

Regional Inspector General for Audit  
Cairo, Egypt

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Audit of USAID/Egypt's  
Population/Family Planning II  
Project No. 263-0144

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Report No. 6-263-92-01  
January 26, 1992



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Inspector General for Audit  
Cairo, Egypt

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*The project has made progress in increasing family planning practice in Egypt. However, USAID/Egypt needs to better safeguard contraceptive distributions and plan for audits of grant funds.*

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UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL/AUDIT

January 26, 1992

MEMORANDUM FOR D/USAID/Egypt, Henry H. Bassford

FROM :

RIG/A/C, Philippe L. Darcy *Philippe L. Darcy*

SUBJECT:

Audit of USAID/Egypt's Population/Family Planning II  
Project No. 263-0144

Enclosed are ten copies of our audit report on USAID/Egypt's Population/Family Planning II Project, Report No. 6-263-92-01.

We have reviewed your comments on the draft report and included them as an appendix to this report. The report contains three recommendations. Recommendation No. 2 is closed upon report issuance; Recommendation No. 1.1 is resolved and will be closed when appropriate action is completed; and Recommendation No. 1.2 remains unresolved. The unresolved recommendation asks for the recovery of \$1,076,002, which is the cost to A.I.D. of about 20 million condoms the host government sold in 1989 and 1990 in contravention of the terms of an agreement between host government agencies and USAID/Egypt. Please respond to this report within 30 days, indicating any actions planned or already taken to implement the recommendations.

I appreciate the cooperation and courtesies extended to my staff during the audit.

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## EXECUTIVE SUMMARY

Begun in June 1983 with a scheduled completion date of May 31, 1993, the Population/Family Planning II Project (Project No. 263-0144) is designed to provide support to the Government of Egypt in order to strengthen and expand Egypt's population/family planning activities so as to increase family planning practice among married couples of reproductive age (see page 1).

To achieve this objective, A.I.D. has authorized \$117.6 million in life-of-project funding and obligated \$96 million, of which \$72 million had been expended as of March 31, 1991. Of this total, \$20.8 million was for contraceptives, \$11 million for public sector family planning services, \$20.6 million for private sector family planning services, and \$19.6 million for other project activities. The Government of Egypt's life-of-project contribution is expected to total the local currency equivalent of \$63.5 million (see pages 1 and 2).

Between September 1990 and June 1991, the Office of the Regional Inspector General for Audit/Cairo (RIG/A/C) conducted a performance audit of the Population/Family Planning II Project in accordance with generally accepted government auditing standards (see Appendix I). The audit found that:

- Progress has been made in increasing family planning practice among married couples of reproductive age (see page 5).
- A major distributor's sales of contraceptives were wasteful and made in violation of an agreement with USAID/Egypt (see page 7).
- Required audits of project grantees' expenditures of grant funds were not well planned nor is there evidence they were performed (see page 15).

The report contains two recommendations. One is procedural and one seeks the recovery of costs associated with unauthorized sales of A.I.D.-donated contraceptives (see pages 8 and 16). The report also (1) discusses our assessment of internal controls and relates

problems to internal control weaknesses (see page 19) and (2) includes a summary of significant areas of noncompliance with applicable laws, regulations, and other binding policies and procedures (see page 23). The audit's objectives, scope and methodology are on page 3 and in Appendix I.

A draft of this report was provided to Mission officials for their comments, which we considered in preparing the final report. In responding to the draft report, the officials indicated their concurrence with most findings and recommendations. Appendix II to this report contains our evaluation of their comments. The Mission's complete response is included as Appendix IV to this report.

*Office of the Inspector General*

Office of the Inspector General

January 26, 1992

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## **GLOSSARY**

<b>A.I.D.</b>	<b>Agency for International Development</b>
<b>EPTC</b>	<b>Egyptian Pharmaceutical Trading Company</b>
<b>FOF</b>	<b>Family of the Future Association</b>
<b>LE</b>	<b>Egyptian Pound (Monetary Unit)</b>
<b>MOH</b>	<b>Ministry of Health</b>
<b>USAID</b>	<b>United States Agency for International Development</b>

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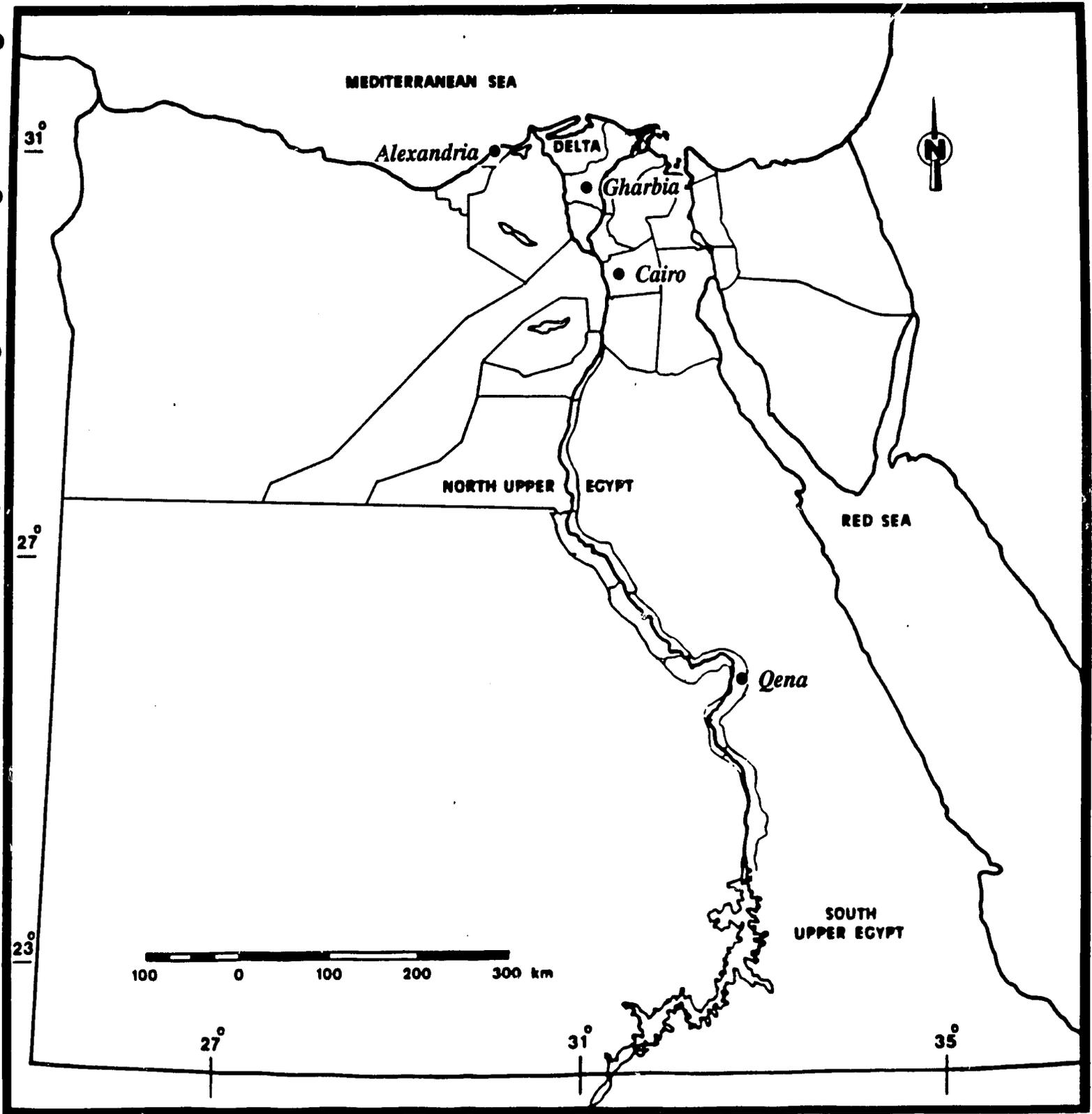
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**ARAB REPUBLIC OF EGYPT**



# INTRODUCTION

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## **Background**

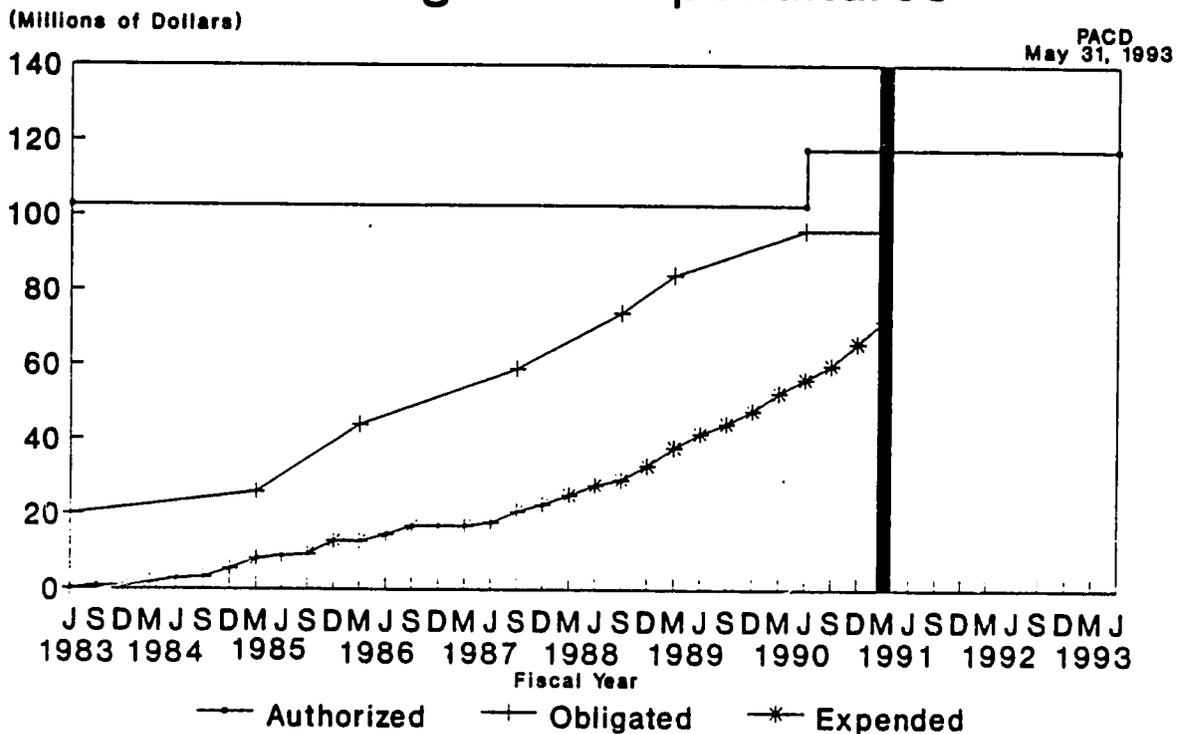
The Population/Family Planning II Project is designed to provide support to the Government of Egypt in order to strengthen and expand Egypt's population/family planning activities so as to increase family planning practice among married couples of reproductive age. Under the project, USAID/Egypt is financing a wide variety of family planning service delivery, information gathering, research and policy formulation activities involving an array of Egyptian governmental and nongovernmental organizations located throughout the country. The project has seven elements or components which are to:

- ensure a constant and adequate supply of contraceptives for Egypt's family planning program;
- promote the development of family planning services in Egypt's private/commercial sector;
- strengthen the Government of Egypt's institutional capacity to plan, monitor and coordinate family planning programs and activities;
- expand the Government of Egypt public sector's family planning services;
- support mass media and local campaigns to increase contraceptive acceptability and usage;
- provide demographic data and population research findings; and
- provide technical assistance to family planning agencies.

