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100-32244

AUDIT OF  
USAID/EGYPT'S  
POPULATION AND FAMILY PLANNING  
PROJECTS I & II  
PROJECT NOS. 263-0029 AND 263-0144  
AUDIT REPORT NO. 6-263-85-2  
MARCH 20, 1985

## EXECUTIVE SUMMARY

The Regional Inspector General for Audit in Cairo (RIG/A/C) made an audit of AID's \$170.1 million Population and Family Planning projects in Egypt to determine if family planning purposes were achieved, and if the projects were in compliance with the grant agreements and AID regulations. The audit was performed at the request of USAID/Egypt. USAID/Egypt signed project agreement No. 263-0029 on September 30, 1977, a grant of \$67.5 million for contraceptives, technical services, training programs and the renovation and construction of a maternity hospital. On June 30, 1983, USAID/Egypt signed project grant agreement (No. 263-0144) to continue work started under project No. 263-0029. AID obligated \$20 million under this grant with planned life of project expenditures of \$102.6 million. The GOE agreed to contribute \$117.5 million equivalent Egyptian Pounds in support of the projects for personnel, logistic support and clinic operation costs. As of May 31, 1984, AID disbursements were \$42.9 million.

The GOE has had little success in reducing population growth. The GOE's goal was to reduce the population growth rate from 20.6 per thousand in 1973 to 10.6 per thousand population by 1982. The rate for 1982 was 26.9 per thousand population.

Project management and monitorship has suffered from the lack of progress and site visit reports. AID Handbook 3 noted that these reports are important in monitoring project activities. USAID/Egypt should require these reports.

The Ministry of Health has not provided the staff required by the grant agreement. The lack of staff adversely affected implementation of the project. USAID/Egypt should have the Ministry provide the required staff.

USAID/Egypt needed to implement its policy on the payment of salaries, bonuses and incentives to Egyptian project personnel. The policy required that these payments be made only in exceptional cases of overwhelming need and only with the Mission Director's explicit approval. We found that USAID/Egypt had paid over \$700,000 for salaries, bonuses and incentives that were not explicitly approved by the Director. USAID project officials did not know either the amounts of salaries, bonuses and incentives paid or who had received payments. This information was requested by USAID. USAID/Egypt should review the data when supplied by the agencies to determine if the payments were eligible for reimbursement.

AID committed \$4.5 million to the construction and renovation of a maternity hospital. The project design provided for family planning activities to be carried out by the hospital. We found that these activities had not materialized. USAID project officials should determine if additional funding of the hospital is justified.

The Family of the Future, one of the four major Egyptian agencies receiving AID project funds, did not report to USAID on the use of \$1.9 million generated by the sale of AID-financed contraceptives as required by their agreement with USAID/Egypt. The mission should seek a complete accounting of the funds.

USAID/Egypt needs to liquidate \$323,000 of project advances outstanding from one to four years and establish a monitoring system to ensure timely liquidation of advances.

The State Information Service (SIS), another of the four major Egyptian agencies responsible for project implementation, did not establish accounting controls over AID funds as prescribed by the grant agreement. AID provided LE5.5 million (\$6.6 million) to SIS to cover operating costs related to family planning activities. Invoices, receipts and vouchers were neither properly filed nor indexed and cross-referenced to cash journals. Expenditures were not properly recorded or substantiated. The USAID should have the State Information Service establish the accounting controls required by the grant agreement.

The Egyptian Pharmaceutical Trading Company (EPTC) is the Government of Egypt's recipient for AID-financed contraceptives. EPTC's inventory included out-dated stocks, and stock levels at their warehouses were both over and under requirements. USAID/Egypt should require the Egyptian Pharmaceutical Trading Company to adjust inventories to actual requirements and eliminate out-dated stocks.

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## LIST OF ABBREVIATIONS

CAPNAS	Central Agency For Public Mobilization And Statistics
CP	Condition Precedent
EPTC	Egyptian Pharmaceutical Trading Company
FOF	Family Of The Future
GOE	Government Of Egypt
MACS	Mission Accounting And Control System
MOH	Ministry Of Health
PEP	Population And Development Project
PFPS	Population And Family Planning Board
PIL	Project Implementation Letter
SIS	State Information Service
USAID	United States Agency For International Development In Egypt

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PART I - INTRODUCTION

A. Background

On September 30, 1977, USAID/Egypt signed a grant agreement with the Government of Egypt (GOE) to finance the Family Planning Project No. 263-0029. The purpose of the project was to strengthen and expand nationwide family planning service systems in order to make such services available to, and utilized by, married couples of reproductive age. This was to be accomplished by providing funds to: (a) support activities for the distribution and utilization of contraceptives, training, information, education and communications; and (b) develop an integrated social services delivery system which would provide health, family planning and social welfare services to the community. The project is scheduled for completion on September 30, 1985.

USAID/Egypt initially obligated \$4 million for the project. Four amendments to the grant agreement were made between 1978 and 1981 increasing the total obligations to \$67.5 million.

USAID/Egypt financed commodities and sponsored participant training programs for Egyptian project personnel. In addition, AID funded the services of U.S. and Egyptian contractors under host country and direct contracts to provide technical assistance, implement training programs, conduct research and perform management advisory services. A summary of the principal sub-activities is presented in Exhibit 1.

In June 1983, USAID/Egypt signed another grant agreement with the GOE to implement the second phase of its family planning program (Project No. 263-0144). Expenditures were authorized at \$102.6 million of which \$20 million was obligated. The project purpose was to support the GOE efforts to strengthen and expand Egypt's population and family planning activities among married couples of reproductive age. The project assistance completion date is May 31, 1988.

With the second agreement, AID's commitment to population and family planning activities in Egypt totaled \$170.1 million. Of this total USAID had obligated \$87.5 million and at May 31, 1984; disbursements were \$43 million. A summary of project obligations and disbursements for both projects is presented in Exhibits 2 and 3.

Three Government of Egypt agencies and one Egyptian private sector organization were primarily responsible for implementing the various project activities. The GOE entities were: the Ministry of Health (MOH); State Information Service (SIS); and the Population and Family Planning Board (PFPB). The private sector organization was the Family of the Future (FOF). The MOH is responsible for coordinating overall project implementation in cooperation with other ministries, agencies and institutions.

The agreed GOE contribution to the project included Egyptian Pounds equivalent to \$54.5 million under the initial grant agreement and \$63 million under the second; a total of \$117.5 million. GOE funds were to finance the cost of personnel, logistic support and clinical operations.

