staff, including a Planning and Implementation Cell, a Construction Cell, a Research and Evaluation Cell, and a Communications Cell. The first 3 Cells were planned for both the state and district levels, and the fourth Cell for the district level only. In addition, each state was to appoint a Governing Board that was to meet periodically to review project progress and consider and approve plans and to appoint a District Advisory Board.

The GOI and the states agreed to fill project staff vacancies during the first year, and to maintain specified optimum staff levels during the rest of the project period. This has not happened. The appointment of the state and district project staff was delayed up to two years and many positions are still vacant. The project evaluation report stressed the critical need for technical and managerial positions, and Mission officials were concerned about the staff shortages for field monitoring and technical managerial support within the MOHFW. Only one technical officer was available for 5 states when we made our audit.

The states have not satisfactorily provided the organizational and management structures planned for the project. Himachal Pradesh had not established any of the 4 organization Cells, Maharashtra had established only the Construction Cell, and Gujarat had established all but the Construction Cell. In both Himachal Pradesh and Gujarat, the Construction Cell was not established because the construction work had been assigned to the Public Works Department. The Cells that were established were not fully staffed. Officials in states we visited had no explanation for why the required Cells had not been established.

- 7 -
The 3 states we visited had appointed the required Governing Boards, but the District Advisory Boards had been appointed only by Himachal Pradesh and Gujarat. The Governing Boards were intended to have sufficient authority to make project decisions that would require no further review, thus avoiding the normal bureaucratic procedures that cause so many delays. The Boards have not functioned as intended because the Boards' decisions still must be approved by the state governments and the MOHFW. The Boards have met infrequently and implementation of the actions they have approved are often delayed.

Because of delays in organizing the Cells, the ineffectiveness of the Governing Boards, and the shortage of technical staff many activities planned under the project, such as innovative studies and research and evaluation, have been postponed.

No Research and Evaluation Activities Started - The project paper specified 6 areas in which all the states were to carry out at least one practical research study; a total of 30 studies were to be conducted. The studies were to begin the second project year after the baseline survey and needs assessments were completed and were to continue throughout the project period. The evaluation capability of the states was to be improved by increased staffing of the Evaluation Cells at both state and district levels, by staff training, and by involving the staff in the baseline surveys and analytical studies.

Although the project has entered its fourth year of operation, the states we visited had initiated no practical research studies. The studies have not been started because of delays in completing the needs assessments, shortages of qualified and experienced staff, and the failure to establish the Research Cells. It appears unlikely that the states will make any research studies during the remaining life of the project. Because only one state, Gujarat, has established an Evaluation Cell, the planned increase in project self-evaluation capability has been limited.

Conclusion and Recommendation - Project implementation has been seriously delayed, and, inspite of recently gaining some momentum, progress is still uneven. As a result, the original implementation plan and budget should be revised to complete the baseline surveys and needs assessments, to develop detailed plans for training, to create the prescribed technical Cells and staff them with trained personnel, and to make the state Governing Boards more effective by delegating full approval authority to them. The revised plan and budget should be prepared by state, taking into account accomplishments to date and the work remaining.
Recommendation No. 2

The Director, USAID/India, in conjunction with the GOI, should develop a revised budget and implementation plan for each state based on the progress made to date and the work that remains to be done.

The Construction Program Needs To Be Improved.

The project calls for the construction of 2,339 health service facilities at a cost of $23.4 million. This is the largest component of the project, representing 58 percent of the grant funds. Construction progress was well behind the established targets (See Exhibit A). Many of the larger buildings, such as primary health centers and rural family welfare centers, had not been started. If not started soon, it is unlikely that these buildings will be completed by the project termination date. USAID/India has suggested, in an addendum to the mid-project evaluation report, that any buildings for which construction has not started by December 31, 1984, should be deleted from the project.

USAID/India selected the fixed amount reimbursement (FAR) method for financing the construction program. Because the FAR method involves terms and conditions that are different from most assistance agreements it is important for the host country officials to understand these terms and conditions.

Under the FAR method reimbursements are made when project components are completed in conformance with previously agreed to specifications or standards. When construction is not in accordance with plans and specifications, reimbursement must be refused. Payments are not based on actual cost; the amount reimbursed is fixed in advance based upon cost estimates reviewed and approved by AID. The FAR method requires missions to inspect project construction and to certify that project elements have been completed in accordance with plans and specifications.

AID determines in advance a fixed contribution to the subprojects or elements. If unforeseen cost increases are encountered, they are borne by the recipient. If costs are less than estimated, AID's contributions are not reduced. The recipient government may include in its cost estimates an amount for inflation for a period not to exceed 2 years.