Begun in June 1983 with an initial project assistance completion date of May 31, 1988, the project is now scheduled to end on May 31, 1993. In May 1990 USAID/Egypt increased the project's life-of-project authorization by \$15 million from \$102.6 million to \$117.6 million in order to maintain "the current momentum of population activities in Egypt" which have "increased sharply" in recent years. Fiscal year 1986 expenditures of about \$5 million tripled to about \$15 million in fiscal 1989 and reached almost \$16 million in fiscal 1990. As of March 31, 1991, the amount obligated reached \$96 million and cumulative expenditures totaled about \$72 million, \$20.8 million of which was for contraceptives, \$20.6 million for private sector family planning services, \$11 million for

public sector family planning services, and \$19.6 million for other project activities. According to a May 30, 1990 data sheet attached to the Project Grant Agreement's latest amendment, the Government of Egypt's life-of-project contribution is expected to total the local currency equivalent of \$63.5 million. The following graph shows USAID/Egypt's life-of-project authorization and expenditures through March 31, 1991.

## Population Project 263-0144 Funding and Expenditures



A 1987 project paper amendment reported that the project had experienced "significant implementation delays" since its inception in 1983, which the paper estimated would result in only about one third of the originally authorized \$102.6 million being expended by May 1988, the project's initial completion date. The paper proposed a shift in strategic approach requiring "a significant increase in funding for private and public sector [family planning] service delivery programs and a corresponding reduction in 'supportive' activities...." The paper identified the Government of Egypt's Ministry of

Health (MOH), the private sector Egyptian Family Planning Association and the Family of the Future Association (FOF) as the "three leading [family planning] service delivery institutions" in Egypt and the "primary implementing agencies selected in this amendment." A May 1990 USAID/Egypt action memo to increase project funding to \$117.6 million confirmed that the project's "principal emphasis" is on family planning services, which account for "over three-quarters" of project funds.

USAID/Egypt is financing contraceptives under the project at a projected life-of-project cost of about \$29.5 million including intrauterine devices, condoms, vaginal foaming tablets, and oral contraceptives or birth control pills. Egypt distributes these donated products through two main channels: (1) FOF, which sells the products to private physicians and pharmacies, and (2) the Egyptian Pharmaceutical Trading Company (EPTC), a public sector company under the auspices of the Minister of Health, which, according to a revenue agreement with USAID/Egypt, distributes a specified portion of these products without charge to the MOH, the Egyptian Family Planning Association and other project implementing agencies, and sells the remainder to pharmacies.

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## **Audit Objectives**

The Office of the Regional Inspector General for Audit/Cairo (RIG/A/C) conducted a performance audit of USAID/Egypt's Population/Family Planning II Project in order to answer the following audit objectives:

1. What is the reported progress of the project?
2. Has USAID/Egypt complied with A.I.D. policies to ensure that major project implementing agencies are safeguarding A.I.D.-donated contraceptives against waste, loss and misuse?
3. Has USAID/Egypt complied with Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs" to ensure that audits of recipients of federal assistance are being performed under the project?

Findings under these audit objectives are defined according to the following levels of assurance:

- Reasonable assurance that the finding is valid.
- Positive assurance that the finding is valid only for items tested.
- Negative assurance that nothing came to our attention to cause us to believe that the finding is invalid.

These audit objectives included an assessment of internal controls and a review of compliance with laws and regulations relating to the audit objectives. Where deficiencies were found, the audit work was broadened to identify causes and to develop recommendations. Appendix I contains a complete discussion of the scope and methodology for this audit.

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## REPORT OF AUDIT FINDINGS

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### **What is the reported progress of the project?**

The project has made progress in increasing family planning practice among married women of reproductive age. It has also established numerical "targets" for new family planning acceptors or clients to measure the success of its service delivery subprojects or components. To attain its purpose, the project expects to increase the rate of contraceptive prevalence<sup>1</sup> in Egypt to 44 percent of married couples of reproductive age by 1993, the project's completion date. Its goal is to reduce fertility as measured by reductions in the crude birth rate (the number of live births per 1000 population in a given year) to 35/1000 by 1993 and in the total fertility rate<sup>2</sup>. In 1980, the rate of contraceptive prevalence was 23.8 percent and the total fertility rate 4.85. In 1985, the crude birth rate was 39.8/1000. By 1988, the most recent year for which authoritative data exist, the rate of contraceptive prevalence increased to about 38 percent of the target population, the crude birth rate declined to 37.5/1000, and the total fertility rate dropped to 4.38. Preliminary data compiled by Egypt's Central Agency for Public Mobilisation and Statistics, which were provided to USAID/Egypt in April 1991, show that the birth rate had declined to 33.2/1000 in 1989.

With regards to numerical targets for new family planning acceptors, the project's goals are recorded in subproject papers and can be amended if appropriate. In 1989, the project's combined life-of-project goal for all subprojects was 4.69 million new acceptors or clients. In 1990 this goal was reduced to 4.55 million. As of December 30, 1990 the Mission reported attracting 1.61 million new family planning acceptors. The following

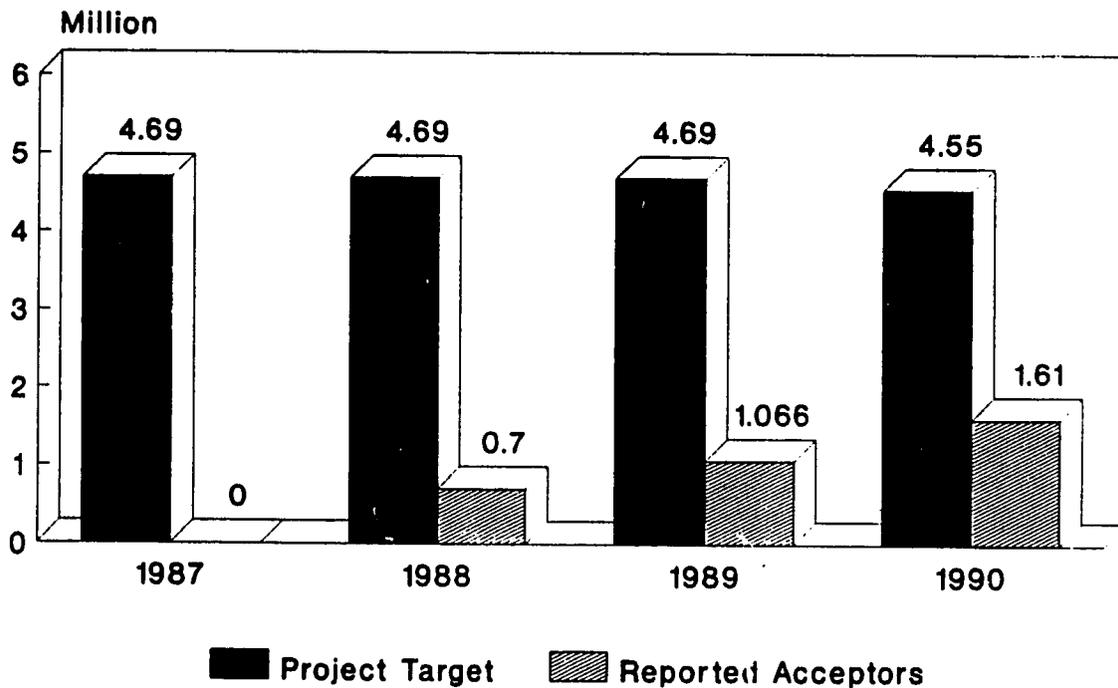
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Contraceptive prevalence is the percentage of eligible couples who are currently using a contraceptive method.

Total fertility rate is the average number of children a woman will have by the end of her childbearing years at current fertility rates.

graph shows the project's overall target for family planning acceptors and reported acceptors for calendar years 1987 through 1990.

## POPULATION TARGET AND REPORTED ACCEPTORS



The project will need an additional 2.94 million new acceptors/clients to meet its current target of 4.55 million acceptors by May 31, 1993. These additional acceptors represent about 65 percent of the life-of-project target of 4.55 million. To attain this goal during the project's remaining two and one-half years following December 1990, the numbers of new acceptors will need to accelerate dramatically. The 0.366 million new clients added in 1989 and the 0.544 million in 1990 will need to increase on average to 1.176 million new clients per year during this period. Appendix III contains additional details on the progress of the project.

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**Has USAID/Egypt complied with A.I.D. policies to ensure that major project implementing agencies are safeguarding A.I.D.-donated contraceptives against waste, loss and misuse?**

USAID/Egypt has not satisfactorily complied with A.I.D. policies to ensure that major project implementing agencies are safeguarding A.I.D.-donated contraceptives against waste, loss and misuse. USAID/Egypt did not ensure that EPTC, one of the two principal agencies for distributing A.I.D.-donated contraceptives in Egypt, adhered to the sales and distribution requirements specified in its revenue agreement with USAID/Egypt. However, USAID/Egypt has ensured that project implementing agencies at the locations we visited in Cairo and in 3 of Egypt's 26 governorates -- Gharbia, Qena and Alexandria -- were with minor exceptions keeping accurate inventory records and providing adequate storage facilities for A.I.D.-donated contraceptives.

In the above mentioned governorates, we visited 10 of 19 Egyptian Family Planning Association/Clinical Services Improvement project clinics, 30 of approximately 450 MOH warehouses and/or clinics, and all 10 EPTC warehouses as well as the EPTC and FOF main warehouses in Cairo. For the items tested, we found minor discrepancies between inventory records and contraceptive stock on hand at 4 of the 30 MOH locations and at 2 of the 10 Clinical Services Improvement project locations. However, records at all other MOH and Clinical Services Improvement project locations and at each EPTC location exactly matched the inventory on hand. We also found that all but five of the warehouses visited were spacious and appeared to be adequate for storing contraceptive products.

