

PD-ABQ-064

---

**Report on Agreed-Upon Procedures Related to  
USAID/Egypt Resources Managed by the  
Central Agency for Public Mobilization  
and Statistics Under the Technical  
Support for Sector Policy Reform Program**

---

**Report No. 6-263-98-001-O  
December 10, 1997**



---

FINANCIAL INFORMATION CONTAINED  
IN THIS REPORT MAY BE PRIVILEGED.  
THE RESTRICTION OF 18 USC 1905 SHOULD  
BE CONSIDERED BEFORE ANY INFORMATION  
IS RELEASED TO THE PUBLIC.

---

**Regional Inspector General for Audit  
Cairo, Egypt**

**OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



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

CAIRO, EGYPT

December 10, 1997

**MEMORANDUM**

TO : DIRECTOR USAID/Egypt, John R. Westley

FROM: RIG/A/C, Lou Mundy 

SUBJECT: Report on Agreed-Upon Procedures Related to USAID/Egypt Resources Managed by the Central Agency for Public Mobilization and Statistics Under the Technical Support for Sector Policy Reform Program (Report No. 6-263-98-001-O)

The attached Coopers & Lybrand report, transmitted on October 14, 1997, on the Central Agency for Public Mobilization and Statistics (CAPMAS), presents the results of the application of agreed-upon procedures related to outputs financed by USAID/Egypt through Project Implementation Letter (PIL) No. 4 under the Technical Support for Sector Policy Reform Program (USAID/Egypt No. 263-0233). The principal activity performed by CAPMAS under PIL No. 4 is the surveying of the Egyptian population for evaluating income, spending, and consumption levels. Financing provided CAPMAS is at specified amounts for each of ten outputs required by the PIL, six of which had been completed as of the date of Coopers & Lybrand's examination.

We engaged Coopers & Lybrand to perform agreed-upon procedures relating to the design and implementation of the information system at CAPMAS to provide reasonable assurance of the reliability of the valuation and pricing policies and procedures for outputs financed by USAID/Egypt under PIL No. 4 for the period March 1 1995 through June 30, 1996. These procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, and accordingly the attached report does not express any opinion on CAPMAS as would be done for a financial audit.

Based on the procedures applied, Coopers & Lybrand found that supplemental documents existed to support outputs achieved and reported to USAID/Egypt, and that CAPMAS

*U.S. Mailing Address*  
USAID-RIG/A/C Unit 64902  
APO AE 09839-4902

*Tel. Country Code (202)*  
357-3909  
*Fax # (202) 355-4318*

*#106 Kasr El Aini St.,  
Cairo Center Building,  
Garden City, Cairo, Egypt*

complied in all material respects with relevant agreement terms and applicable laws and regulations. Nevertheless, the report noted that CAPMAS did not:

- document its bases and assumptions on which outputs were priced;
- establish an adequate information system to value activities and allocate costs;
- consistently apply relevant accounting principles; and
- establish adequate internal controls related to payroll.

In response to the draft report, responsible CAPMAS officials provided additional clarifications to the report findings. Coopers & Lybrand reviewed CAPMAS' response but did not modify their findings (see Appendices A and B).

Since CAPMAS has produced required outputs at costs agreed to between CAPMAS and USAID/Egypt and since no more funds are to be added to PIL No. 4, we are making no recommendation for inclusion in the Office of Inspector General's recommendation follow-up system. However, as the report notes certain weaknesses in CAPMAS' management information systems--and that actual costs under the PIL may have been less than the amount USAID/Egypt agreed to pay--we suggested that USAID/Egypt consider those weaknesses before entering into any future agreements with CAPMAS.

In response, USAID/Egypt officials indicated that they plan to provide CAPMAS with technical assistance training in USAID policies and procedures essential to effective management and implementation of projects. Furthermore, USAID/Egypt will not undertake any future activities with CAPMAS until training has been delivered, and until a full assessment is conducted to ensure that the weaknesses identified have been fully addressed.

Thank you for the cooperation and assistance extended to the staff on this engagement.