Construction costs have escalated far above the estimates used for establishing the project reimbursement schedule. GOI officials
are now reporting 100 percent cost overruns and that they do not have the funds to complete the buildings in the project within the present budget. The GOI has requested USAID/India to increase the FAR scheduled for the project buildings.

The agreement between USAID/India and the GOI sets an amount to be paid for each of 13 categories of buildings. A two step reimbursement plan was established. On completion, USAID/India pays 75 percent of the agreed amount, and when the facility is certified operational, the balance is paid. The completion certificate of operation is provided by the district Chief Medical Officer. In addition to the oversight provided by the GOI, a USAID/India engineer periodically visits project sites to check construction.

We visited project buildings in 3 districts of Gujarat and Himachal Pradesh and found:

- Defects in about two-thirds of the buildings visited caused by poor workmanship and inferior materials. The defects included seepage of water in the walls, peeling plaster, uneven tiles, and slanting or uneven ceilings and pillars. At several locations the ceilings were broken to install fans and then left unrepaired. Some operation theaters had broken window glass and gaps in flooring joints.

- Deviations from construction standards. Labor room and operation theatre walls were not tiled. Plain glass instead of ground glass was used in windows. Door closers and long handle taps were not installed. No electrical outlet had been installed for the autoclaves. Wire-mesh doors or fencing had not been installed as required at several locations.

- Utilities were not provided. Two completed subcenters in Gujarat had no water or electricity connections. In Himachal Pradesh, 2 of the 8 subcenters we visited had no electric connections and 4 had no water connections, although water and electrical services were available in the area. Himachal Pradesh had reported these centers completed and USAID had reimbursed their cost based on the completion certificates. Project criteria require operative water and electricity connections for a building to be considered complete.
Because of the size of the geographical area to be covered and the large number of buildings in the project, the small staff assigned to construction oversight by USAID/India has not been equal to the task. The Mission estimates that 500 buildings have been completed and reimbursement claims will be forthcoming shortly. The single engineer assigned to the project by AID estimates he has looked at only about 14 percent of the buildings. Based on his inspections, he has rejected some completion certificates that were presented for reimbursement. In view of the defects noted by the engineer and the auditors, the Mission recognized that more inspection was required. In August 1984, the Mission signed a contract with a local architectural firm for construction inspection services, but only $20,000 was available for the contract. Additional funds are being sought through the FY 1986 operating expense budget, but Mission officials said that due to worldwide operating expense cutbacks they were not sure they would get the funds needed to meet their construction inspection requirements.

Conclusion and Recommendation - The construction program is lagging, structures are not up to standards, and building costs have increased 100% over estimates. The GOI is requesting an upward adjustment of the FAR. In view of the substantial cost differences there may be some basis for considering this request. In adopting the FAR method for financing, the Mission failed to provide the staff to make progress and final inspections of the planned 2,339 structures. The Mission has taken steps to correct the situation, but because of a shortage of funds, the inspection services obtained thus far fall short of what is needed. Funds should be obtained for inspection and certification of the construction program. This is critically important to the success of the project because USAID/India cannot reimburse the GOI until the construction has been certified as being in compliance with the terms of the FAR agreement.

Recommendation No. 3

The Director, USAID/India, should provide the required level of inspection needed to satisfy the requirements of the FAR method of implementation.

Non-Compliance With Grant Terms

Because the states were not aware of some of the grant provisions we found instances of non-compliance or potential violation of grant terms.
Section B.8 of Annex 2 to the grant agreement and Implementation Letter No. 2 require signs at each AID-supported building to publicize U.S. participation in the project. There were no signs displayed at the sites we visited.

Article 6 of the grant agreement states that the source and origin of grant financed goods and services will be the U.S. for foreign exchange costs and India for local currency costs. Gujarat procured items of German and Czechoslovakian origin, and although they had not claimed reimbursement at the time of our audit, they were intending to include the items in a future reimbursement request. Himachal Pradesh could not establish the origin of a computer financed under the grant (See Exhibit B).

Section 5.3 of the agreement specifies that grant funds will not be used for paying motivation fees for family planning. In Himachal Pradesh, fees were being paid to family planning motivators and acceptors under an innovative study that was started in April 1984. The fees had not been claimed under the grant, but state officials told us that the fees would be included in future reimbursement claims.

Conclusion and Recommendation - The states have not been provided copies of the grant agreement or the implementation letters. The Mission should ensure that the states comply with AID's publicity requirements, and that they understand AID's procurement and motivational fee restrictions so that they do not request reimbursement for ineligible costs.