Although A.I.D. policies require the Mission to monitor A.I.D.-financed commodities to ensure they are being used effectively in the project, USAID/Egypt did not effectively monitor EPTC's sales of condoms to ensure they adhered to the distribution requirements specified in a revenue agreement with USAID/Egypt. The Mission did not respond until November 1990 to EPTC monthly reports showing a dramatic increase in condom sales during the first half of 1990 -- sales which apparently greatly exceeded revenue agreement limits. These sales were concentrated in metropolitan Cairo and made to a handful of high volume pharmacies which apparently resold the condoms to wholesalers. As a result, contraceptives costing A.I.D. about \$1 million may not have been used as intended or safeguarded against waste or misuse. USAID/Egypt has recently halted EPTC's sales of these products and acted to prevent the recurrence of wasteful practices. Following is a discussion of this matter.

### **USAID/Egypt Did Not Adequately Monitor EPTC's Sales of Condoms**

Although USAID/Egypt received EPTC reports each month showing a dramatic increase in condom sales in metropolitan Cairo during the first half of 1990, it did not inquire about the sales until November 1990 to determine if they adhered to the distribution requirements of a revenue agreement between USAID/Egypt and the EPTC/MOH and met project purposes. As a result, about 20 million condoms costing A.I.D. about \$1 million dollars were sold in 1989 and 1990 in violation of the terms of the revenue agreement and may not have been used as intended or safeguarded against waste and misuse. According to A.I.D. Handbook 15, Chapter 10 on "Commodity Arrival and Disposition," USAID/Egypt is responsible for monitoring commodity arrival and ensuring that the commodities "reach the end user on a timely basis in a usable condition and [are] used for the purposes intended within a prescribed time period...." The Mission is also responsible for reviewing project reports to ascertain "that commodities financed by AID are being effectively used in the project...." Since EPTC prepares reports on contraceptive distributions and sales each month, we believe the Mission could have responded to the reports as early as April or May 1990. In responding to a draft of this report, the Mission stated that it questioned the large increase when it became apparent the increase was a "trend" rather than a "fluctuation" due to stock shortages and replenishments. Since November 1990, however, and the arrival of a new population office director, the Mission has acted vigorously to obtain an explanation for the sales and to prevent the recurrence of wasteful practices.

#### **Recommendation No. 1: We recommend that USAID/Egypt:**

- 1.1 amend its August 1988 revenue agreement with the Egyptian Pharmaceutical Trading Company/Ministry of Health to prohibit or preclude the Egyptian Pharmaceutical Trading Company from selling any A.I.D.-supplied contraceptives to pharmacies; and**
- 1.2 in accordance with the Project Grant Agreement's "refund" clause (Section D.2., Standard Provisions Annex), seek a refund or its equivalent from the Ministry of Health of \$1,076,002, the estimated cost to A.I.D. for about 20 million condoms which the Egyptian Pharmaceutical Trading Company sold in 1989 and 1990 in violation of the terms of the 1988 revenue agreement between USAID/Egypt and the Egyptian Pharmaceutical Trading Company/Ministry of Health.**

According to the Project Grant Agreement, "the purpose of this A.I.D. assistance is to strengthen further nationwide voluntary family planning systems in order to deliver contraceptive services to increasing numbers of married couples." The Agreement also states that, "Contraceptives provided under this Agreement will be distributed as needed through both the public and private sector sources" and that proceeds from sales of contraceptives "may be retained by the implementing agencies to cover on-going project costs as specified under revenue agreements between USAID and the implementing agencies." The August 1988 revenue agreement between USAID/Egypt, the MOH and EPTC requires EPTC to distribute "not...less than 60%" of A.I.D.-supplied contraceptives free of charge to USAID/Egypt-supported project implementing agencies and to sell the remainder (40%) to pharmacies unless these percentages are changed "...with the written approval of USAID."

According to data compiled by EPTC's Contraceptive Inventory and Information System, which are provided monthly to USAID/Egypt, EPTC's 1990 sales of A.I.D.-supplied condoms reached 94.35 percent of the total distributed and sold that year or 54.35 percentage points over the 40 percent maximum allowed under the revenue agreement. Of 31,070,900 condoms distributed or sold that year, 29,317,700 (94.35 percent) were sold to pharmacies, of which 16,889,340 condoms -- which cost A.I.D. about \$919,625<sup>3</sup> to procure and ship to Egypt -- exceeded the revenue agreement's 40 percent limit. The 1990 distributions and sales, moreover, represented a dramatic increase over those in 1989. For example, EPTC's condom distributions and sales increased from 521,800 in November 1989 to 5,321,200 in February 1990, and distributions and sales for 1990 were almost double those for 1989. In addition, over 93 percent (27,385,200) of condom sales in 1990 were in Cairo and Giza Governorates, whose combined population is only about 20 percent of Egypt's total population. The charts on the following page compare these governorates' share of Egypt's population with their share of EPTC's 1990 condom sales.

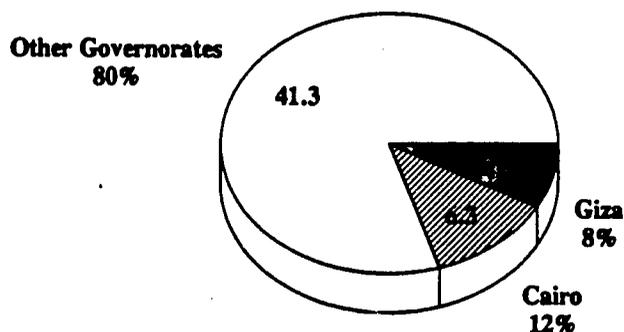
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This cost was calculated using USAID/Egypt's Project Implementation Order/Commodities 263-0144-5-89039 of April 1989 which funded 42,888,000 "Sultan" condoms for the MOH at a unit cost of \$0.045 for delivery in Egypt from June 1989 to October 1990. The cost to procure the condoms is  $42,888,000 \times \$0.045 = \$1,929,960$ . Administrative costs were  $\$1,929,960 \times .06 = \$115,798$ . Transportation costs were  $\$1,929,960 \times .15 = \$289,494$ . Total cost is \$2,335,252 which, when divided by the total number of condoms financed, gives a unit cost of \$0.05445. (16,889,340 condoms  $\times$  \$0.05445 = \$919,625.)

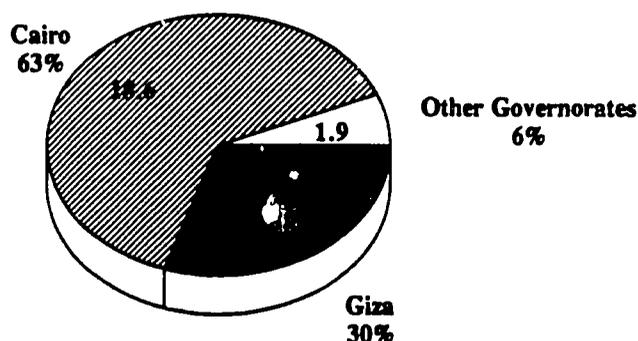
## CAIRO AND GIZA GOVERNORATES'

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**Share of Population**  
(Egypt's 1989 Population in Millions)



**Share of Condom Sales**  
(1990 Condom Sales in Millions)



Source: Statistical Year Book of the Arab Republic of Egypt, June 1990 and EPTC CHS monthly reports for 1990.

We asked Mission personnel if written approval as required by the revenue agreement had been granted to increase the quota of condoms above the 40 percent limit available for sale to pharmacies. The Mission searched its files which contained only one letter granting approval for condoms: a July 17, 1989 letter in which USAID/Egypt's population office director approved the transfer of 5,000,000 condoms for sale to pharmacies. Since the files contained no documentation or evidence showing USAID/Egypt had approved any reallocation of condoms for sale to pharmacies in 1990, we regard all of EPTC's condoms sales that year exceeding the 40 percent quota set by the revenue agreement -- in other words, sales of almost 17 million condoms -- as unauthorized and in contravention of its agreement with USAID/Egypt.

EPTC's 1989 sales of 14,735,700 condoms also exceeded the authorized maximum, notwithstanding USAID/Egypt's approval to sell 5,000,000 additional condoms. Forty percent of 1989's total distributions and sales of 17,160,700 condoms is 6,863,760

condoms. Subtracting the total "approved" sales (6,863,760 + 5,000,000 = 11,863,760) from total sales (14,735,700) shows that EPTC sold 2,871,940 condoms in 1989 -- costing about \$156,377 -- in contravention of revenue agreement requirements.

Contraceptive Inventory and Information System data for 1990 also show that EPTC sold high volumes of condoms to eight of approximately 3,200 Cairo area pharmacies (1989 statistics). These eight pharmacies purchased 21,112,600 of the 29,317,700 condoms which EPTC sold in 1990. For example, one pharmacy purchased 5,497,200 condoms during the period February through October 1990; another pharmacy bought 3,804,000 condoms during the period. These large purchases were investigated by the A.I.D. Regional Inspector General for Investigations. In March 1991, the investigators reported interviewing personnel at four of eight high volume pharmacies, three of whom confirmed their pharmacies' purchase and sale of high volumes of condoms and provided a variety of explanations for the large sales.

An EPTC warehouse manager told the investigators that some pharmacies were selling condoms to wholesalers in Cairo's El Mousky bazaar, where the investigators found a vendor with six cartons (each containing 6,000 condoms) of A.I.D.-supplied condoms. Another El Mousky vendor asserted that he sold many cartons of A.I.D.-supplied condoms to buyers in Upper Egypt, where the condoms are used as toy balloons. In a March 12, 1991 memorandum to USAID/Egypt's deputy director, the investigators concluded that, "it is not likely that the AID/W supplied condoms have been used for the purpose intended" and that "condom sales to users [i.e., retail sales] are probably much, much lower than the amount reported by EPTC as purchased..." by pharmacies. In a March 14 memorandum, the investigators reported that during a visit to Fayoum Governorate they had found that vendors other than pharmacies -- e.g., a small candy shop -- were selling EPTC's A.I.D.-supplied condoms and that "some pharmacists refused to carry EPTC condoms because they are considered by the local people to be balloons."

During February 1991 we visited the EPTC warehouse in Qena City, which serves all of Qena Governorate (a population of about 2.4 million people). Warehouse records showed that the warehouse had received 210,000 condoms for sale to pharmacies from July 1, 1990 to the date of our visit, February 24, 1991, and had sold them all to only one pharmacy. The owner of this pharmacy said he was proud of his ability to sell such a large volume of condoms. He explained that he sold five to ten cartons of EPTC condoms each month and that "some villagers" bought cartons (each containing 6,000 condoms) for re-sale in their villages.