Attachment: a/s

2

REPORT ON AGREED-UPON PROCEDURES  
RELATED TO USAID/EGYPT RESOURCES PROVIDED TO THE CENTRAL AGENCY  
FOR PUBLIC MOBILIZATION AND STATISTICS  
THROUGH PROJECT IMPLEMENTATION LETTER NUMBER 4  
UNDER THE TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROGRAM  
USAID/EGYPT PROJECT NUMBER 263-0233

FOR THE PERIOD FROM MARCH 1, 1995 THROUGH JUNE 30, 1996

"FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTION OF 18 USC  
1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC."

**REPORT ON AGREED-UPON PROCEDURES  
RELATED TO USAID/EGYPT RESOURCES PROVIDED TO THE CENTRAL AGENCY  
FOR PUBLIC MOBILIZATION AND STATISTICS  
THROUGH PROJECT IMPLEMENTATION LETTER NUMBER 4  
UNDER THE TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROGRAM  
USAID/EGYPT PROJECT NUMBER 263-0233**

**FOR THE PERIOD FROM MARCH 1, 1995 THROUGH JUNE 30, 1996**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>TRANSMITTAL LETTER</u></b>	
Background .....	1
Engagement objectives and scope .....	1
Findings .....	2
Management comments .....	2
Independent accountants response .....	2
Mission response .....	2
<b><u>REPORT ON AGREED-UPON PROCEDURES</u></b>	
Report of independent accountants .....	3
<b><u>APPENDICES</u></b>	
Appendix A: Management comments	
Appendix B: Independent accountants response	
Appendix C: Mission response	

October 14, 1997

Mr. Lou Mundy  
Regional Inspector General  
for Audit/Cairo  
United States Agency for  
International Development

Dear Mr. Mundy:

This report presents the results of our agreed-upon procedures related to USAID/Egypt resources provided to the Central Agency for Public Mobilization and Statistics (CAPMAS) through Project Implementation Letter Number 4 under the Technical Support for Sector Policy Reform Program, USAID/Egypt Project Number 263-0233 for the period from March 1, 1995 through June 30, 1996.

### **Background**

The principal activity conducted by CAPMAS under PIL No. 4 of USAID/Egypt Project Number 263-0233 is for the completion of surveys of the Egyptian population with the primary goal of evaluating income, spending and consumption levels.

Funding for PIL No. 4 is budgeted at LE 1,133,660 for the period March 1, 1995 through September 30, 1997. Payment is made by USAID/Egypt to CAPMAS at a specified Egyptian pound amount for each of several outputs as indicated in PIL No. 4. To date, CAPMAS has completed six out of ten of the required outputs.

### **Engagement objectives and scope**

The objective of this engagement was to apply agreed-upon procedures relating to the design and implementation of the information system at CAPMAS to provide reasonable assurance of the reliability of the valuation and pricing policies and procedures for outputs financed by USAID/Egypt. Also to assess the adequacy of assumptions and bases used for cost allocation to these outputs, and the effectiveness and efficiencies of the activities related to reporting the outputs to USAID/Egypt. Specific objectives were to:

1. Evaluate and obtain a sufficient understanding of the information system of CAPMAS, assess control risk, and identify reportable conditions, including material internal control weaknesses related to valuation of activities, pricing of outputs, allocation of costs, and reporting to USAID/Egypt.
2. Review the consistency in applying the relevant accounting principles employed by CAPMAS.
3. Perform tests to determine whether CAPMAS complied, in all material respects, with the relevant agreement terms and applicable laws and regulations.
4. Verify the existence of supplemental documents in support of the outputs achieved and reported to USAID/Egypt.

The agreed-upon procedures were performed to satisfy the above objectives as they relate to the outputs financed by USAID/Egypt through PIL No. 4 under USAID/Egypt Project Number 263-0233, for the period from March 1, 1995 to June 30, 1996.

Preliminary planning and review procedures began in December, 1996 and consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo and CAPMAS, and a review of the project documents and PIL No. 4. Fieldwork commenced in June and was completed in July, 1997.