Recommendation No. 4

The Director, USAID/India, should request the GOI to provide copies of the grant agreement and implementation letters to the 5 states and to ensure that signs are displayed at project sites and that ineligible costs are not claimed.

Progress Reporting By the GOI Has Been Poor

Neither the GOI nor any of the states have complied with the project's reporting requirements. The quality of reporting by the GOI and the review of the reports by the Mission were unsatisfactory.
Implementation Letter No. 2 specifies that the following reports are to be submitted to USAID:

1. A quarterly progress report for each project district summarizing the activities undertaken during the quarter, the current status of each project component, and the action plan for the next quarter.

2. A semiannual progress report for each district, in tabular form, showing progress for each project activity.

3. An annual consolidated progress report, in narrative form, describing the project accomplishments during the year against project purposes and an action plan for the next year.

These reports were to be submitted within 30 days after the end of the reporting period. We found that the annual and semiannual progress reports were not submitted. Only quarterly reports were submitted, and they were incomplete and late. As of June 1984, the reports for the quarter ending December 31, 1983, had not been received from 4 states.

The quarterly progress reports were too sketchy to be used for monitoring project progress or for taking corrective action, and the statistical data reported was inaccurate. USAID has not monitored receipt of the reports or made critical reviews. We found brief comments in the files for only 12 of the 31 quarterly reports received, and no evidence that the comments were communicated to the states for action, or that suggested action was taken. The Mission did not follow-up on reports, even when, according to the GOI's own admission, the reports were either incomplete or inaccurate.

Conclusion and Recommendation - The Mission has not enforced the project reporting requirement and has not made use of the reports received. The 1982 annual review recommended that the GOI and USAID review the report format and content and make the appropriate improvements. At the time of the audit this had not been done.
Recommendation No. 5

The Director, USAID/India should monitor the project reporting system to ensure that the progress reports include the required information and that all reports are submitted as required.

Ineligible Project Disbursements

Except for one district in Gujarat, the states' accounting records were satisfactory. We found ineligible costs of $90,047 that were largely the result of the states failing to comply with project guidelines.

The project agreement and related documents specify that the AID grant can be used to finance:

- 50 percent of the salary costs of additional staff hired after March 31, 1980.

- 67 percent of the estimated construction costs that were specified in the project operations handbook for AID-supported buildings completed under contracts awarded after March 31, 1980.

- 67 percent of the cost of initial equipment purchased after March 31, 1980, for the operational buildings.

- 100 percent of the costs of training, communications, research activities and contingencies, management information system development, monitoring and evaluation, and project management.

The total disbursements of $2,180,261 as of the audit date included $469,716 for contraceptive devices procured in the United States and used in the 5 participating states. The remaining $1,710,545 were disbursed for the states of Himachal Pradesh, Gujarat, Punjab and Haryana against claims submitted through March 31, 1984.

We reviewed expenditures of $1.19 million incurred by Himachal Pradesh and Gujarat. We found that the states had kept adequate accounting records and supporting documents except in Bharuch.
district of Gujarat. Bharuch district had reported estimated rather than actual expenditures resulting in excess disbursements of grant funds.

We found ineligible costs of $90,047, the details of which are furnished in Exhibit B. The ineligible costs were claimed by the states because of their failure to follow the guidelines provided in the project operations handbook. The guidelines were issued in March 1983 to clarify misunderstandings of accounting and reimbursement procedures. Most of these costs related to the period after March 1983 and had not been reviewed by USAID.

USAID/India officials agreed that all costs questioned were ineligible for grant financing except $29,631 spent by Himachal Pradesh for a computer. They believe that because the computer will be needed for project operations, its cost should be allowed. We have retained it as an ineligible cost for reasons explained on page 2 of Exhibit B. In addition to questions concerning its origin, the computer, although received about a year ago, has never been used. Because they have no trained operators state officials estimated that it may be another year or two before they can use the computer.

Conclusion and Recommendation - We believe that the Mission should emphasize to the states the need to follow the procedures in the project operations handbook. The Mission has agreed to discuss project procedures with the states and to provide clarifications during monitoring visits.