#### B. Audit Objectives And Scope

The audit was performed at the request of USAID/Egypt. The objectives of our audit were to determine if the family planning projects were being implemented; achieving their purpose; and if the projects were operated in compliance with the grant agreements and AID regulations. Specific audit objectives included reviews of the payment of bonuses and incentives to GOE project officials; verification of management controls over procurement, storage and distribution of \$15.7 million of AID-financed commodities; and an analysis of financial controls over local currency project expenditures totaling approximately \$12 million at the State Information Service and the Population and Family Planning Board. Additionally, we reviewed the provision of \$4.5 million for extension and renovation of a maternity hospital in Cairo and the MOH's project staffing and coordination.

We examined USAID/Egypt financial and project records, reports, and correspondence and interviewed project personnel. During site visits, we reviewed GOE and FOF financial, project and inventory records in Cairo and at six governorates. We also held discussions with project staff. Our audit was conducted from June 17 through November 30, 1984 and covered project activities from April 1979 through May 31, 1984. There was one previous audit of the project. (See Audit Report No. 6-263-80-1 dated October 30, 1979.) All recommendations in that report were closed.

The audit was performed in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities and Functions and included such tests of the project activities, records and internal controls as considered necessary in the circumstances.

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PART II - RESULTS OF AUDIT

A. Findings And Recommendations

1. Project Management And USAID Monitorship Need Improvement

The goal of the GOE family planning activities is to substantially reduce population growth. Statistics show however that the GOE has had little success in reducing the population growth rate. The multifaceted nature of the assistance provided and the number of agencies involved stretched the capability of the USAID/Egypt project staff in directing project implementation, and monitoring and assisting the projects' progress. Site visits and progress reports are mentioned as important elements of project monitoring in Handbook 3 (Project Assistance). However, lack of subgrantee progress reports and failure to document the findings of site visits by USAID/Egypt project officials resulted in ineffective monitoring of subgrant activities. Consequently, USAID/Egypt did not have information to identify implementation problems and initiate corrective action on problems hampering project implementation and success.

The GOE ten-year plan on population formulated in 1972, set an objective of reducing the population growth rate from 20.6 per thousand population in 1973 to 10.6 per thousand population in 1982. The actual population growth rate for 1982 was 26.9 per thousand population.

Currently, Egypt has 47 million people and adds one million every eight months. The population growth will not decline in the near future because 43 percent of the population is under age 15 and soon will move into peak childbearing years.

Recommendation No. 1

We recommend USAID/Egypt ensure project monitoring through preparation of reports on site visits and project progress.

Discussion

We reviewed project files for six project subactivities. Our findings are summarized below.

<u>Project Activity</u>	<u>Inception of Activity</u>	<u>Frequency of Progress Reports</u>	<u>Reports Required</u> (as of October 1984)	<u>Reports Submitted</u>	<u>Site Visit Reports by USAID/E</u>
Clinic Refresher Training	May 1981	Quarterly	13	3	None
Comprehensive Urban Family Planning Service in Greater Cairo	February 1983	Quarterly	6	4	None
IUD Training Program	May 1980	Quarterly	17	3	1
Sharkeya Al-Azhar International Center for Population Studies	April 1981	Quarterly	13	5	None
Demographic Data Development *	June 1982	Quarterly	36	7	None
Al Galaa Maternity Hospital	November 1982	Quarterly	$\frac{7}{92}$ ==	$\frac{3}{25}$ ==	$\frac{1}{2}$ =

\* There are four separate activities under this sub-grant, each of which requires a progress report.

The subgrantees did not submit progress reports to AID on a quarterly basis. In addition, the 25 reports submitted did not provide adequate information about the project status nor identify problems for corrective action. USAID/Egypt officials were aware of the failure by subgrant recipients to submit timely progress reports, and, in meetings and discussions with the subgrantees, had requested them several times to provide the reports. However, the subgrantees did not comply with USAID/Egypt's request.

#### Management Comments

USAID/Egypt responded that site visits have been made but not documented, and inadequate COE staffing resulted in the limited number of progress reports submitted. The project officer stated that there were more comprehensive files of progress and site visit reports on larger activities such as Family of the Future and the Population and Family Planning Board.

#### Office Of Inspector General Comments

USAID/Egypt management agreed with the need to monitor project activities. Project management agreed to prepare site visit reports, and require subgrantees to submit project progress reports on a current basis. Based on USAID management's actions to correct this monitoring problem, our recommendation will be closed upon issue of this audit report. Corrective actions taken by USAID/Egypt will be monitored through IG followup on closed recommendations.

## 2. The Ministry Of Health (MOH) Should Increase Project Staff

The MOH needs to improve project management by establishing a core of professional staff to coordinate family planning activities. Although required by the project grant agreement the MOH had not established a sufficient number of professional and administrative positions to achieve project objectives. While sympathetic to USAID/Egypt's request to increase staff, the Ministry of Health had done little.

### Recommendation No. 2

We recommend USAID/Egypt have the Ministry of Health provide sufficient staff to ensure the achievement of project objectives.

### Discussion

Section 5.2 of the project grant agreement signed in September 1977 required the MOH to establish by September 1980 an appropriate number of professional and administrative positions in order to achieve project objectives. The project paper stated that the MOH was to recruit, train and assign full-time professional and administrative personnel to these positions. As of November 15, 1984, MOH had not recruited the necessary professional staff. The current MOH full-time staff responsible for AID-funded family planning activities consists of two professionals, one consultant, two engineers, and six administrative and clerical personnel. There was no full-time professional staff at the governorates to coordinate family planning activities. According to USAID/Egypt project officials, the current MOH staffing was inadequate. In their opinion, a core staff of up to 12 full-time professionals and a family planning specialist at each of Egypt's 26 governorates was required to effectively coordinate and manage the family planning program.

### Management Comments

In response to our Record of Audit Finding (RAF), USAID/Egypt stated that in the second grant agreement No. 263-0144 dated June 30, 1983 between the Ministry of Health and AID, a condition precedent (CP) to disbursement required the MOH to provide evidence that adequate staff was available to administer the expanded family planning program. Also, funds for the Rural Family Planning campaign would not be released until action had been taken by the MOH to relieve the staffing problem.

### Office Of Inspector General Comments

The condition precedent affecting disbursement of funds to the MOH and USAID's decision not to disburse additional funds until the staffing problem is resolved fully meets the intent of our recommendation. Based on the action taken, the recommendation will be closed upon issue of this audit report.

### 3. Control Of Salaries, Salary Supplements, Bonuses And Incentives To Egyptian Project Personnel Needs Improvement

USAID/Egypt's official policy required that the Director approve in writing all AID-financed payments to Egyptians for salaries, salary supplements, bonuses and incentives unless said payments were explicitly made eligible by obligating or commitment documents. We found that the Director had not approved in writing payments for these purposes and the payment details were not described in the obligating and commitment documents. USAID was not aware of either the amounts paid or who had received payments. This information had not been provided by the Egyptian agencies involved with the project.