A.I.D. Handbook 15, Chapter 10 on "Commodity Arrival and Disposition," makes the Mission responsible for monitoring commodity arrival and ensuring that the commodities

"reach the end user on a timely basis in a usable condition and [are] used for the purpose intended within a prescribed time period...." The Mission is also responsible for reviewing project reports to ascertain "that commodities financed by AID are being effectively used in the project...." These principles are echoed in USAID/Egypt Mission Order No. 5-3 on "Project Commodity Procurement, Procurement Planning and End-Use Control," which describes USAID/Egypt's monitoring role as "usually" meaning "the review of project progress reports...."

Although monthly Contraceptive Inventory and Information System reports provided to USAID/Egypt by EPTC showed a dramatic increase in condom sales during the first half of 1990, USAID/Egypt did not inquire about the sales until November 1990. Since the reports are submitted each month, we believe the Mission could have responded as early as April or May 1990 to the reported increased sales to ensure revenue agreement distribution requirements and project purposes were being met. In response to a draft of this report, the Mission stated that it questioned the large increase when it became apparent the increase was a "trend" rather than a "fluctuation" due to stock shortages and replenishments. Since November 1990, however, and the arrival of the new population office director, the Mission has acted vigorously to obtain an explanation for the increased sales and to prevent the recurrence of wasteful practices. On May 29, 1991, the USAID/Egypt Director "suspended" the August 1988 revenue agreement with EPTC "until such time as a thorough analysis of all the issues...can be completed to our mutual satisfaction."

In a November 6, 1990 letter, USAID/Egypt's population office director asked the MOH to investigate the dramatic increase in EPTC's 1990 condoms sales and the "reasons for the significant share of the Cairo and Giza Governorates of these sales" and to provide USAID/Egypt a report explaining the increase. The letter also requested that, since EPTC's sales of condoms exceeded the 40 percent limit established by the revenue agreement, "EPTC submit a written report to USAID documenting how they have complied with the terms of the revenue agreement relating to distribution of contraceptives." Subsequent letters to the MOH reiterating the November 6 request were dated December 11, 1990, January 29 and February 26, 1991. In addition, in January 1991, the Mission cabled A.I.D./Washington to postpone until further notice any scheduled shipment of condoms to the MOH.

In a September 14, 1991 letter to USAID/Egypt, the MOH reported that a Government of Egypt investigation had confirmed EPTC's distribution of "large quantities of condoms, exceeding the rate of distribution, to a limited number of pharmacies in Cairo and Giza" and these pharmacies' resales of condoms "to some haberdash [sic] wholesalers, who in turn sold them to retailers in the governorates to be sold at a higher price to the public...for use as a method of contraception." Despite these assertions, the

letter provides no support -- such as retail sales records -- to show that the condoms were indeed used by the Egyptian public as a method of contraception.

The Standard Provisions Annex (Section D.2.) of the Project Agreement gives A.I.D. the right to require the grantee to refund the cost of goods financed under the grant if the goods are not used effectively in accordance with the Agreement. This right is stated as follows.

If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

The Agreement states that, "Contraceptives provided under this Agreement will be distributed as needed through both the public and private sector sources" and that proceeds from sales of contraceptives "may be retained by the implementing agencies to cover on-going project costs as specified under revenue agreements between USAID and the implementing agencies." Since the Project Agreement does not state who will determine contraceptive distribution needs, it is reasonable to conclude that such a determination should be made with the mutual consent and agreement of each concerned Agreement signatory including A.I.D. In our view, the 1988 revenue agreement signed by representatives of the Project Agreement signatories USAID/Egypt and MOH is a clear expression of these parties' consent and mutual agreement regarding contraceptive distribution needs. It specifies that "not...less than 60%" of A.I.D.-supplied contraceptives will be distributed free of charge unless this minimum is changed "with the written approval of USAID."

In summary, EPTC sold \$1,076,002 worth of donated condoms in 1989 and 1990 -- almost 20 million condoms -- in violation of the terms of its revenue agreement with USAID/Egypt. Most of its 1990 sales, moreover, were to eight high volume pharmacies, which apparently resold the condoms in bulk to other vendors. We question whether such sales and resales of condoms represent a distribution chain likely to have met project purposes. Rather, if the Fayoum pharmacists' assertions are correct, such a chain has resulted in the condoms' being discredited as a family planning device in at least one governorate. We believe USAID/Egypt could have responded to EPTC's monthly reports showing a dramatic increase in sales of A.I.D.-donated condoms as early as April or May 1990 to inquire whether revenue agreement distribution requirements and project

purposes were being met. Since November 1990, however, the Mission has acted vigorously to prevent the recurrence of wasteful practices.

To prevent further recurrence we believe USAID/Egypt should amend its agreement with EPTC and MOH to prohibit EPTC from selling A.I.D.-supplied contraceptives to pharmacies. We also believe USAID/Egypt should seek a refund or its equivalent from the MOH of \$1,076,002 -- the estimated cost to A.I.D. of the approximately 17 million condoms sold in 1990 and the almost 3 million condoms sold in 1989 in contravention of revenue agreement terms. Since the excess condom sales were made without USAID/Egypt's agreement or consent and in violation of its understandings with EPTC/MOH as expressed in the revenue agreement, we believe they do not represent a valid expression of contraceptive distribution needs or constitute an approved, much less an effective, utilization of A.I.D.-financed goods.

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**Has USAID/Egypt complied with Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs" to ensure that audits of recipients of federal assistance are being performed under the project?**

Although USAID/Egypt has budgeted funds for audits and has had assessments made of selected subproject grantees' accounting and other control systems, it has not satisfactorily complied with Office of Management and Budget Circular No. A-73 to ensure that audits of recipients of federal assistance are being performed under the project. USAID/Egypt has not adequately planned for audits in accordance with A.I.D. Payment Verification Policy Statement No. 6 or ensured that subproject grantee expenditures are regularly audited in accordance with Project Grant Agreement requirements. Following is a discussion of the lack of regular audits of project grant funds.

**Required Financial Audits Are Not Being Performed Regularly**

Office of Management and Budget Circular No. A-73 states that, "Agencies are responsible for providing adequate audit coverage of their programs..." and provides that primary responsibility for audits of federally assisted programs rests with recipient organizations. It also provides that federal agencies will rely on recipient audits, provided they are made in accordance with government auditing standards and otherwise meet the requirements of federal agencies. According to the Project Agreement, recipients of federal assistance are required to maintain adequate records on the receipt and use of goods and services acquired under the project and have the records audited regularly in accordance with generally accepted auditing standards. Under the project, USAID/Egypt is supporting as many as 17 Egyptian public and private sector organizations with grant funds. The project is currently expending funds at a rate of over \$15 million a year, much of which represents expenditures by subproject grantees. Although USAID/Egypt has budgeted funds for audits and has had assessments made of selected subproject grantees' accounting and other control systems, it has not complied with Office of Management and Budget requirements to ensure that recipient audits are regularly being performed under the project. For example, only 2 of 17 audits identified by Mission personnel as related to the project were recipient audits of grant funds. This was due to a lack of adequate planning for audits. The project paper did not include an evaluation of audit needs in accordance with the guidelines outlined in A.I.D. Payment Verification Policy Statement No. 6. As a result, USAID/Egypt does not have

reasonable assurance that grant funds are properly accounted for and being used for authorized purposes.

**Recommendation No. 2: We recommend that USAID/Egypt prepare a plan that analyzes each Population/Family Planning II subproject grantee's need for financial audits of expenditures of USAID/Egypt grant funds in accordance with Office of Management and Budget Circular No. A-73 requirements. The plan should assess the likelihood and adequacy of host government audit coverage, the availability of Regional Inspector General/Audit/Cairo audit coverage, and the use of independent public accountants.**

Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs" states that "Agencies are responsible for providing adequate audit coverage of their programs..." and provides that primary responsibility for audits of federally assisted programs rests with recipient organizations. It also provides that federal agencies will rely on recipient audits, provided they are made in accordance with government auditing standards and otherwise meet the requirements of federal agencies. The standard provisions of the Population/Family Planning II Project Agreement -- like those of other A.I.D. grant agreements -- require the grantee to maintain books and records relating to the project adequate to show the receipt and use of goods and services acquired under the grant. The agreement also requires that "...such books and records will be audited regularly, in accordance with generally accepted auditing standards..."

Of the project's \$117.6 million life-of-project authorization, about \$62 million, or more than half the total, is budgeted for subproject grantee support. The first subproject grant was awarded in late 1987 and new grants are still being planned and implemented. Currently, the project is supporting 17 public and private sector grantees, which are listed in Appendix V.

We asked Mission personnel to provide us copies of all audit reports received by the Mission since January 1987 on recipient organizations' expenditures of project funds. Of 17 completed or ongoing audits identified by Mission staff, 2 did not involve USAID/Egypt funds, 3 were RIG/A/C performance audits, and 6 were one-time RIG/A/C or Mission-sponsored assessments of the recipient organizations' control systems. These included assessments of the Teaching Hospitals Organization, the Health Insurance Organization, the Egyptian Junior Medical Doctors' Association, the FOF, the Cairo Demographic Center and the Egyptian Fertility Care Society. We believe such assessments of recipients' accounting and other controls are useful and necessary to provide assurance regarding recipients' capabilities before awards are made. However, such assessments are not audits of subproject grantee expenditures in accordance with Project Agreement requirements.

Of the remaining six audits, three were financial statement audits of FOF, one a financial audit of the Health Insurance Organization, and two RIG/A/C-sponsored financial audits of FOF and the Egyptian Fertility Care Society. A comparison of these reports with a listing of subproject grantees shows that, except in the case of FOF's annual audits, the Mission has no assurance or evidence that subproject grantees have regularly been audited in accordance with the Project Agreement requirements since the first subproject grant was awarded in 1987. Further analysis reveals that, except for the two RIG/A/C sponsored financial audits, none of the financial audits including the annual financial statement audits of FOF were made in accordance with government auditing standards as required by Office of Management and Budget Circular A-73. For example, none of these audits assessed or reported on whether subproject grantee expenditures were made in accordance with grant requirements. The FOF financial statement audits and the Health Insurance Organization audit provide no information on the use of grant funds or the allowability of grantee expenditures.