Recommendation No. 6

The Director, USAID/India should review, and as appropriate, recover the questioned costs, totaling $90,047, from the GOI.
## INTEGRATED RURAL HEALTH & POPULATION PROJECT, INDIA
### STATUS OF CONSTRUCTION OF PROJECT BUILDINGS
#### AS OF MARCH 31, 1984

<table>
<thead>
<tr>
<th>Type</th>
<th>Total Units to be Constructed Under Project</th>
<th>Units Targeted for Completion by 4th Year</th>
<th>Accomplishments</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>th Visitor</td>
<td>1,389</td>
<td>1,181</td>
<td>1,003</td>
<td>72%</td>
</tr>
<tr>
<td>Health PHCs) New</td>
<td>650</td>
<td>553</td>
<td>615</td>
<td>95%</td>
</tr>
<tr>
<td>trial)</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>50%</td>
</tr>
<tr>
<td>PHCs</td>
<td>37</td>
<td>31</td>
<td>11</td>
<td>3%</td>
</tr>
<tr>
<td>Family (RFWC) (New)</td>
<td>34</td>
<td>29</td>
<td>22</td>
<td>65%</td>
</tr>
<tr>
<td>Community Halls</td>
<td>101</td>
<td>86</td>
<td>56</td>
<td>55%</td>
</tr>
<tr>
<td>Annexes</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Hall (New)</td>
<td>29</td>
<td>25</td>
<td>27</td>
<td>93%</td>
</tr>
<tr>
<td>Theaters</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>94%</td>
</tr>
<tr>
<td>Oral Hospitals</td>
<td>67</td>
<td>57</td>
<td>19</td>
<td>28%</td>
</tr>
<tr>
<td>School</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Workshop</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Health &amp; Family Training Centers</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>

| Total:                                                   | 2,339                                       | 1,993                                    | 1,777            | 100%       |

### Accomplishments:

- Construction Starts to Total Units: 72%
- Completed Units to 4th year Target: 34%

### Notes:
- The above table is based on information furnished to us during our visits to Himachal Pradesh, Gujarat, and Maharashtra and on mid-project evaluation reports for Punjab and Haryana.
INTEGRATED RURAL HEALTH AND POPULATION PROJECT, 
INDIA

INELIGIBLE COSTS DISBURSED UNDER THE GRANT 1/

A. Gujarat State

1. Bharuch district reported estimated and not actual expenditures to the state headquarters for the period April to August 1983. This resulted in an excess claim against which USAID/India disbursed $16,781 from the grant funds.

2. Reimbursement claims for the period April to August 1983 for expenditures incurred in Panchmahal district included salary payments to the PWD Executive Engineer and his staff, office expenses, and payments made to traditional birth attendants for reporting births. These costs are not eligible for AID financing and are disallowed as follows:

<table>
<thead>
<tr>
<th>Salary Support Cost Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary $23,642</td>
</tr>
<tr>
<td>Reporting Fee to TBAs $583</td>
</tr>
<tr>
<td>Total $24,225</td>
</tr>
</tbody>
</table>

Disbursed by USAID - 50% $12,113

<table>
<thead>
<tr>
<th>Project Management Cost Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Expenses disbursed 100% by USAID $10,518 22,631</td>
</tr>
</tbody>
</table>

3. Costs claimed included payments for house rent and tax for the training school at Raj Pipla during June, July and August 1983. These costs are not eligible as the grant allows payment of rent of state and district level project offices only. USAID had disallowed such costs for the earlier period.
INTEGRATED RURAL HEALTH AND POPULATION PROJECT, INDIA

INELIGIBLE COSTS DISBURSED UNDER THE GRANT

4. Under salary support, the state claimed salaries paid during August 1982 to August 1983 to staff who had either not worked on the project (Mr. Shathi) or had worked part time only (Mr. Shah). The ineligible amount is being disallowed as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary paid to Mr. Shathi</td>
<td>$918</td>
</tr>
<tr>
<td>50% of the salary payment to Mr. Shah</td>
<td>$848</td>
</tr>
<tr>
<td>Total</td>
<td>$1,766</td>
</tr>
</tbody>
</table>

Amount disbursed by USAID (50%) $883

5. Payments made to TBAs for reporting births during April to August 1983 in Bharuch district are not eligible under the grant.

   Total Ineligible Costs - Gujarat State $41,468

B. Himachal Pradesh State

1. The state claimed and received reimbursement for the cost of one jeep under the project management cost category. Cost of vehicles is specifically prohibited under the grant. $6,655

2. Costs claimed by the state included the purchase of a microprocessor-based computer and accessories. The state could not establish the source and origin of the computer. Section 6.2 of the grant agreement requires that the source and origin of local currency grant-funded goods and services shall be India. 29,631
3. The state wrongly claimed 100% of the expenditure incurred for the furnishing and equipping of Hamirpur Training School under the training cost category. Actually, it should have been claimed under the initial equipment cost category where only 67% of the expenditure is eligible for AID financing. The excess reimbursement is disallowed. $ 5,148