#### Recommendation No. 3

We recommend that USAID/Egypt:

- a. obtain the data requested from cooperating Egyptian agencies on AID-funded payments to personnel to determine their eligibility under Mission Order No. 3-10; and
- b. review and revise where necessary, project obligating and commitment documents to ensure payments to Egyptian project personnel are explicitly authorized.

#### Discussion

USAID/Egypt Mission Order No. 3-10 dated December 14, 1978 entitled "Guidelines for Use of AID Appropriated Dollars and USG-Owned Egyptian Pounds for Local Currency Costs" provided guidance for payments to personnel of cooperating Egyptian entities. The Mission Order precluded payments to personnel of cooperating Egyptian entities except in cases of overwhelming necessity. The USAID Director must approve in writing all exceptions unless the payments had been explicitly made eligible by the relevant obligating or commitment document.

USAID/Egypt personnel advised that MO 3-10 had been complied with when the USAID Director signed the obligating and commitment documents authorizing the expenditure of project funds. However, obligating and commitment project agreements were not explicit in regard to payments made to personnel of cooperating Egyptian entities. The documents provided budgets with line item descriptions. Amounts for salaries, salary supplements, bonuses and incentives were buried in line items such as "media" or "training".

In June 1984, USAID/Egypt requested 12 project subgrantees to provide information on payments made out of AID funds for salaries, bonuses and incentives during the period January 1, 1983 to March 31, 1984. The information requested was the names

of the recipients and amounts paid. Only four subgrantees had responded by the end of our audit. Although USAID/Egypt mailed a second request on September 12, 1984, no further information was received.

We visited two GOE entities who expended \$12 million of AID grant funds, the Population and Family Planning Board (PFPB) and the State Information Service (SIS), in order to determine the amount and validity of bonuses and incentives paid by these entities.

The PFPB accounting records were under the control of the GOE's Central Agency for Auditing, and the records were not available to us at the time of our review. From project inception (September 1980) through June 1984 salary supplements, bonuses and incentives totaling LE508,000 (\$612,000) were paid to PFPB personnel responsible for implementing the Population and Development Project (PDP). Fiscal reports submitted by PFPB to USAID/Egypt did not provide names or job descriptions or the amounts paid to the individuals who received bonuses and incentives.

From November 1983 through June 1984, SIS paid LE92,400 (\$111,500) to Egyptian radio and television chiefs who distributed the amounts to program personnel. Fiscal reports submitted to USAID/Egypt by SIS did not provide details of these payments. The SIS reports summarized all payments to personnel under the line item "media."

#### Management Comments

USAID/Egypt officials reported that seven of the ten implementing agencies have provided data on salary payments, and that because the lists were voluminous it would take months to determine if payments were eligible. Also, future obligating and commitment documents would be more explicit in respect to payments to Egyptian personnel.

#### Office Of Inspector General Comments

We agree that it will take time to resolve the problems associated with payments of salaries, bonuses, and incentives to Egyptian project management. However, the recommendation cannot be closed until corrective actions are initiated.

#### 4. Project Financial Assistance To A Maternity Hospital Is Not Related To Project Purpose

The project earmarked \$4.5 million for the renovation and construction of a maternity hospital. The AID-financed facilities were not used for family planning activities. As pointed out in AID Handbook 3 (Project Assistance), project outputs must show a direct relationship with a project purpose. The hospital facilities, a project output, do not have the required direct linkage to family planning activities. AID funds were used to renovate and construct hospital facilities which are not related to the accomplishment of project objectives.

#### Recommendation No. 4

We recommend USAID/Egypt review the renovation and construction of El-Galaa Maternity Hospital and determine if AID funding is justified, and if not justified, suspend future provision of funds from its Population and Family Planning projects.

#### Discussion

In the development of a project, AID Handbook 3 states that a project designer must ensure that resource inputs will produce outputs that are directly related to the achievement of the project purpose. The project purpose, in this case, was to strengthen a functioning nationwide family planning system. All AID outputs should be directly related to the achievement of the project's purpose.

The initial logical framework prepared in FY 1977 stated that AID funds would be used to provide architect and engineering services and to offset costs associated with the renovation of El-Galaa Maternity hospital. The improved facilities at the hospital were to be used for training family planning workers. A review of the renovation work performed at the hospital showed that the facilities renovated will not assist in the achievement of the project's purpose.

The budgets for the renovation of El-Galaa Maternity Hospital were established in Project Implementation Letter (PIL) No. 42 and its amendment (See Exhibit 4). A review of the line items of the budget showed that funds were provided for the construction and renovation of the hospital and a nursery school; nothing is mentioned concerning specific family planning facilities. On a visit to the hospital we found that the renovation work performed was in areas not related to family planning activities. For example, the ground and first floors of the main hospital building are to be used to accommodate hospital staff and provide space for a laundry and kitchen. In addition, two floors were added to a hospital building for a day-care center for children of working mothers.

PLL No. 42 provided \$4.5 million for the renovation and construction of El-Galaa Maternity Hospital. USAID/Egypt plans to provide an additional \$7.5 million to the hospital for additional construction. We believe USAID/Egypt management should review the hospital's linkage to family planning activities before providing the additional funds.

Management Comments

USAID/Egypt management agreed that the use of Population and Family Planning Project funds to renovate the Al Galaa Hospital is questionable. Also in terms of larger AID objectives, particularly those related to improving urban health services, it could still be determined that continued support for Al Galaa Hospital renovation is indeed justified but from another project account.

Office Of Inspector General Comments

We agree that USAID/Egypt should determine if continued support for Al Galaa hospital should come from another project account.

5. The Family Of The Future Had Not Complied With The Reporting Requirements Of Its Revenue Agreement With USAID/Egypt

The Family of the Future (FOF) generated an income of LE1,538,544 (\$1,850,000) from the sale of AID-funded contraceptives from October 1980 through June 1984. Expenditures totalling LE483,167 (\$580,000) were used to pay bonuses and incentives to FOF personnel, to purchase vehicles, and to pay for FOF operational and program costs. The Family of the Future (FOF) did not report to AID revenues generated from the sale of AID-funded contraceptives and the expenditures incurred therefrom as required by the terms of its revenue agreement with USAID/Egypt. USAID/Egypt had not requested these reports from the FOF. USAID/Egypt was therefore unable to monitor the generation of sales proceeds or to evaluate the propriety of the expenditures.

Recommendation No. 5

We recommend that USAID/Egypt:

- a. obtain from the Family of the Future financial reports required by its revenue agreement;
- b. evaluate the accountability for sales proceeds and the propriety of expenditures associated with the Family of Future; and
- c. request refund for all unallowable expenditures of local currency.