**Findings**

Based on the procedures we applied we found the following:

1. The basis and assumptions on which outputs were priced were not documented;
2. CAPMAS does not have an information system adequate to properly value activities and allocate costs;
3. Relevant accounting principles were not consistently applied; and
4. Internal controls surrounding expenditures in the area of payroll were inadequate.

**Management comments**

CAPMAS's management comments have been obtained and are included in Appendix A of this report.

**Independent accountants response**

Our response is included in Appendix B of this report.

**Mission response**

The mission response is included in Appendix C of this report.

This report is intended for the information of CAPMAS's management and the United States Agency for International Development. However, this report is a matter of public record and its distribution is not limited.

*Coopers & Lybrand*

July 21, 1997

Mr. Lou Mundy  
Regional Inspector General  
for Audit/Cairo  
United States Agency for  
International Development

**INDEPENDENT ACCOUNTANTS REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

This report presents the results of agreed-upon procedures performed on the Central Agency for Public Mobilization and Statistics (CAPMAS) as they relate to the outputs financed by USAID/Egypt resources provided through Project Implementation Letter Number 4 under the Technical Support for Sector Policy Reform Program, USAID/Egypt Project Number 263-0233, for the period from March 1, 1995 through June 30, 1996.

We have performed the procedures enumerated below, which were agreed to by USAID/Egypt, solely to assist USAID/Egypt in:

1. identifying reportable conditions, including material internal control weaknesses related to CAPMAS's valuation of activities, pricing of outputs, allocation of costs, and reporting to USAID/Egypt;
2. determining the consistency with which CAPMAS applied the relevant accounting principles;
3. determining whether CAPMAS complied, in all material respects, with the relevant agreement terms and applicable laws and regulations; and
4. verifying the existence of supplemental documents in support of the outputs achieved and reported to USAID/Egypt.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Following are the relevant procedures performed and our findings related to the four objectives listed above:

**Procedure 1: Compare the aggregate cost in the CAPMAS proposal to the aggregate PIL No. 4 budget and evaluate the pricing of outputs included in PIL No.4 and determine the adequacy of assumptions and bases used for cost allocation to these outputs.**

**Finding:**

The aggregate cost in the CAPMAS proposal to USAID/Egypt (LE 1,120,000) did not agree with the aggregate PIL No. 4 budget (LE 1,133,660).

We were not able to determine the cause for this difference because there was no documentation available to support or justify the difference between the CAPMAS proposal and the pricing of outputs in PIL No. 4. Accordingly, we were not able to determine the adequacy of assumptions and bases used for cost allocation to these outputs.

We recommend in future that CAPMAS and USAID/Egypt document all stages of the proposal process.

\* \* \* \* \*

**Procedure 2: Compare the pricing of outputs in PIL No. 4 with the actual costs incurred by CAPMAS to achieve the outputs.**

**Finding:**

The pricing of outputs in PIL No. 4 and actual costs incurred by CAPMAS are shown below:

<u>Output</u>	<u>PIL Number 4 Amount</u>	<u>Actual Costs</u>	<u>Difference</u>
Detailed Work Plan Document	LE 100,000	LE 62,540	LE 37,460
Questionnaire Design Paper	100,000	37,045	62,955
Sample Design and Selection Paper	50,000	13,495	36,505
Pretest Paper	100,000	19,550	80,450
Field Work and Quarterly Report for Quarter One	<u>100,000</u>	<u>150,525</u>	<u>-50,525</u>
Totals	<u>LE 450,000</u>	<u>LE 283,155</u>	<u>LE 166,845</u>

We performed this informational procedure solely to gain assurance about the pricing of outputs in PIL No. 4. Because of the inadequacy of the documentation supporting the pricing of outputs in PIL No. 4, we were not able to determine the reasons for these differences (see finding under Procedure 1 above). However, on the basis of the actual cost information provided by CAPMAS, the pricing of outputs in PIL No. 4 was not reasonable.

We recommend in future that CAPMAS document the assumptions and bases used to price outputs.