It is possible that subproject grantees have contracted for audits with independent accountants or that the Government of Egypt's Central Audit Organization has audited the subproject grantees. For example, officials of the Egyptian Family Planning Association/Clinical Services Improvement project told us that a local accounting firm annually audits each project location and the overall project, and prepares reports in Arabic. The officials stated that USAID/Egypt could receive copies of these reports if it wished but has not requested them. In addition, the officials stated that the Central Audit Organization also audits the project at unscheduled, irregular intervals. According to the officials, these audits cover all project operations and all project expenditures, including those derived from the USAID/Egypt grant. However, the Central Audit Organization does not provide the project copies of its reports. In a March 27, 1991 memorandum to the chairman of A.I.D.'s Management Control Review Committee, the USAID/Egypt director reported in this regard that "we do not know the extent or the frequency of [the Central Audit Organization (CAO)] audits..." since the Mission has been "unable to obtain copies of CAO audits..." which "...are confidential."

Audit reports to which Mission personnel have no access cannot be considered management tools or provide assurance that subproject grantees are regularly audited in accordance with Project Agreement requirements or that audits are performed in accordance with government auditing standards. We believe the Mission needs to plan for recipient financial audits. It should determine whether any existing audits meet applicable requirements. In cases where audits do not meet requirements or where the Mission cannot obtain reports, it should consider contracting or having grant recipients contract for independent audits.

A.I.D. Payment Verification Policy Statement No. 6 states that project papers "are to include an evaluation of the need for audit coverage in light of potential risks and are to describe planned contract and project audit coverage by the host government, AID, and/or independent public accountants." The 1987 amendment to the project paper states that \$50,000 is budgeted "to cover the cost of non-federal audits when it is warranted as, for example, in the case of Host Country Contracts" and that "\$150,000 in project funds are reserved for evaluation and audit activities..." but contains no additional information on audit needs. The paper does not discuss potential risks, the audit needs of particular subproject grantees, or audit coverage by the host government, A.I.D., or independent public accountants.

We believe the project paper's discussion of audits does not provide an adequate assessment of audit needs for a project providing about \$62 million in life-of-project assistance to as many as 17 subproject grantees. In our opinion, an adequate assessment would address each prospective subproject grantee's audit needs in light of applicable Project Agreement and Office of Management and Budget requirements. It would determine the likelihood and adequacy of host government audit coverage, the availability of RIG/A/C audit coverage, the use of independent public accountants, and the audits' required scopes, frequency and timing. Such an assessment or plan would be updated as needed in light of new developments and needs.

The Mission's fiscal year 1989 Internal Control Assessment judged the audit requirement in project papers to be "satisfactory" noting that, "A financial management bulletin was issued stating the need for audit and giving estimated costs to be included in Project Papers." By contrast, the A.I.D. Administrator's September 30, 1990 "Semiannual Report to Congress on Audit Management and Resolution" reported that "lack of audit coverage" of A.I.D. programs is a "material" internal control weakness and "one of our highest risk areas." The report stated that, "Since 1983 A.I.D. has been required to include an evaluation of audit needs in each project and program design document and to budget program funds for audits, if appropriate..." and that "A.I.D. management needs to assure itself all required audits are being performed, audits are conducted according to generally accepted standards, and audit findings are acted upon."

We believe the lack of adequate audit coverage of subproject grantees has limited USAID/Egypt's ability to ensure accountability of project funds. The Mission has not ensured that financial audits of subproject grantees' expenditures have been performed in accordance with Project Agreement and Office of Management and Budget requirements where they have been performed at all. We believe the Mission should adequately plan for required audits of subproject grantees to meet applicable requirements and to help ensure project funds are used for authorized purposes.

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# REPORT ON INTERNAL CONTROLS

This section of the report provides a summary of our assessment of internal controls for the audit objectives.

## Scope of Our Internal Control Assessment

We have audited USAID/Egypt's Population/Family Planning II Project for the period from the project's inception or a later date, as determined by the specific audit objective in question, through May 7, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit. Those standards also require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives, and
- report on internal controls, the scope of our work, and any significant weaknesses found during the audit.

In planning and performing our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer each of the three audit objectives, but not to provide assurance on the internal control structure. For each objective, we obtained an understanding of the design of relevant policies and procedures and determined whether they had been placed in operation, and we assessed control risks to detect any reportable condition.

## General Background on Internal Controls

The management of A.I.D., including USAID/Egypt, is responsible for establishing and maintaining an adequate internal control structure. Recognizing the need to reemphasize

the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. The U.S. General Accounting Office has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Federal Manager's Financial Integrity Act, the Office of Management and Budget has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus related costs of internal control policies and procedures.

The objectives of internal control policies and procedures for federal foreign assistance programs are to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky given that conditions may change or the system itself may not be properly administered.

Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which, in our judgment, could adversely affect USAID/Egypt's ability to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports. In doing this audit, we found certain problems that we consider reportable under the above standards.

In implementing the Federal Manager's Financial Integrity Act, the Mission evaluated the internal control structure in place in October 1989 and November 1990 and noted certain weaknesses. These weaknesses included aspects of internal control problem noted in this audit report and discussed below.

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### **Conclusions for Audit Objective No. 1**

The first audit objective was to gather information on the progress of the project. We noted no reportable conditions relating to this audit objective.

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## **Conclusions for Audit Objective No. 2**

This audit objective relates to whether USAID/Egypt complied with A.I.D. policies to ensure that project implementing agencies are safeguarding A.I.D.-financed contraceptives against waste, loss and misuse. In planning and performing this objective, we considered applicable internal control policies and procedures cited in A.I.D. Handbook 15, Chapter 10, on commodity utilization and in A.I.D. Handbook 3, Chapter 11, on project monitoring. We also considered Mission Orders Nos. 3-33 on "Utilization of AID-Financed Commodities and Equipment" and 5-3 on "Project Commodity Procurement, Procurement Planning and End-Use Control" and relevant sections of the project paper, Grant Agreement, and USAID/Egypt's 1988 Revenue Agreement with the EPTC/MOH which provide guidance on the storage and use of commodities. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: monitoring the storage, distributions, and sales of contraceptives. We reviewed USAID/Egypt's controls relating to these categories. Our assessment showed that the controls were logically designed but inconsistently applied. We reviewed reports on contraceptive sales and distributions for all of 1989 and 1990 to achieve our objective of determining whether A.I.D.-financed contraceptives are being safeguarded against waste, loss and misuse. We noted the following reportable condition:

The Mission did not ensure that monthly Contraceptive Inventory and Information System reports submitted by EPTC showing contraceptive sales and free distributions throughout Egypt by governorate were analyzed in time to identify EPTC's noncompliance with Revenue Agreement distribution requirements.

Although the Mission asked MOH in a November 6, 1990 letter to investigate the large increase in EPTC's 1990 condom sales and to have EPTC "submit a written report to USAID documenting how they have complied with the terms of the revenue agreement relating to distribution of contraceptives," we believe these questions could have been raised months earlier, had USAID/Egypt made more effective and timely use of the monthly Contraceptive Inventory and Information System reports.

The Mission's fiscal year 1989 Internal Control Assessment and its 1990 Annual Certification both judged USAID/Egypt's monitoring of project funded commodities to be an area of weakness. The 1989 Assessment reported that, although "M.O. 3-33...requires that Project Officers obtain commodity and equipment utilization reports to ensure that AID financial [sic] goods are utilized effectively...several Officers do not have adequate utilization reports." The 1990 Certification stated that, since USAID/Egypt "is not adequately staffed...Project Officers do not adequately monitor the receipt and use of project-funded commodities...."

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### **Conclusions for Audit Objective No. 3**

This objective relates to whether USAID/Egypt complied with Office of Management and Budget requirements to ensure that audits of recipients of federal assistance are being performed under the project. In planning and performing this objective, we considered applicable internal control policies and procedures cited in Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs" and in A.I.D.'s Payment Verification Policy Statement No. 6 on audit coverage. We also considered the project Grant Agreement's standard provisions annex, section B.5 on "Reports, Records, Inspection, Audit." For the purposes of this report, we have classified the relevant policies and procedures into the following categories: audit coverage and frequency, applicable auditing standards, and audit planning. We reviewed USAID/Egypt's controls relating to these categories. Our assessment showed that the controls were not properly implemented; therefore, we could not rely on them in designing our audit approach. However, we sampled the entire universe of audits relating to the project to achieve our objective of determining whether required audits are being performed under the project. We noted the following reportable condition:

The Mission did not ensure that the project paper contained a description of planned audit coverage by the host government, A.I.D., and/or independent public accountants as required by A.I.D. Payment Verification Policy Statement No. 6.

The Mission's Internal Control Assessment for fiscal year 1989 judged "audit requirements in project papers" to be satisfactory since audit needs were assessed and included in all project papers approved in fiscal years 1987 through 1989. The reportable condition does not necessarily contradict this judgment since the condition applies to only one project.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

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# REPORT ON COMPLIANCE

This section of the report summarizes our conclusions on compliance with applicable laws and regulations.

## Scope of Our Compliance Assessment

We have audited USAID/Egypt's Population/Family Planning II Project for the period from the project's inception or a later date, as determined by the specific audit objective in question, through May 7, 1991. We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the audit objectives. Those standards also require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which include designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives), and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

Compliance with laws, regulations, contracts, and grants applicable to the project is the overall responsibility of USAID/Egypt's management. As part of fairly, objectively, and reliably answering the audit objectives, we performed tests of USAID/Egypt's compliance with Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs." However, our objective was not to provide an opinion on overall compliance with such provisions.

### **General Background on Compliance**

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant agreements and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement not followed or prohibition violated is a statute or implementing regulation. Noncompliance with internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is furnishing excessive services to beneficiaries or performing what may be considered improper practices, which may not involve compliance with laws and regulations.

### **Conclusions on Compliance**

In planning and performing compliance tests, we considered applicable compliance requirements cited in USAID/Egypt's 1988 Revenue Agreement with EPTC/MOH, the Project Grant Agreement's sections on the use and effective utilization of A.I.D.-financed goods and on project recordkeeping and auditing, and in Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs." The results of our tests of compliance disclosed the following significant instance of noncompliance:

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**Audit Objective No. 3:** USAID/Egypt has not adequately complied with Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs," which states that agencies are responsible for providing adequate audit coverage of their programs. The Mission has not ensured that financial audits of subproject grantees' expenditures of USAID/Egypt grant funds are regularly being performed under the Project.

Except as described, the results of our tests indicate that, with respect to the items tested, USAID/Egypt complied, in all significant respects, with the provisions referred to in this report.

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## **SCOPE AND METHODOLOGY**

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### **Scope**

We audited USAID/Egypt's Population/Family Planning II Project in accordance with generally accepted government auditing standards. We conducted the audit from September 20, 1990 through June 12, 1991 and covered selected project activities from the project's inception or a later date, as determined by the specific audit objective in question, through May 7, 1991. We conducted our field work in the offices of USAID/Egypt, EPTC, MOH, the Clinical Services Improvement Project, FOF and other Egyptian implementing agencies, and at selected facilities of the EPTC, MOH, and the Clinical Services Improvement Project in the governorates of Cairo, Gharbia, Qena and Alexandria.