Discussion

A revenue agreement was signed between USAID/Egypt and FOF on January 23, 1984. The agreement established procedures for the use of all revenues generated from sales of contraceptives donated by USAID to the FOF. The agreement which was retroactive to encompass all funds generated, stated that the FOF should report to AID on a quarterly basis the status of the revenue account. The report should include: (a) cumulative and quarterly revenues; (b) quarterly expenditures; (c) the balance in the revenue account; and (d) projections of revenues and expenditures for the next quarter. It was the intent of the agreement that revenues should be utilized by the FOF for operational and programmatic expenditures consistent with the USAID family planning projects.

The Family of the Future (FOF) generated an income of LE1,538,544 (\$1,850,000) from the sale of AID-funded contraceptives from October 1980 through June 1984. Expenditures totalling LE483,167 (\$580,000) were used to pay bonuses and incentives to FOF personnel, to purchase vehicles, and to pay for FOF operational and program costs.

As of October 15, 1984, FOF had not submitted reports to USAID/Egypt on the status of the revenue account. Consequently, USAID/Egypt was unable to determine that the income was utilized by the FOF to promote the AID-funded family planning projects.

Management Comments

USAID/Egypt stated that The Family of the Future had provided on October 28, 1984, a comprehensive report which was deemed appropriate and consistent with the agreement on the use of the revenue.

Office Of Inspector General Comments

Our recommendation focused on the need for USAID/Egypt to obtain the financial data from the Family of the Future on the generation of revenues from contraceptive sales and to determine the propriety of the expenditures associated with those revenues. USAID should review the financial data provided by the Family of the Future and evaluate the propriety of the expenditures.

## 6. Advances Need To Be Liquidated

Cash advances totaling \$323,331 were outstanding for periods ranging from one to four years. USAID/Egypt did not have a systematic means to ensure that outstanding project advances were liquidated as required by AID regulations which require prompt liquidation of advances. The failure of USAID/Egypt to recover twenty-eight advances totaling \$323,331 resulted in idle project funds and interest cost to the U.S. Treasury.

### Recommendation No. 6

We recommend USAID/Egypt liquidate outstanding project advances valued at \$323,331, and initiate systematic follow-up to ensure timely liquidation of outstanding advances.

### Discussion

AID handbook 19 (Financial Management) and US Treasury regulations require follow-up and liquidation of outstanding advances. Upon termination of the project activity for which an advance was issued, cognizant AID officials are required to promptly notify the USAID billing office to seek a refund of the outstanding receivable by issuing a bill for collection.

Project advances are currently maintained by USAID/Egypt on its Mission Accounting and Control System (MACS). This information was available to all project officers, but was not used to liquidate overdue advances.

The table below shows the status of project advances.

<u>Payees</u>	<u>Number of Advances</u>	<u>Amount Outstanding</u>
Population and Family Planning Board (PFPB) - PIL No. 19	1	\$ 31,204
- PIL No. 21	1	168,450
Menoufia Governorate - Sub-Grant No. 263-78-G-009	1	96,413
Project employees sponsored by AID for Training Programs	25	25,264
Total	<u>28</u>	<u>\$323,331</u>
	==	=====

Advances to PFPB under Project Implementation Letter (PIL) No. 19 were for the resources for Awareness of Population Impact on Development (KAPID) project. USAID/Egypt files showed that an amount of \$31,204 had been outstanding since January 1983. Fiscal reports were not submitted by PFPB, and USAID/Egypt had not

followed-up on the status of this advance. Subsequent to the completion of our audit work USAID received an expenditure report from PFPB liquidating a large portion of the advance.

Advances to PFPB under PIL No. 21 were made for the Population Development Project (PDP). The first phase of this activity started in August 1980 and terminated on July 31, 1982. An amount of \$168,450 had been outstanding since June 1982. On June 22, 1982, USAID/Egypt provided additional funding to PFPB to finance the second phase of the PDP activity. USAID/Egypt failed to recover the outstanding balance of \$168,450 which related to the first phase.

Advances to the Governorate of Menoufia were made under a subgrant for the Integrated Social Services Delivery (ISSD) project initiated on August 31, 1981. When the subgrant expired in March 1983, USAID accounting records showed an outstanding balance of \$98,413. Again USAID/Egypt had not followed-up on the status of the outstanding amount or requested a refund from the grantee.

Twenty-five travel advances totaling \$25,264 were outstanding for periods ranging from two to four years. The advances were made to GOE project personnel for participant training programs. USAID/Egypt project officials told us that despite several reminders from AID, travel vouchers were not submitted by the trainees to liquidate the advances.

Prompt liquidation of advances would ensure better cash management and release idle funds for project activities.

#### Management Comments

USAID/Egypt management concurred in this recommendation and has actions underway to liquidate outstanding advances (See Appendix 1).

#### Office Of Inspector General Comments

USAID management's actions to liquidate outstanding advances have already started, but additional actions are needed to establish a systematic followup to ensure better cash management of project funds. The recommendation will be closed upon completion of USAID/Egypt's actions.

## 7. The State Information Service Needs To Account For Project Expenditures

The State Information Service (SIS) had not established accounting and administrative controls over AID funds from inception (1979) to 1985 as required by the project grant agreement and implementation letters. An SIS official advised that the condition resulted from a lack of instructions from USAID/Egypt on financial and reporting obligations. As a result, documentary support such as invoices, receipts and vouchers were not filed, indexed and cross-referenced to the cash journal. In addition, expenditures were not properly recorded or substantiated.

### Recommendation No. 7

We recommend USAID/Egypt have the State Information Service conform its accounting system to the grant agreement provision.

### Discussion

The project grant agreement and implementation letters required SIS to maintain books, records, documents and other evidence to substantiate project expenditures. AID guidelines required project officers to monitor the use of AID funds in order to ensure that expenditures were being made in accordance with AID regulations and that commodities and services were properly procured, delivered and used.

At the request of the project officer, the Mission's Office of Financial Management reviewed the grantees' accounting and reporting systems. As a result of that review the USAID/Egypt Associate Director for Financial Management alerted the Mission Director to weaknesses in the accounting and reporting systems of population project grantees. Subsequently, a consultant was assigned to assist SIS in the establishment of financial records.

An SIS official stated that he was not properly instructed by USAID/Egypt about SIS financial and reporting obligations under the grant agreement. In his opinion, proper accounting records could have been maintained and adequate accounting controls established had he received proper guidance from USAID during the initial phase of the project.

We found the following weaknesses in the financial records maintained by SIS:

- o Petty cash records were not maintained during 1979 and 1980. A petty cash book was set up in 1981. However, no procedures for replenishment of cash funds were established, and cash on-hand was not reconciled to the petty cash records on a regular basis.

