

THE MANAGER

CASE STUDY FOR TRAINING AND GROUP DISCUSSION

The NGO “Health and Life for All” Focuses on Improving Its Financial Management

Scenario

OVER THE PAST THREE YEARS, the nongovernmental organization (NGO) “Health and Life for All” has grown from three clinics in the capital to a province-wide organization working in six districts. This growth has strained the NGO’s financial management systems and caused delays in procuring drugs and supplies. Health and Life for All decided to carry out an assessment of its financial management systems. A data collection team has used FIMAT, the Financial Management Assessment Tool to gather, record, and summarize data on the central office’s key financial management components. This afternoon, team members and other key staff are meeting to review the findings from the central office’s assessment, especially those related to purchasing and procurement.

“I notice that the team considers that we are at a pre-basic level in purchasing and procurement,” said the Finance Manager, who was invited to discuss the findings. “We have been doing procurement for years. I would like to discuss these responses.”

“First, we are all aware of the strain that our rapid expansion has placed on the procurement staff,” said the team leader. “This assessment focuses on our procurement system, not on the individuals who are correctly following our established procedures. We anticipate this rating will encourage follow through on our recommendations and create a stronger organization.”

The accountant who assisted with the assessment spoke next. “We answered ‘yes’ to eleven of the 21 criteria in the basic level for this component. For example, we are making all purchases according to established purchasing procedures, and both purchase requisitions and purchase orders are prepared by authorized persons only. At the same time, however, we answered ‘no’ to ten criteria. For example, it appears that the person authorizing purchase requisitions has also authorized purchase orders, as seen by the signatures. We also do not have consistent records that Goods Received Notes were completed by an authorized official for all goods received.”

A nurse manager, one of the team members, spoke up. “We also realized that even criteria we did meet might still need work. For example, while purchase orders are prepared by authorized persons only, the financial management staff responsible for procurement lack consistent access to computers when they need them. When they are out of the office, procurement does not get done.”

“It is refreshing to hear this kind of straight talk,” said the Director of Health Services, who was also invited to this meeting to review the summary findings. “Delays in procurement have also contributed to stockouts and are affecting staff morale and the quality of our services. I would like to know what actions you suggest to address our deficiencies.”

“Perhaps we should buy more computers,” suggested the nurse manager.

“Increased access to computers that we already have may resolve issues under several financial management components,” said another team member. “Staff who handle stock, inventory, and fixed assets need more access to our computers and more training.”

“Many solutions we suggest today may address concerns in other components,” said the team leader.

“Maybe a contributing cause of our purchasing and procurement problems is our centralized system,” suggested an accountant. “Staff at the district level lack authority to sign purchase requisitions. Their requests travel to our office for processing, and delays occur when paperwork gets backed up. Sometimes district staff use petty cash to purchase supplies they need in a hurry; this disrupts controls built into the system. We need to either increase staffing levels here at our central office or give the district level signatory authority for some purchasing requests.”

“If we decentralize purchasing and related financial management functions,” said the nurse manager, “then the number of computers in this office might be sufficient. Do district-level staff have enough access to computers to take on more of the purchasing?”

“Procurement delays are due in part to doctors requesting drugs not in our standard treatment guidelines,” countered the Financial Officer. “Ordering these drugs takes more time, is costly, and delays purchases for all drugs, equipment, and supplies. Maybe we need to enforce our standard treatment guidelines.”

“You’ve made an important point,” interjected the team leader. “This brings us back to the criterion, ‘All purchases are made according to established purchasing procedures.’ We answered ‘yes’ to this criterion, but perhaps in addition to re-examining our procedures, we need to do a better job of enforcing them.”

“We have hired many new medical staff. Perhaps refresher training in our procedures would help. I will

review this issue with my staff,” said the Director of Health Services.

“Our purchasing manual is also out of date. I suspect our assessment of the district offices will show that they don’t have a copy,” said another team member. “Without an up-to-date manual available, district staff can’t follow our procedures. We need to update the manual and make sure that every office has a copy.”

“Another good point,” said the team leader. “We have heard some excellent suggestions today. Let’s list these weak areas and their contributing causes and develop an office action plan. We may want to recommend some improvements for immediate action and others later. Our organization has made a commitment to improve our financial management systems. After the district offices are assessed, senior staff, district managers, and others will review all the recommended actions at a final assessment workshop and determine how best to follow through. We must all be prepared to incorporate their suggestions into our workplans.”