We obtained information on project progress from documents prepared by USAID/Egypt and other authoritative sources, copies of audit reports related to the project from USAID/Egypt personnel, and data on distributions and sales of A.I.D.-donated contraceptives in Egypt from EPTC reports provided each month to USAID/Egypt. We also physically inspected various implementing agencies' warehouses and clinics to assess contraceptive storage conditions and reconcile stock-on-hand with records. We did not verify the accuracy of the EPTC data on contraceptive sales and distributions and do not attest to the precision of the information on project progress. Additional information on the kinds and sources of information used during the audit and on audit techniques for each audit objective is given in the methodology section which follows. We examined the internal controls related to each audit objective, reported on the controls, and considered prior audit findings when applicable to the areas under review.

Regarding the universe of dollars audited, \$72 million had been expended for project activities as of March 31, 1991. The first audit objective consisted of gathering information on project progress and does not specifically relate to identifiable dollars. The second audit objective relates to safeguarding A.I.D.-financed contraceptives against waste, loss and misuse. Of \$20.8 million worth of contraceptives financed through March 31, 1991, we identified \$6,710,510 related to our review of contraceptive distributions and sales in 1989 and 1990. The third audit objective relates to required audits of recipients of federal assistance under the project. Under this objective we identified \$47,742,000 in grant funds disbursed to project grantees through March 31, 1991.

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## **Methodology**

The methodology for each audit objective follows.

### **Audit Objective One**

To accomplish this audit objective, we gathered information on project performance goals or targets and compared them with reported accomplishments and authoritative published data on Egyptian demographics and health. We relied primarily on performance indicators contained in the project paper's logical framework and other project paper components and annexes, the 1988 Egypt Demographic and Health Survey, 1986 and 1989 project assessments, various audit reports, USAID/Egypt and implementing agency progress reports, and USAID/Egypt financial reports. Although we held discussions with responsible officials to update the project's status and believe their information is generally correct, we do not attest to the precision of the information presented in this finding.

### **Audit Objective Two**

To accomplish this audit objective, we obtained information generated by EPTC's Contraceptive Inventory and Information System showing the distribution of A.I.D.-donated contraceptives by governorate for the two years ending December 31, 1990. We did not verify the accuracy or completeness of this information, but relied on the Contraceptive Inventory and Information System reports, which are provided monthly to USAID/Egypt, to determine the contraceptive distributions and sales for the periods noted

in this report. We analyzed this information to identify distribution volumes and patterns by governorate, product, and distribution channel (EPTC and FOF) and to compare sales versus free distributions. We compared this data with the August 1988 revenue agreement between USAID/Egypt and the MOH/EPTC, which requires EPTC to distribute "not...less than 60%" of A.I.D.-donated contraceptives free of charge to USAID/Egypt-supported implementing agencies "leaving a balance of 40% available for distribution and sale to pharmacies" unless these percentages are changed "with the written approval of USAID." The agreement does not identify or name specific shipments of these products to which these requirements apply. It is also silent on whether these percentages apply in the aggregate to all donated products or to specific product types and on timeframes for calculating adherence to these percentages. In analyzing the Contraceptive Inventory and Information System data on these products' sales and free distributions, we accepted and followed EPTC's practice of accounting for the 60/40 distribution by product type. We also considered the total distributions and sales for calendar years 1989 and 1990 to be a reasonable and sufficiently long period of time during which to assess adherence to the 60/40 requirement.

We also judgmentally selected 3 of Egypt's 26 governorates for field visits. Our selection was made to include two rural governorates -- one in Upper Egypt, Qena, and one in Lower Egypt, Gharbia -- and one urban governorate, Alexandria. In addition, we visited EPTC's and FOF's main warehouses for storing A.I.D.-financed contraceptives in Cairo. In the selected governorates, we judgmentally selected and visited certain facilities of the EPTC, MOH, and Clinical Services Improvement Project based on the facilities' locations, their proximity to one another and available staff time to review, where appropriate, these entities' records on the receipt, storage, distribution, and sale of contraceptives in order to determine if A.I.D.-donated products were properly accounted for, safeguarded against waste, loss and misuse, and were likely reaching targeted consumers. We also physically inspected the facilities to assess storage conditions and reconciled stock-on-hand with records. In the three selected governorates, we visited all 10 EPTC warehouses, 30 of approximately 450 MOH warehouses and/or clinics, and 10 of 19 Clinical Services Improvement Project clinics. We discussed the reasons for any problems or discrepancies involving A.I.D.-donated products with facility personnel and personnel of USAID/Egypt.

**Audit Objective Three**

To accomplish this audit objective, we obtained copies of all audit reports issued since January 1987 which Mission personnel identified as related to the Population/Family Planning II Project, classified the reports by type (financial, performance or other), performance agent (RIG/A/C, independent public accountant, etc.) and sponsor, and determined whether the audits assessed recipient organizations' expenditures of project funds and had been performed in accordance with government auditing standards. We also examined the sections of the Project Grant Agreement and project paper that address audits and audit coverage, A.I.D.'s Payment Verification Policy Statement No. 6 on audit coverage, and Office of Management and Budget Circular No. A-73 on "Audit of Federal Operations and Programs." We discussed any gaps in audit coverage and audits not performed in accordance with government auditing standards with USAID/Egypt personnel to determine the reasons for the gaps and why audits were not performed in accordance with applicable standards.

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**MANAGEMENT COMMENTS  
AND OUR EVALUATION**

The Mission stated that it agrees with Recommendation No. 1.1. It reported that EPTC's sales of A.I.D.-donated contraceptives ceased completely in October 1991 and that the Government of Egypt will now cover all of EPTC's costs for distributing these products to USAID-supported subprojects as a part of its project contribution. The Mission also stated that it will cancel its 1988 Revenue Agreement with the MOH/EPTC. Based on this commitment, we consider Recommendation No. 1.1 to be resolved. We will close the recommendation when evidence is provided that the agreement has been canceled.

The Mission has also prepared a plan that analyzes each subproject grantee's need for financial audits of expenditures of grant funds. Based on this plan, which identifies each subproject grantee and analyzes its need for audits and the availability of audit agents, we consider Recommendation No. 2 to be closed.

Regarding Recommendation No. 1.2, the Mission stated that it fully agrees that the host government's failure to prove compliance should result in the issuance of a bill of collection for the cost to A.I.D. of any unaccounted for condoms. However, the Mission believes that the Project Agreement, rather than the Revenue Agreement, is the more appropriate instrument for judging compliance and has sent a letter to the host government, dated November 27, 1991, in which it requested additional information on the condoms' dispositions by pharmacies and wholesalers for calendar years 1989 and 1990.

We disagree with the Mission's response to this recommendation. The audit reports a violation of the Revenue Agreement clause requiring EPTC to sell no more than 40 percent of A.I.D.-donated contraceptives unless this maximum is changed "with the written approval of USAID." The GOE violated this agreement in 1989 and 1990 by

exceeding the 40 percent limit without obtaining USAID/Egypt's approval -- selling 94 percent of the available condom supply in 1990. This report recommends that the Mission seek a refund or its equivalent equal to the cost of the condoms to the U.S. government. The audit does not report that EPTC's sales or retail organizations' resales of condoms violated the intent of the Project Agreement although it is likely that such a violation has occurred. The audit's scope did not address this matter. We believe that available pharmacy records are unlikely to be sufficient to demonstrate convincingly whether the GOE did or did not comply with the Project Agreement's intent.

Based on the Mission's response, we consider Recommendation No. 1.2 to be unresolved. We believe it can be resolved when the Mission issues a bill of collection or its equivalent for \$1,076,002 or when the Mission provides acceptable justification why it should not issue such a bill. The Mission could provide such justification by assessing what damage or harm was or was not done through the unauthorized sale of condoms. If the Mission finds that the condoms were sold far and wide to Egyptian consumers for intended purposes, we would agree that, although the Revenue Agreement was violated, little harm occurred. Under the Project Agreement's refund clause, A.I.D. "may require the Grantee to refund all or any part" (emphasis added) of the cost of goods not used effectively in accordance with the agreement. Accordingly, the Mission could properly decide that it will not seek a refund or that it will seek a refund corresponding to the extent to which harm or damage was done. Therefore, additional information provided by the GOE demonstrating that condoms were sold via retail outlets for intended project purposes could be useful in determining whether to issue a bill of collection.

The Mission also stated that it believes the Revenue Agreement is extremely unclear regarding whether the 60/40 distribution should be applied individually to each contraceptive product type or to all product types in the aggregate, the timeframe for calculating the distribution split, and whether the split should be based on product quantities (units) or product values. The Mission also stated that, since the Revenue Agreement's purpose is to govern the use of proceeds from sales of contraceptives, the Agreement does not represent the Mission's determination regarding contraceptive needs since this determination is made by means of a PIO/C. Moreover, the Mission does not believe that it makes practical sense to distribute more condoms to clinics than to pharmacies since condoms are an over-the-counter rather than a clinic-based method of contraception.

The Revenue Agreement's language relates the 60/40 distribution to "the amount of USAID-supplied contraceptives..." We believe that, had the authors of the Agreement intended the distribution to apply to contraceptive values, they would have so written the Agreement. In practice, EPTC and USAID/Egypt accounted for the split by product type, not by aggregate products, and by product quantities or units, not by product values. For example, each MOH request to transfer products such as IUDs from the quota for pharmacy sales to the quota for free distributions was made in terms of individual product types (IUDs only) and in terms of product units or quantities (numbers of IUDs), not values. In its May 1991 letter to the MOH in which it suspended the 1988 Revenue Agreement, USAID/Egypt noted that, "EPTC and the Ministry did not adhere to the terms of the August 4, 1988 Revenue Agreement."

The PIO/C in question ordered 42,888,000 condoms for delivery to the MOH from June 1989 to October 1990. The order does not further describe distributions of these products by the MOH. According to the Revenue Agreement, EPTC's sales of these products to pharmacies are limited to 40 percent of the available total unless USAID/Egypt grants permission in writing to modify this percentage or maximum. It may make practical sense to distribute more condoms to pharmacies than to clinics; however, the Revenue Agreement as written provides the flexibility to do so "with the written approval of USAID." See Appendix IV for the Mission's complete comments.