- o From 1979 through August 1983, SIS did not have inventory records for AID-financed commodities. Records were established in September 1983, but records were not established for commodities procured prior to August 1983.
- o There were no authorized time sheets, written supervisory approvals or other payroll documents available to substantiate overtime payments to SIS personnel.
- o In two instances of recruitment of managerial staff, we found no job descriptions or scope of work to be performed.

Inadequate accounting records, poor internal controls and lack of USAID/Egypt monitoring resulted in expenditures which were not properly recorded or substantiated according to the grant agreement provisions.

#### Management Comments

USAID/Egypt concurred with the recommendation but stated that it was impractical to conform SIS's accounting system to the grant agreement provision retroactively before November 1983.

#### Office Of Inspector General Comments

USAID/Egypt should address the problem areas cited in the report and in particular the lack of an inventory for AID-financed commodities.

## 8. Inventory Procedures And Practices Should Be Corrected

The Egyptian Pharmaceutical Trading Company (EPTC), should improve its inventory procedures and practices for AID-financed contraceptives. EPTC had not disposed of obsolete contraceptives valued at \$144,378 nor corrected overages and shortages of stocks at their regional warehouses. Corrective action should be taken to ensure effective use of project commodities as prescribed by AID handbook 15 (AID-Financed Commodities).

### Recommendation No. 8

We recommend USAID/Egypt arrange for the Egyptian Pharmaceutical Trading Company to adjust their inventories to appropriate stock levels and dispose of the out-of-date contraceptives.

### Discussion

AID regulations (Handbook 15, Chapter 12) specify that the grantee must ensure that commodities financed under project agreements be effectively used for the purpose for which the assistance was made available. AID monitoring responsibilities include a review of project inventory reports to determine the effective use of AID-financed commodities, and if they are unusable, to arrange for their disposal or transfer to other projects.

### Contraceptives With Expired Shelf Lives

The following table illustrates the obsolete and unusable contraceptives found at the EPTC's central warehouse.

<u>Contraceptive</u>	<u>Number of Contraceptives Obsolete or Unusable</u>	<u>Value</u>
Lippes Loops	4,900	\$ 1,862
Diaphragms/Jelly Tubes	29,772	86,635
Neo Sampoo Strips	829,446	55,881
		<u>\$144,378</u>
		=====

In May 1983, USAID signed a \$561,000 contract with a U.S. management consulting firm, Price Waterhouse & Co., to develop a nationwide contraceptive information and inventory system (CIIS). The system was to collect data on inventory levels and contraceptive movements at the central and regional warehouses and produce monthly management reports.

We reviewed the CIIS monthly reports from January through July 1984, and we analyzed the movements of four AID-donated contraceptive items. A 24-month supply of contraceptives is considered an adequate inventory by Price Waterhouse & Co. and

EPIC. We found that although the reports identified warehouses with excessive or inadequate stock levels and those with slow moving inventories, EPIC failed to take action to redistribute inventories on the basis of normal supply requirements at each location. The table below gives examples of excessive and inadequate stock levels.

<u>Location</u>	<u>Contraceptives</u>	<u>Months Stock On-Hand</u>
Aswan	Condoms	323
Assiyut	"	4
Fayoum	Neo-Sampoons	350
Port Said	"	-0-
Mansura	Lippes Loop	574
Cairo	" "	2
Ismailia	Copper-T	441
Alexandria	"	2

Although USAID/Egypt was also a recipient of Price Waterhouse & Co. inventory reports, AID project officials did not coordinate with EPIC to ensure proper distribution of inventories. The complete results of our findings are presented in Exhibit 5.

USAID had asked for and received a design for a new inventory report by warehouse that highlights severe over and under stock situations. USAID should ensure that reports generated are used.

#### Management Comments

USAID/Egypt stated that neo sampooon strips are being transferred to the Family of the Future for subsequent repackaging and sale (See Appendix 1, page 6).

#### Office Of Inspector General Comments

USAID/Egypt should expedite the transfer of neo sampooon strips to ensure effective utilization, and ensure that adequate inventory levels for all contraceptives are maintained at each warehouse location.

## B. Compliance And Internal Controls

### Compliance

The AID-financed family planning projects were authorized to provide assistance to the Egyptian national family planning program. The project operates within that authorization. However, we noted funds have been provided to renovate and construct a maternity hospital which is principally engaged in non-family planning activities (page 8). The project operated within the provisions of Handbook 3 (Project Assistance) and within agreements between USAID/Egypt, the GOE, a private voluntary organization and various contractors. There was a need however, to more closely adhere to project documents. A recipient of AID contraceptives had not complied with its revenue agreement with USAID/Egypt (page 10) and the Ministry of Health had not provided sufficient staff to manage project activities as required by the grant agreement (page 5).

### Internal Controls

All obligations and commitments are recorded against the project and are supported by adequate obligating documents. However, we did note that advances valued at \$323,331 should be liquidated (page 12); accounting and reporting systems of grantees receiving AID funds under the family planning projects were weak; control of salaries, salary supplements, bonuses and incentives to Egyptian project personnel needed improvement; and the Mission had not implemented its policy on salary payments to ensure that the payments were eligible costs (page 6). In addition, inventory procedures and practices needed correction to effect the efficient utilization of AID-financed contraceptives (page 16).

## C. Other Pertinent Matters

### 1. Funds For Research Activities Should Be Used More Effectively

AID provided LE90,500 (\$109,000) to the Population and Family Planning Board (PFPB) for research activities. The Mission provided the funds on the basis of research proposals presented by PFPB. Mission management of the research funds was less than effective. The Mission did not perform a review to determine if PFPB had the resources to complete the proposed research. AID handbook 3 (Project Assistance) assigns responsibility for project implementation planning to the AID project officer. Part of the planning process is to outline the requirements for resources. As a result of the lack of an adequate review of research proposals, five of the eleven research activities financed by AID were cancelled, one was postponed and five were completed.

PFPB cancelled research activities due to a shortage of qualified staff and the inability of PFPB to develop coordination between the governorates and itself. These problem areas show the need for USAID/Egypt to evaluate host country capabilities prior to providing funds for project activities.

#### Management Comments

In response to our RAB, USAID project personnel advised that they are well aware of the problems encountered by the PFPB in the recruitment of competent research directors because of the low salaries offered and other work commitments by the prospective researchers. As a result, USAID/Egypt decreased the research budget from \$464,120 to \$286,000 and transferred \$178,120 to other activities.

#### Office Of Inspector General Comments

As a result of USAID's action, a formal recommendation is not being made.