Discussion Questions

1. What is involved in initiating a financial management assessment? What types of discussions have to take place? Please refer to the scenario and tool, *FIMAT, the Financial Management Assessment Tool*, in answering these questions.
2. What is involved in assigning a level to a given financial management component? Since some people may be concerned that a low rating has disadvantages (and even want to change the way the level is assigned), how can these concerns be addressed, while following the FIMAT approach?
3. What process will Health and Life for All go through to translate the assessment findings into action? What types of actions could it take at the central and district levels to improve the component discussed?

QUESTION 1 What is involved in initiating a financial management assessment? What types of discussions have to take place? Please refer to the scenario and the tool, *FIMAT, the Financial Management Assessment Tool*, in answering these questions.

As the scenario implies and the tool explores in greater depth, initiating a financial management assessment involves a number of activities, such as:

- engaging all stakeholders;
- planning the assessment;
- choosing a core assessment team and deciding which members will serve on the data collection team;
- reducing the team members' other responsibilities so they have time to do this assignment;
- writing a scope of work to guide the team;
- deciding on a team leader;
- deciding on which components to assess first;
- revising the assessment tool as needed;
- developing an assessment schedule;
- continuing to engage all stakeholders—for example, keeping all staff in the organization informed of the schedule, process, and progress of the assessment.

The questions that any organization needs to answer before it commits to doing an assessment include:

- Is the organization prepared to take immediate action if any fraud or other problem is discovered? What types of actions might need to be taken, and who will be responsible for leading them?
- Is the organization prepared to follow through on priority actions identified by the team, including allocating the needed funds and manpower to implement recommendations? What will be the process for incorporating the action plan items into the organization's work planning and budgeting process?

- What components or areas is the organization willing to commit to improving now? What areas might be best to focus on in the future?

QUESTION 2 What is involved in assigning a level to a given financial management component? Since some people may be concerned that a low rating has disadvantages (and even want to change the way the level is assigned), how can these concerns be addressed, while following the FIMAT approach?

Assigning a level to a given component will probably bring up some discussion. The feelings of some individuals may be hurt by a less than optimal assessment. The FIMAT assessment team needs to follow the assessment instructions that they assign the next lowest level of competency if the office does not meet all the criteria for a level. Team members need to remind themselves of the assessment's scope of work, the value of probing to determine contributing causes of identified problems, and the importance of coming up with realistic actions that the organization will be willing and able to commit to.

They need to be able to address possible concerns about a low rating and prevent discouragement. The team leader can address these concerns by:

- indicating that the lower rating might encourage greater commitment to the improvement process and encourage changes that build a stronger organization for the future;
- putting the rating in context for staff by discussing the scope of work and the organization's prior commitment to making improvements when they decided to perform a FIMAT assessment;
- giving the context for the rating to donors and Board members by including them in an action-planning workshop where the assessment results are discussed and organizational commitment to improvements is re-emphasized;

- focusing the final report for the assessment in part on the advantages of identifying issues and plans for improvements.

QUESTION 3 What process will Health and Life for All go through to translate the assessment findings into action? What types of actions could it take at the central and district levels to improve the component discussed?

After the district offices have been assessed, Health and Life for All will go through a process to translate the assessment findings into integrated action that will likely include:

- reviewing the summary forms for each component (the summary forms describe each component's overall strengths and weaknesses);
- reviewing the contributing causes of the weak areas grouped on the detailed summaries and the individual action plans of the central and district offices;
- agreeing on actions the organization could take as a whole to address the weak areas;
- prioritizing these actions;
- breaking the actions down into tasks and determine the funding and human resources needed to complete them;
- assigning responsibility for actions that will be taken;
- incorporating the actions into the budgeting and operational planning cycle;
- establishing a time frame for achieving the objectives;
- monitoring and evaluating progress toward achieving objectives.

The NGO's central office would probably be responsible for some actions suggested in the scenario, for example:

- changing procurement policies, such as increasing the threshold for district-level purchases of equipment, supplies, and drugs;

- reviewing and revising procurement procedures;
- updating the purchasing manual, distributing it to all levels of the organization, and providing the training and tools to carry out the policies and procedures correctly;
- authorizing the purchase of computers, as needed.

The central and district offices together might be responsible for:

- enforcing standard treatment guidelines;
- handling procurement functions in a decentralized environment;
- determining training needs;
- committing staff to leading and participating in needed training;
- ensuring consistent access to computers for procurement staff who need them;
- hiring new procurement staff, as needed;
- expanding the number of people authorized to sign purchase orders, as appropriate.

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