4. 100% of the honorarium paid to Community Health Volunteers was claimed under the training cost category. Instead, the honorarium should have been charged to the salary support cost category, and only 50% of the amount claimed for it. The excess reimbursement is ineligible. 452

5. The established payment schedule required that the Registrar General of India should be paid 25% of the total cost of conducting the baseline survey as advance, 35% on completion of the field work, and the balance 40% on submission of the final report. According to this schedule, only $12,491 (35%) should have been paid on completion of the field work. However, the state actually paid $19,184 in March 1983. Thus, the excess payment is disallowed. 6,693

Total Ineligible Costs - Himachal Pradesh $48,579

Grand Total $90,047

1/ For convenience of the reader, rupee values have been converted at the rate of Rs.10.46 to $1.00.
## INTEGRATED RURAL HEALTH AND POPULATION PROJECT, INDIA

### COMPARISON OF ACTUAL DISBURSEMENT WITH PROJECT FINANCIAL PLAN ($ 000s)

**AS OF MARCH 31, 1984**

<table>
<thead>
<tr>
<th>Cost Categories</th>
<th>Grant Budget</th>
<th>Actual Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Initial Equipment</td>
<td>23,393</td>
<td>526</td>
</tr>
<tr>
<td>Salary Support</td>
<td>7,563</td>
<td>494</td>
</tr>
<tr>
<td>Training</td>
<td>3,783</td>
<td>364</td>
</tr>
<tr>
<td>Communications</td>
<td>973</td>
<td>44</td>
</tr>
<tr>
<td>Research/Innovative/Contingencies</td>
<td>2,438</td>
<td>482</td>
</tr>
<tr>
<td>Management Information System</td>
<td>1,050</td>
<td>50</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>581</td>
<td>65</td>
</tr>
<tr>
<td>Project Management</td>
<td>219</td>
<td>155</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,000</strong></td>
<td><strong>2,180</strong></td>
</tr>
</tbody>
</table>
APPENDIX I

LIST OF RECOMMENDATIONS

Recommendation No. 1
The Director, USAID/India, in conjunction with the GOI, should establish an action plan and schedule for implementing the mid-project evaluation report's recommendations, and develop internal procedures to monitor the progress against the plan.

Recommendation No. 2
The Director, USAID/India, in conjunction with the GOI, should develop a revised budget and implementation plan for each state based on the progress made to date and the work that remains to be done.

Recommendation No. 3
The Director, USAID/India, should provide the required level of inspection needed to satisfy the requirements of the FAR method of implementation.

Recommendation No. 4
The Director, USAID/India, should request the GOI to provide copies of the grant agreement and implementation letters to the 5 states and to ensure that signs are displayed at project sites and that ineligible costs are not claimed.

Recommendation No. 5
The Director, USAID/India should monitor the project reporting system to ensure that the progress reports include the required information and that all reports are submitted as required.

Recommendation No. 6
The Director, USAID/India should review, and as appropriate, recover the questioned costs, totaling $90,047, from the GOI.
### LIST OF REPORT RECIPIENTS

#### USAID/India
- Director: 5

#### AID/W

**Bureau For Asia**
- Assistant Administrator (AA/ASIA): 2
- Office of Bangladesh and India Affairs (ASIA/BI): 1
- Audit Liaison Officer: 1

**Bureau For Science and Technology**
- Assistant Administrator (AA/S&T): 2
- Office of Population (S&T/POP): 3
- Office of Health (S&T/H): 1
- Audit Liaison Officer: 1

**Bureau For Program and Policy Coordination**
- Office of Evaluation (PPC/E): 1
  - PPC/E/DIU: 2

**Bureau For Management**
- Assistant to the Administrator for Management (AA/M): 1
- Office of Financial Management (M/FM/ASD): 2

**Directorate for Program and Management Services**
- Office of Management Operations (M/SER/MO): 1
- Office of Contract Management (M/SER/CM): 1

**Bureau For External Relations**
- Office of Legislative Affairs (EXRL/LEG): 1
- Office of General Counsel (GC): 1
- Office of Public Affairs (OPA): 2

**Office of Inspector General:**
- Inspector General (IG): 1
- Communications and Records Office (IG/EMS/C&R): 12
- Policy, Plans and Program (IG/PPP): 1

**Regional Inspectors General for Audit:**
- RIG/A/Washington: 1
- RIG/A/Nairobi: 1
- RIG/A/Manila: 1
- RIG/A/Cairo: 1
- RIG/A/Latin America: 1
- RIG/A/Dakar: 1

**Other**
- RIG/II/Karachi: 1