AUDIT OF  
USAID/EGYPT'S  
POPULATION AND FAMILY PLANNING PROJECTS I AND II  
PROJECT NOS. 263-0029 AND 263-0144

PART III - EXHIBITS AND APPENDICES

EXHIBIT 1

FAMILY PLANNING PROJECT  
No. 263-0029  
SUMMARY OF IMPORTANT SUB-ACTIVITIES

<u>Description of Sub-Activity</u>	<u>Grantee</u>	<u>Prime Contractor</u>
Social Marketing Program	Family of Future	Triton Corporation
Contraceptive Inventory & Information System	Egyptian Pharmaceutical Trading Co.	Price Waterhouse & Co
Population Development Project	Population & Family Planning Board	-
Family Planning, Health and Social Services Delivery Project	Governorate of Beni-Suef	American University of Cairo; Johns Hopkins University
Integrated Social Services Delivery Project	Governorate of Menoufia; American University of Cairo	Johns Hopkins University
MOH Administrative Improvement	Ministry of Health	-
Clinic Refresher Training	Ministry of Health	Social Development Center
IDU Training	Ministry of Health	-
Family Planning Training Program For House Officers	Ministry of Health	-
Physician Training	High Institute of Public Health	One America Inc.
Comprehensive Urban Family Planning Service in Greater Cairo	Cairo Health Organization	-
El-Galaa Maternity Hospital	Ministry of Health	Al Gomhouria Construction Co Rageh & Anwar Architects
Sharkeya Al-Azhar International Islamic Center for Population Studies	Al Azhar Islamic Center	-
Information Education & Communication	State Information Service	Academy for International Development; Social Development Center
Training of Women Managers	Alexandria Institute for Training and Research in Family Planning	-
Cairo Demographic Center	CAPMAS	-
Demographic Data Development	CAPMAS	-

EXHIBIT 2

FAMILY PLANNING PROJECT  
No. 263-0029  
FINANCIAL SUMMARY AS OF MAY 31, 1984

<u>Element No.</u>	<u>Project Element</u>	<u>Committed</u>	<u>Disbursed</u>	<u>Unliquidated</u>
01	Ministry of Health	\$25,756,040	\$14,178,814	\$11,577,226
02	Population & Family Planning Board	13,804,224	10,894,955	2,909,269
03	State Information Service	7,339,998	6,436,905	903,093
04	Family of the Future	11,214,335	7,763,688	3 50,647
05	CAPMAS	703,235	210,319	2,916
06	Institutional Training & Research	361,848	213,847	148,001
07	Cairo Demographic Center	501,927	138,466	363,461
08	Technology Transfers	5,135,861	2,912,663	2,223,198
09	Private Sector Family/Planning	<u>3,463</u>	<u>1,443</u>	<u>2,020</u>
	TOTAL	\$64,820,931	\$42,751,100	\$22,069,831
	Uncommitted	<u>2,679,069</u>	<u>-0-</u>	<u>2,679,069</u>
	Total Obligation	<u>\$67,500,000</u> =====	<u>\$42,751,100</u> =====	<u>\$24,748,900</u> =====

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EXHIBIT 2-a

FAMILY PLANNING PROJECT  
 No. 263-0029  
PROJECT DISBURSEMENT SUMMARY AS OF MAY 31, 1984

	<u>01</u> <u>Ministry</u> <u>of Health</u>	<u>02</u> <u>Pop. &amp; Family</u> <u>Planning Board</u>	<u>03</u> <u>State Info</u> <u>Service</u>	<u>04</u> <u>Family</u> <u>the Future</u>	<u>05</u> <u>CAPMAS</u>	<u>06</u> <u>Inst. Trng.</u> <u>&amp; Res.</u>	<u>07</u> <u>Cairo</u> <u>Demog./Center</u>	<u>08</u> <u>Tech.</u> <u>Transfers</u>	<u>09</u> <u>Private Sector</u> <u>Family/Planning</u>	<u>TOTAL</u>
Host Country/Direct Contracts (including Consulting Services)	\$ 3,730,246	\$ 584,800	\$ 754,240	\$ -0-	\$ -0-	\$ -0-	\$136,520	\$2,358,126	\$ -0-	\$ 7,563,932
Training	1,918,421	118,132	259,217	18,583	75,161	213,847	-0-	542,074	1,443	3,146,878
Travel Authorizations	55,149	17,680	11,020	-0-	23,319	-0-	1,946	12,463	-0-	121,577
Commodity Procurements	4,444,634	5,235,632	90,893	5,916,077	3,533	-0-	-0-	-0-	-0-	15,690,769
Activities Financed Under Project Implemen- tation Letters	<u>4,030,364</u>	<u>4,938,711</u>	<u>5,321,535</u>	<u>1,829,028</u>	<u>108,306</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>16,227,944</u>
	<u>\$14,178,814</u>	<u>\$10,894,955</u>	<u>\$6,436,905</u>	<u>\$7,763,688</u>	<u>\$ 210,319</u>	<u>\$213,847</u>	<u>\$138,466</u>	<u>\$2,912,663</u>	<u>\$1,443</u>	<u>\$42,751,100</u>

Source: AID Financial Summary Report.

EXHIBIT 3

FAMILY PLANNING PROJECT  
No. 263-0144  
FINANCIAL SUMMARY AS OF MAY 31, 1984

	<u>Committed</u>	<u>Disbursed</u>	<u>Unliquidated</u>
Private/Commercial Sector	\$ 1,395,000	\$ -0-	\$ 1,395,000
Information, Education & Communication	4,808,149	224,472	4,583,677
Population Statistics & Policy	582,083	-0-	582,083
Population Intermediate & Technical Transfer	<u>800,000</u>	<u>-0-</u>	<u>800,000</u>
	\$ 7,585,232 <u>1/</u>	\$ 224,472	\$ 7,360,760
Uncommitted	<u>12,414,768</u>	<u>-0-</u>	<u>12,414,768</u>
Total Obligated	\$20,000,000 =====	\$224,472 =====	\$19,775,528 =====

1/ Funds to be programmed as follows:

Contraceptives	\$1,395,000
Host Country/ Director Contracts	2,994,232
PIL's	<u>3,196,000</u>
	\$7,585,232 =====

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EXHIBIT 4-a

FAMILY PLANNING PROJECT  
No. 263-0144  
REHABILITATION OF EL-GALAA HOSPITAL  
PHASE I BUDGET

1	Renovation of ground and first floors	LE 537,284
2	Addition of two floors to the nursery school	136,746
3	Construction of power house and workshops	224,411
4	Installation of emergency generator and boiler fuel tanks	58,873
5	Installation of sewage and sanitation facilities	54,510
6	Temporary buildings consisting of kitchens, pharmacy and blood bank	53,918
7	Aluminium windows for the ground and first floors	146,115
8	Facade repairs, plastering and painting of the entire hospital building	18,774
9	Demolishing the morgue building and dismantling of the existing old kitchen and laundry equipment	<u>7,313</u>
	TOTAL	LE1,237,944 =====

LE = Egyptian Pounds

(LE.83168 = \$1.00)

(\$1,488,486)

Source: PIL # 42 dated November 23, 1982.