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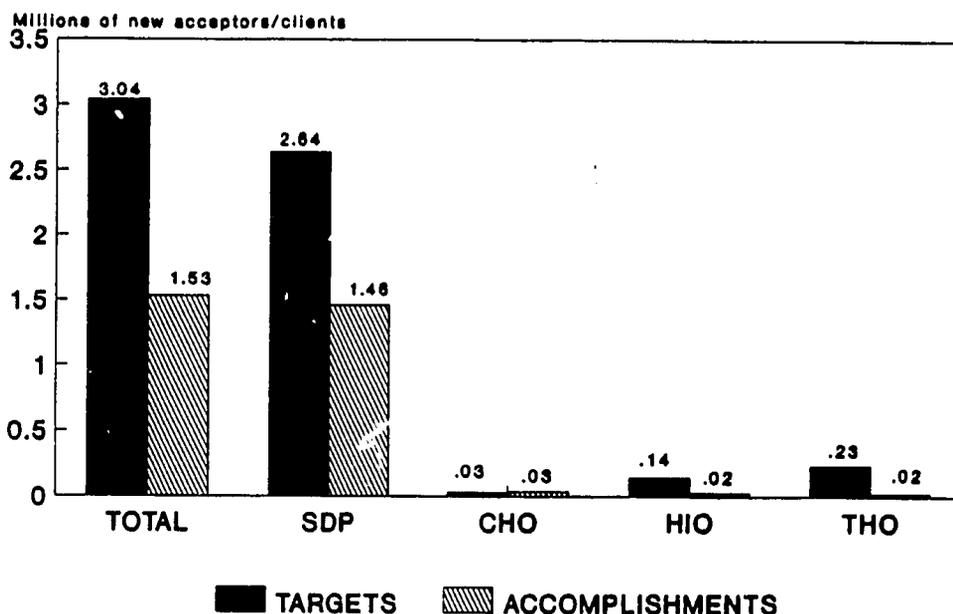
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**ADDITIONAL DETAILS ON PROJECT PROGRESS**

In 1988 the Government of Egypt's National Population Council published the Egypt Demographic and Health Survey which reported that the rate of contraceptive prevalence for married women of reproductive age had increased from 23.8 percent in 1980 and 30.3 percent in 1984 to 37.8 percent in 1988. During the same period, it reported that the total fertility rate had declined from 4.85 to 4.38 while the crude birth rate had fluctuated from 37.5/1000 in 1980, to 39.8/1000 in 1985 and 37.5/1000 in 1988. The next Survey is scheduled for 1992. Preliminary data compiled by Egypt's Central Agency for Public Mobilisation and Statistics, which annually publishes data on Egyptian demographics in a Statistical Yearbook, show that the 1989 birth rate had declined to 33.2/1000. In 1990, the National Population Council drafted a population policy which stated a national goal of reducing the total fertility rate to 3.1 by the year 2001. To achieve this goal, the Government of Egypt estimates that contraceptive use by married women of reproductive age will have to increase to 60 percent by that year.

USAID/Egypt has established a life-of-project target of 4.55 million new family planning acceptors or clients under the project. The MOH's share of this target currently is 3.04 million acceptors broken out as follows: 2.64 million for the Systems Development Project, 0.03 million for the Cairo Health Organization, 0.14 million for the Health Insurance Organization, and 0.23 million for the Teaching Hospitals Organization. According to the Mission's March 1991 Quarterly Report, the Systems Development Project had attracted 1.45 million acceptors, the Cairo Health Organization 0.032 million, the Health Insurance Organization 0.022 million, and the Teaching Hospitals Organization 0.016 million for an overall total of 1.53 million family planning acceptors. The following graph compares the individual subprojects' targets and accomplishments and overall MOH goals and accomplishments.

## MINISTRY OF HEALTH SUBPROJECT TARGETS AND ACCOMPLISHMENTS



The Egyptian Family Planning Association/Clinical Services Improvement Project is touted by USAID/Egypt as a "model" family planning service delivery subproject. The project originally envisioned renovating and operating 258 existing Egyptian Family Planning Association clinics as Project clinics by December 1990. Project Implementation Letter 16, Amendment 10 of October 1990 reduced this number to 158 after a determination that it was not feasible to expand and upgrade existing Egyptian Family Planning Association clinics to the standards envisioned by Project management. As of December 1990, 93 "primary" and "subcenter" clinics had been established serving approximately 81,000 new family planning acceptors. The Project plans to establish 65 additional clinics in 1991 and 1992 to attain its goal of 158 clinics operating in 18 Egyptian governorates.

In 1990, the Clinical Services Improvement Project's life-of-project target for new family planning acceptors was adjusted to 867,000 acceptors and another 631,000 clients using other related services. The Project needs to serve an additional 786,000 new acceptors

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**APPENDIX III**

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between January 1, 1991 and May 31, 1993, the project's completion date, to achieve its goal of 867,000 new acceptors.

During the audit, we visited 10 of the 19 Project clinics in Gharbia, Qena and Alexandria Governorates and found them to be uniformly bright and clean with private examining room(s). The Project's policy is to serve clients who are willing and able to pay a reasonable fee for quality care. Initial fees were set at Egyptian Pounds (LE)10 for an intrauterine insertion plus LE2 for an intrauterine device. (The U.S. dollar/Egyptian Pound exchange rate was \$1 = LE3.37 on May 6, 1991.) The fees for service are gradually being increased to enable the Project to meet its goal of self-financing when USAID support ends.

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CAIRO, EGYPT

APPENDIX IV

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

DEC 12 1991

MEMORANDUM

RECEIVED  
12 DEC 1991

TO : Reuben Hubbard, A/RIG/A/C  
FROM : Henry H. Bassford, DIR  
SUBJECT : Draft Report on Audit of USAID/Egypt's  
Population/Family Planning II Project No. 263-0144

Mission comments on the text of the draft audit report (Annex 1, Tab A & B) is provided to clarify certain points, provide additional pertinent information, or make corrections. Following are Mission comments on the draft report audit recommendations:

Recommendation No. 1.1:

We recommend that USAID/Egypt:

amend its August 1988 revenue agreement with the Egyptian Pharmaceutical Trading Company/Ministry of Health to prohibit or preclude the Egyptian Pharmaceutical Trading Company from selling any A.I.D.-supplied contraceptives to pharmacies.

Mission Response:

Mission agrees with this recommendation. In addition to suspending the Revenue Agreement on May 31, 1991, we have instructed the MOH/EPTC to limit the distribution of USAID-donated commodities to only MOH/SDP units and USAID funded NGO projects with which we have revenue agreements. In our letter of August 29, 1991, we provided the MOH/EPTC with the list of projects with revenue agreements (tab C). We also followed up in September 1991, when we were provided with CIIS reports for June and July, 1991. These reports indicated that a small amount had still been sold (see tab D). The Undersecretary for Family Planning provided us with a copy of his letter to EPTC

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instructing them not to sell (tab E). When the new shipment of vaginal foaming tablets arrived, we also reminded the MOH that these were not for sale to pharmacies (see tab F). We met with the Undersecretary for Family Planning to review the August and September 1991 CIIS reports which indicated that there were still some sales, although they did decrease to almost nil in September. The MOH investigated this and provided an explanation (tab g). In October 1991, sales ceased completely.

We have just been informed by the Undersecretary for Family Planning that the Ministry of Health will cover all EPTC costs related to the distribution of USAID-donated contraceptives to the public health units and USAID-funded NGO projects from the GOE budget. The Ministry will also cover the cost of the contraceptive inventory and monitoring system. This will be considered a host country contribution to the MOH/SDP project (tab h.). USAID is heartened by news of this important step. We will proceed to cancel the revenue agreement. This recommendation should be considered resolved. It will be closed when the Revenue Agreement is formally cancelled.

Recommendation No. 1.2:

We recommend that USAID/Egypt:

in accordance with the Project Grant Agreement's "refund" clause (Section D.2., Standard Provisions Annex), seek a refund from the Ministry of Health of \$1,076,002, the cost to A.I.D. for about 20 million condoms which the Egyptian Pharmaceutical Trading Company sold in 1989 and 1990 in violation of the terms of the 1988 revenue agreement between USAID/Egypt and the Egyptian Pharmaceutical Trading Company/Ministry of Health.

Mission Response:

Rather than focussing only on a technical violation of a Revenue Agreement, USAID/Egypt has been trying to determine the actual disposition and usage of AID-donated condoms which have not been adequately accounted for by the GOE. We agree fully that the failure by the GOE to prove compliance, in a form and content suitable to USAID, should result in the issuance of a bill of collection for the cost-to-AID of those unaccounted condoms. It

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is our opinion, however, that the more appropriate agreement and more powerful instrument of compliance is the Project Agreement and not the Revenue Agreement. The Project Grant Agreement as amended on July 29, 1987, Annex 1A, Project Description, states that "the purpose of this AID assistance is to strengthen further nationwide voluntary family planning systems in order to deliver contraceptive services to increasing numbers of married couples."

USAID/Egypt has determined that the Revenue Agreement is not the best approach to judge compliance for several reasons. First, the USAID/Egypt Legal Office has determined that the Revenue Agreement as written is extremely unclear regarding: (1) the way in which the 60%/40% split should be applied, e.g. to all contraceptives distributed by EPTC in the aggregate, or to each method on a separate basis, (2) the time period during which the split should be applied, (3) whether the split should be based on the value of the AID-donated contraceptives, or the quantity, and (4) if value is the measure, whether this refers to value in terms of U.S. purchase price or Egyptian market sales price. As no evidence exists that instruction from the Mission regarding proper application of the vague language in the Revenue Agreement was ever provided to EPTC or the MOH, it would not be unreasonable for the GOE to claim it used the market sales value of the aggregate of all methods approach and that, as a result of the approach, it has not violated the Revenue Agreement.

In support of this claim, is the fact that it does not make sense from a practical standpoint to distribute more condoms to clinics than to pharmacies, as condoms are an over-the-counter, rather than a clinic-based method of family planning. In other words, the majority of condom users go to pharmacies or other vendors to obtain them, and not to family planning clinics.

Second, the stated purpose of the Revenue Agreement is to govern use of the proceeds of EPTC sales of USAID-donated contraceptives. The Revenue Agreement does not represent USAID's determination regarding contraceptive needs. This is done via the PIO/C. The AID/W contraceptive commodities contractor prepares a detailed assessment of commodity needs, based on current inventory levels, past usage figures and future projections of the private sector distributor (FOF) and the public sector distributor (EPTC/MOH). Based on the assessment, USAID and MOH finalize the contraceptive commodity needs and sign a PIO/C. Attached is the executed PIO/C for 1989/1990 which indicates the needs for the public and private sectors agreed

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upon by USAID, MOH and FOF (tab b.). These needs do not reflect the 60/40 split stated in the Revenue Agreement. Implicit in this ordering document is a large quantity of condoms to be sold by EPTC to pharmacies, because the MOH public health units could only absorb a small fraction of what was ordered. Also, as the PIO/C document was issued after the Revenue Agreement, it could be interpreted by the GOE as evidence of an agreed to modification to the Agreement.