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FAMILY PLANNING PROJECT  
No. 263-0144  
REHABILITATION OF EL-GALAA HOSPITAL  
PHASE II BUDGET

(A)			
	1. Hospital's electric network	LE 766,809	
	2. The finishing and decoration of the hospital	233,166	
	3. Elevator's Room Adjustments	39,519	
	4. Kitchen, laundry and sterilization installation	<u>200,000</u>	
			<u>LE1,239,494</u>
(B)			
	Design contractor fees		LE <u>400,000</u>
(C)			
	1. Cost of supplying and installing the medium voltage switch	190,000	
	2. Cost of supplying and installing the low voltage switchgear	115,000	
	3. Transformers	165,000	
	4. Sound system	40,000	
	5. Telephone system	55,000	
	6. Fire alarm system	23,000	
	7. Hospital clock system	15,000	
	8. Doctor's paging system	20,000	
	9. Boilers	140,000	
	10. Incinerators	65,000	
	11. Temporary air conditioning	50,000	
			LE <u>878,000</u>
	LE = Egyptian Pounds		<u>LE2,517,494</u>
	(LE.65168 = \$1.00)		\$3,027,000

Source: PIL # 42, amendment # 1 dated June 26, 1983.

FAMILY PLANNING PROJECT  
NO. 263-0029  
ANALYSIS OF CONTRACEPTIVE INVENTORY LEVELS AT 12 WAREHOUSES OF  
THE EGYPTIAN PHARMACEUTICAL TRADING CO. (EPTC)  
FROM JANUARY THROUGH JULY 1984

EPIC Warehouse	<u>Condoms 1/</u>			<u>Neo-Sarpoons 2/</u>			<u>Lippes Loop 3/</u>			<u>Copper-T 3'</u>		
	Average Balance	Number of Months of Supply	Note	Average Balance	Number of Months of Supply	Note	Average Balance	Number of Months of Supply	Note	Average Balance	Number of Months of Supply	Note
Central	135,568	52	<u>5/</u>	185,374	6	<u>6/</u>	36,066	2	<u>6/</u>	313,320	39	<u>5/</u>
Alexandria	2,290	16	<u>6/</u>	3,652	9	<u>6/</u>	8,371	14	<u>6/</u>	1,715	2	<u>6/</u>
Aswan	1,341	323	<u>5/</u>	4,633	24		3,000	N/A	<u>7/</u>	2,700	N/A	<u>7/</u>
Assiyut	607	4	<u>6/</u>	3,737	12	<u>6/</u>	3,444	N/A	<u>7/</u>	3,635	39	<u>5/</u>
Beni Suef	1,065	45	<u>5/</u>	4,189	10	<u>6/</u>	2,931	5	<u>6/</u>	1,381	127	<u>5/</u>
Fayoum	1,837	67	<u>5/</u>	2,400	350	<u>5/</u>	3,000	5	<u>6/</u>	4,029	N/A	<u>7/</u>
Port Said	689	28	<u>5/</u>	930	-0-	<u>6/</u>	2,731	N/A	<u>7/</u>	2,548	36	<u>5/</u>
Ismailia	1,318	41	<u>5/</u>	5,351	15	<u>6/</u>	2,914	N/A	<u>7/</u>	3,376	441	<u>5/</u>
Suez	1,024	93	<u>5/</u>	2,210	15	<u>6/</u>	2,814	244	<u>5/</u>	2,293	94	<u>5/</u>
Mansura	4,778	27	<u>5/</u>	3,968	4	<u>6/</u>	2,559	574	<u>5/</u>	2,583	48	<u>5/</u>
Tanta	1,874	78	<u>5/</u>	4,640	6	<u>6/</u>	3,686	N/A	<u>7/</u>	5,683	205	<u>5/</u>
Mehalla	1,495	50	<u>5/</u>	9,435	16	<u>6/</u>	6,403	N/A	<u>7/</u>	5,545	438	<u>5/</u>

## Notes:

- 1/ Boxes of 100 units.  
2/ Boxes of 20 units.  
3/ Single units.  
4/ According to EPIC and Price Waterhouse officials, normal stock level is based on 2 years (24 months) of supply in ending inventory.  
5/ warehouses with excessive stock levels.  
6/ warehouses with inadequate stock levels.  
7/ warehouses with little or no changes in inventory levels.



CAIRO, EGYPT

**UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT**

FEB 25 1985

FEB 25 REC'D

M E M O R A N D U M

TO: Mr. Harold Gill, RIG/A  
FROM: Frank B. Kimball, DIR *FB Kimball*  
SUBJECT: Draft Audit Report; Family Planning  
Project 263-0029 and 263-0144

Attached is the USAID's response to the draft audit report prepared by the Population division of the Mission.

Att: a/s above

*23*

UNITED STATES GOVERNMENT

## memorandum

DATE: 2/21/1985

REPLY TO  
ATTN OF: Bernard Wilder, AD/HRDC *BW*

SUBJECT: Population

TO: Mr. T. J. McMahon, AD/FM

Attached is HRDC/POP's comments on the draft Audit Report of Population  
Projects 263-0029 and 263-0144.

February 20, 1985

Subject: Population: Family Planning Projects 263-0029 and 263-0144:  
USAID/Cairo; Response to Draft Audit Report.

This response from USAID is divided into two parts: A. "editorial comment" and, B. "specific comments on recommendations".

A. Editorial Comment:

1. P. ii, first line should read "Four Government of Egypt agencies etc. and the Central Agency for Public Mobilization and Statistics (CAPMAS) should be added. A/
2. page ii, second paragraph, the termination date for 0029 is September 30, 1985, not June 30, 1985. Also, the IG may wish to note that as of Jan. 30, 1985 a total of \$51.7 million has been disbursed.
3. Page iii, first paragraph, the mission's Project Paper approved by AID/W in April, 1983 did explicitly authorize payments for salaries, bonuses and incentives as local cost reimbursement items.
4. Page 3 insert for government of Egypt agencies etc. by adding CAPMAS.
5. Page 19, it is incorrect to say "the project had no activity." This should be changed to "although the project was active, fiscal reports ..."

A/ We do not consider CAPMAS a major participant in the project.

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B. Audit Recommendations

1. Recommendation No. 1: Seven of 10 implementing agencies have provided data on salary payments as of January 31, 1985. A/
2. Recommendation No. 2: Substitute "commitment" for the word "subobligating" (agreed to during 2/7/85 exit conference). B/
3. Recommendation No. 3: As discussed in the exit conference, the issue is whether renovation of Al Galaa Hospital is an appropriate use of USAID P/FP funds. In terms of larger AID objectives, particularly those related to improving urban health services, it could still be determined that continued support for Al Galaa Hospital renovation is indeed justified but from another project account. C/
4. Recommendation No. 4: USAID regularly had been apprised of the size of the revenue account and other established FOF reporting procedures routinely allowed us to monitor their product sales. D/

Effective October 28, 1984, we received a comprehensive report on the use of the revenue account which we have deemed appropriate and consistent with our revenue agreement. Given these facts, it is my understanding from the exit conference that this recommendation can now be closed.

5. Recommendation No. 5: requires USAID to liquidate outstanding advances of \$323,331 and initiate systematic follow up procedures to insure timely liquidations. The following specific actions have been undertaken to liquidate the questioned advances listed in the draft audit report. E/

A/ Recommendation No. 3(a) in this final report.

B/ Recommendation No. 3(b) in this final report.

C/ Recommendation No. 4 in this final report.

D/ Recommendation No. 5 in this final report.

E/ Recommendation No. 6 in this final report.

Oustanding

<u>Advances</u>	<u>Payee</u>	
\$ 31,204	PFPB-PIL No. 19	USAID has received expenditure reports covering about 70% of the amount advanced and efforts are continuing to receive accountability for the balance.
\$168,450	PFPB-PIL No. 21	PFPB has informed USAID that approximately \$150,000 has been expended for which vouchers will be submitted in the near future. The balance will be refunded to USAID.
\$ 98,413	Menoufia Governorate Sub Grant No. 263-78-G-009	USAID has found an error in application of the conversion factor to the amount of pounds advanced. The accounting records have been adjusted, to reflect the correct advance amount of \$78,856.99, USAID is in contact with Menoufia Governorate to either submit expense reports or refund the advance.
\$ 25,264	Project Employees	USAID has contacted all 25 employees who received advances for training programs. All travel vouchers are expected to be received within a month.

6. Recommendation No. 6: State Information Service: The narrative should state that since November, 1983 when a new project implementation letter was signed, SIS has adhered to USAID grant provisions regarding operation of an adequate accounting system. On page 22, the narrative also should reflect that beginning November, 1983 consultants have been assigned to SIS by USAID so that they could establish adequate financial recording and reporting systems. F/

We accept the requirement to have SIS conform their accounting system to the grant agreement, but it would be impractical to ask them to do this retroactively before November, 1983.

On page 23, we question the statement that "there was no personnel policy relating to recruitment of personnel" in SIS, a Government of Egypt agency. The reference to recruitment of two managerial staff in fact refers to the recruitment of two consultants and we again assume that under normal GOE personnel procedures, appropriate job descriptions and/or scopes of work were agreed upon. Unless the audit staff have hard information to the contrary, references to this should be deleted.

7. Recommendation No. 7: It was agreed in the exit conference that the word "require" would be substituted by the the phrase "arrange for." On page 25, we question whether you are correct in stating that Neo Sampoons strips are "obsolete or unusable." Their shelf-life has not expired and this commodity is routinely being transferred to the Family of the Future for subsequent repackaging and sale. G/

Regarding contraceptive commodities and "Exhibit E," it is not clear what unit of quantity is used in the table on Condoms. Are they individual pieces or units of 100?

F/ Recommendation No. 7 in this final report.

G/ Recommendation No. 8 in this final report.

With regard to Copper Ts, it is inappropriate to indicate that in a governorate of several million people e.g. Beni Suef, that 1381 individual IUDs constitute a 137 month supply. Common sense suggests that a minimum stock level be available in every governorate regardless of the past history of distribution so that distribution can begin and expand. A typical rural governorate should have at least 4 to 5 thousand IUDs on hand so that as physicians are trained to use them, these devices would be readily available. With regard to EGYDRUG inventories, we can not "require" Egydrug to do anything and if some lack of inventory control is the price we pay for contraceptive distribution, it may be worth it. Also, each warehouse will never have exactly the inventory it needs. If one could calculate demand that precisely one wouldn't need any inventory. If we can gradually improve the system and determine for ourselves what an appropriate inventory is, then the recommendation is O.K.

It also does not seem necessary to destroy diaphragms just because there is no jelly. The new National Population Council may order more jelly in the near future.

List of Recommendations

APPENDIX 2

Page 1 of 2

Recommendation No. 1 3

We recommend USAID/Egypt ensure project monitoring through preparation of reports on site visits and project progress.

Recommendation No. 2 5

We recommend USAID/Egypt have the Ministry of Health establish sufficient staff to ensure the achievement of project objectives.

Recommendation No. 3 6

We recommend that USAID/Egypt:

- a. obtain the data requested from cooperating Egyptian agencies on AID-funded payments to personnel to determine their eligibility under Mission Order No. 3-10; and
- b. review and revise where necessary, project obligating and commitment documents to ensure payments to Egyptian project personnel are explicitly authorized.

Recommendation No. 4 8

We recommend USAID/Egypt review the renovation and construction of El-Galaa Maternity Hospital and determine if AID funding is justified, and if not justified, suspend future provision of funds from its Population and Family Planning projects.

Recommendation No. 5 10

We recommend that USAID/Egypt:

- a. obtain from the Family of the Future financial reports required by its revenue agreement; and
- b. evaluate the accountability for sales proceeds and the propriety of expenditures associated with the Family of Future;
- c. request refund for all unallowable expenditures of local currency.

Recommendation No. 6

12

We recommend USAID/Egypt liquidate outstanding project advances valued at \$323,331 and, initiate systematic follow-up to insure timely liquidation of outstanding advances.

Recommendation No. 7

14

We recommend USAID/Egypt have the State Information Service conform its accounting system to the grant agreement provision.

Recommendation No. 8

16

We recommend USAID/Egypt arrange for the Egyptian Pharmaceutical Trading Company to adjust their inventories to appropriate stock levels and dispose of the out-of-date contraceptives.

APPENDIX 3

Report Distribution

	<u>No. of Copies</u>
Mission Director, USAID/Egypt	5
Assistant Administrator, Bureau For Near East	5
Office Of Egypt Affairs	1
Audit Liaison Office (AA/NE)	1
Assistant To The Administrator For External Affairs (XA)	1
Office Of Legislative Affairs (LEG)	1
General Counsel (GC)	1
Assistant To The Administrator For Management (AA/M)	2
Office Of Financial Management (M/FM/ASD)	2
Office Of Population (S&T/POP)	1
Center For Development Information And Evaluation (PFC/CDIE)	3
Inspector General	1
Assistant Inspector General For Audit (AIG/A)	1
Office Of Policy, Plans And Programs (IG/PPP)	1
Executive Management Staff (IG/EMS)	12
Assistant Inspector General For Investigations And Inspections (AIG/II/W)	1
Regional Inspector General For Investigations And Inspections/Cairo (RIG/II/C)	1
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