As stated above, the main purpose of the Revenue Agreement is to govern the proceeds of sales; it is not the ordering document to fulfil the "needs". As the Mission realized with an expanding program, that contraceptive needs may exceed USAID funding availability, the Project Description concerning Contraceptives and Related Supplies in Annex 1A was further amended in May 15, 1991 to read:

"To assist the Grantee to ensure contraceptive availability in public and private distribution channels, the Project will, subject to the availability of funds, provide adequate supplies of all approved contraceptives (i.e., intrauterine devices (IUD), oral contraceptives, condoms, vaginal foaming tablets and others as necessary) as well as specialized related equipment such as IUD insertion kits. Contraceptives provided under this Agreement will be distributed as determined to be appropriate by A.I.D., based on Project design, performance, and financing availability, through both public and private sector sources. (emphasis added)

In summary, the condoms in question were ordered via a valid PIO/C and can be argued to have been sold in compliance with the Revenue Agreement. If, however, they have not been sold via retail outlets (pharmacies and other vendors) for the intended purpose per the Project Agreement, a violation has occurred. The purchase of condoms for speculation (holding stocks for future sales at a higher price), albeit legal under the Revenue Agreement and a valid function of the private sector, is not an appropriate distribution under the Project Agreement. Thus, USAID/Egypt maintains that the Project Agreement is a more appropriate approach to judge compliance.

We, therefore, request that Recommendation 1.2 be rephrased along the following lines:

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- 1.2 Send a letter to the Ministry of Health requiring the GOE to provide the following information supporting GOE findings that the condoms are being used for the intended purpose:
- A list of all pharmacies, by Governorate, that purchased USAID-donated condoms for CY 1989 and 1990, including the amounts per purchase;
  - A list of all pharmacies, by Governorate, that resold these condoms to wholesalers by amount resold and name of wholesaler for CY 1989 and CY 1990;
  - A list of resales, by Governorate, by wholesalers to retail outlets by Governorate and/or amounts held in warehouses during the same period.

The letter should state that failure by the MOH to supply the requested information 60 days from the receipt of the letter, in form and content suitable to USAID, will result in the issuance of a bill of collection per the "refund" clause in the Project Grant Agreement (Section D.2, Standard Provisions Annex). The amount of the bill of collection should be the cost to AID of the condoms sold by EPTC during 1989 and 1990 which were distributed in violation of the Project Grant Agreement.

On November 27, 1991, USAID sent a letter to the Minister of Health incorporating the elements of this approach (Tab i). Based on this action, we request that this recommendation be resolved. The recommendation will be closed upon receipt of a refund from the GOE for any unaccounted for condoms.

Recommendation No. 2:

We recommend that USAID/Egypt

prepare a plan that analyzes each Population/Family Planning II subproject grantee's need for financial audits of expenditures of USAID/Egypt grant funds in accordance with Project Agreement and Office of Management and Budget Circular No. A-73 requirements. The plan should assess the likelihood and adequacy of host government audit coverage, the availability of Regional Inspector General/Audit/Cairo audit coverage, and the use of independent public accountants.

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**Mission Response:**

Mission has reviewed and analyzed the following four mechanisms for conducting audits under the Population and Family Planning II Project: (a) internal audit function established within the recipient organizations; (b) external audit coverage by the GOE cognizant Central Audit Agency (CAA); (c) recipient audits through contracts with local CPA/Auditing firms; and (d) the Regional Inspector General for Audits/Cairo through the NFA program. Mission believes that the NFA program (d) is the only appropriate and feasible mechanism at this time to cover the audit needs of this project.

TAB (J) is the Mission's analysis (done in accordance to this recommendation) and the audit plan for the proposed audits of the implementing agencies under the Population/Family Planning II Project during FY 92 and 93. Based on the attached audit plan, Mission requests closure of this recommendation upon issuance of the final audit report.

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Mission Comments on the Text of the Draft Audit Report:

On page 2, the background section accurately notes a sharp increase in project expenditures. In fiscal year 1991, even with the Gulf Crisis/War which severely affected the project's short term technical assistance activities and with the cancellation of all condom shipments to the MOH/EPTC, the project expenditures further increased to over \$20 million.

On page 7, the project purpose, as stated in the original PP, is to provide support to the GOE in order to strengthen and expand Egypt's population/family planning activities so as to increase family planning practices among married couples of reproductive age. In 1987, the objectively verifiable indicator for this purpose statement was modified to be 44 percent contraceptive prevalence by 1993. Regarding the footnote, contraceptive prevalence is defined as the percentage of eligible couples who are currently using a contraceptive method. In Egypt, eligible couples are defined as married couples in which the wife is in the reproductive years. In surveys conducted in Egypt to obtain an estimate of contraceptive prevalence, to date only married women of reproductive ages (MWRA) have been interviewed. In the future, a subsample of husbands of MWRA may be added, as women may underreport male methods.

To update the information presented on page 8, the Central Agency for Public Mobilization and Statistics (CAPMAS) published in its 1991 Statistical Year Book the following information about births and the crude birth rate from 1980-1990:

## Births and Crude Birth Rate (CBR) Trends During the 1980s

Year	Reported Births (000)	Estimated CBR
1980	1580	37.5
1981	1604	37.0
1982	1612	36.2
1983	1684	36.8
1984	1715	38.6
1985	1922	39.8
1986	1928	38.7
1987	1923	37.4
1988	1933	36.6
1989	1804	33.3
1990	1790	32.2

Source: CAPMAS, Statistical Year Book, June 1991.

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These data indicate an unprecedented decline in the birth rate, commencing at the same time the POP/FP II project put heavy emphasis on family planning training and service delivery activities. We have also just received the preliminary results of an Arab League-funded national maternal and child health survey conducted in early 1991. It indicates that contraceptive prevalence increased to 47.6 percent from the 37.8 percent documented by the AID-funded Demographic and Health Survey conducted in 1988, and from the 30.3 percent documented by the AID-funded Egyptian Contraceptive Prevalence Survey in 1984. These 1991 results are still under review, but at this point it is safe to say that the reported dramatic decline in the crude birth rate seems to be corroborated by the equally dramatic increase in contraceptive prevalence over the 1988-1990 period.

The increase in EPTC condom sales and distribution between 1989 and 1990 was 88 percent (see page 13). Based on January-August 1990 CIIS reports available to USAID in October, USAID did question the large increase as it was apparent this was a trend not a "fluctuation" due to stock shortages and replenishments. (Note, there is a 1 1/2 - 2 month lag in receiving CIIS reports.)

Some statements in the draft report on pages 19, 20, and 21 need to be put in context. It is incorrect to state that "...Following our April 11 visit to the warehouse, EPTC reportedly recalled all condoms for sale to pharmacies which had been distributed to branch warehouses." These were recalled based on the instructions of the Ministry of Health which were received just prior to an April 23 visit of a USAID team consisting of representatives from the Office of Population and Financial Management who went to EPTC to verify that the 15,936,000 condoms we had asked to be held were in fact in the warehouse and stored separately. Refer to site visit report, tab A. On page 20, the draft report neglects to point out that, based on the December 31, 1990 letter from the MOH providing data which indicated large offtakes to a limited number of pharmacies in Cairo and Giza, USAID brought the data to the RIG/I for investigation in January, 1991.

Finally, on page 21, the first paragraph seems to imply that there is something wrong with vendors other than pharmacies selling condoms. In fact, there is nothing illegal in this. Furthermore, it is not against terms of the USAID grant, as long as the condoms are being used for the purpose intended -- i.e., contraception. In many countries, USAID has special social marketing programs to get condoms to every type of retail outlet --market vendors in Africa, pan shops and cigarette sellers in Bangladesh, small shops (warungs) in Indonesia.

Annex 1  
Page 3 of 3

We have serious reservations regarding the statements on page 16 about the interpretation of the Project Description attached as Annex I of the July 12, 1990 Project Agreement Amendment. The description under Part II.A. Project Components, Section 1. Contraceptives and Related Supplies stated: "...Contraceptives provided under this Agreement will be distributed as needed through both the public and private sector sources." The auditors opine that since "the Project Agreement does not state who will determine contraceptive distribution needs, it is reasonable to conclude that such a determination should be made with the mutual consent and agreement of each concerned agreement signatory including A.I.D. In our view, (emphasis added) the 1988 revenue agreement signed by representatives of the Project Agreement signatories USAID/Egypt and MOH is a clear expression of these parties' consent and mutual agreement regarding contraceptive distribution needs. It specifies that "not ... less than 60%" of A.I.D.-supplied contraceptives will be distributed free of charge unless this minimum is changed "with the written approval of USAID."

This may be the auditor's view, but the fact is that contraceptive distribution needs referred to in the Project Grant Agreement are mutually agreed to through a PIO/C, duly signed by all parties. Attached is an executed PIO/C for 1989/1990 needs of the public sector (EPTC/MOH) and the private sector (FOF) (Tab b). As described in Article 1, Purpose and Goals, the function of the Revenue Agreement is to govern the procedures for the use and expenditure of all revenues generated from sales. It is not the ordering document to fulfil the "needs."

On page 25, the draft report states that the auditors disagreed with the Mission recommendation to pursue what had actually happened to the condoms because the "revenue agreement is clear and sales were made in gross violation of the agreement." Yet on page 4 of Appendix I of the draft report the auditors acknowledge that the revenue agreement "...does not identify or name specific shipments of these products to which these requirements apply. It is also silent on whether these percentages apply in the aggregate to all donated products or to specific product types and on timeframes for calculating adherence to these percentages." In other words, the Revenue Agreement is not clear and the auditors used certain assumptions to make it operational. GOE lawyers may use other assumptions.

## **APPENDIX V**

### **LIST OF PROJECT GRANTEES**

1. Ministry of Health
2. Health Insurance Organization
3. Cairo Health Organization
4. Teaching Hospitals Organization
5. National Population Council
6. State Information Service
7. Central Agency for Public Mobilisation and Statistics
8. Cairo Demographic Center
9. Family of the Future Association
10. Egyptian Family Planning Association
11. Egyptian Junior Medical Doctors' Association
12. Institute for Training and Research in Family Planning
13. Coptic Association for Social Care
14. Coptic Evangelical Organization for Social Services
15. International Islamic Center for Population Studies Research of Al-Azhar University
16. Egyptian Fertility Care Society
17. Ain Shams University

APPENDIX VI

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Office of Financial Management, FA/FM	1
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