\* \* \* \* \*

8

**Procedure 3: Determine whether the design and implementation of the CAPMAS information system is adequate to value activities, allocate costs and report to USAID/Egypt and determine the consistency with which CAPMAS applies relevant accounting principles.**

**Finding:**

CAPMAS does not have an adequate information system to properly value PIL No. 4 activities, allocate costs and report to USAID/Egypt and did not consistently apply relevant accounting principles (also see finding under Procedure 5 below). In addition, CAPMAS's information system was not applied to PIL No. 4 activities. For example, we noted that supporting documents for PIL No. 4 activities were maintained in a separate folder and were not entered in the information system. At our request, CAPMAS was able to prepare a listing from the available supporting documents which summarized the actual costs incurred under PIL No. 4 activities. Accordingly, CAPMAS's accounting principles were not applied to PIL No. 4 activities.

As discussed in Statement on Auditing Standards No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*, "The information system relevant to financial reporting objectives, which includes the accounting system, consists of the methods and records established to record, process, summarize, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity. The quality of system-generated information affects management's ability to make appropriate decisions in controlling the entity's activities and to prepare reliable financial reports."

Without the implementation of a properly designed information system, CAPMAS is not able to value activities, allocate costs and report to USAID/Egypt.

We recommend that the existing CAPMAS information system be redesigned and implemented by a USAID/Egypt-approved CPA firm which enables CAPMAS to value activities, allocate costs, report to USAID/Egypt and apply relevant accounting principles consistently. The financial data generated by this redesigned information system can provide a basis for future price proposals with USAID/Egypt.

\* \* \* \* \*

**Procedure 4: Verify the existence of supplemental documents in support of the outputs achieved and reported to USAID/Egypt.**

**Finding:**

No exceptions were found as a result of applying the procedure. We also found that each output was accompanied by a statement certifying that the output was technically reviewed and approved by the consultant assigned to CAPMAS in accordance with the agreement between USAID/Egypt and CAPMAS.

\* \* \* \* \*

**Procedure 5: Evaluate the revenue and expenditure cycles of CAPMAS and determine their adequacy for USAID/Egypt agreements.**

**Finding:**

Based upon our evaluation, we determined that the revenue cycle was adequate, but that internal controls surrounding expenditures in the area of payroll were inadequate. For example, we found the following:

- \* Employee compensation is based exclusively on the judgement of the project's Executive Director. The Executive Director's decisions are subjective, made on an ad-hoc basis and are unsupported with reasons justifying determinations, for example time sheets job descriptions or evaluations.
- \*\* The payroll system was not capable of producing a listing of payments received by any particular individual who worked on the USAID/Egypt-financed activities. Documentation consists of handwritten lists of payments made periodically for numerous individuals. It is not possible to determine from this list that the employee worked on the USAID/Egypt-financed activities, the job title of the individual being compensated or their responsibilities.
- \*\*\* Employees who worked for the USAID/Egypt-financed project had no documented salary history or job descriptions making a determination of the reasonability of compensation impossible. Without job descriptions, we could not determine CAPMAS employees' responsibilities and whether they worked on USAID/Egypt-financed activities.
- \*\*\*\* Comparing actual costs recorded with actual costs incurred for employee compensation was difficult as employees are not paid for work accomplished until USAID/Egypt pays for the related output.

As discussed in Statement on Auditing Standards No. 55, *Consideration of Internal Control in a Financial Statement Audit*, "an effective information system gives appropriate consideration to establishing methods and records that will identify and record all valid transactions, describe in a timely manner the transactions in sufficient detail to permit proper classification of transactions for financial reporting, measure the fair value of transactions in a manner that permits recording their proper monetary value in the financial statements, determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period; and present properly the transactions and related disclosures in the financial statements."

PIL No. 4 costs are comprised primarily of employee compensation so for management control over expenditures to be achieved, internal controls surrounding payroll should be emphasized. In the absence of an adequately designed and controlled payroll system, management directives related to payroll are unclear and it is difficult for management to ensure that its directives are being adhered to.

We recommend that a comprehensive review and restructuring of CAPMAS's payroll system be conducted by a USAID/Egypt-approved CPA firm. The restructuring should ensure that policies are included which will enhance CAPMAS's capability to use historical time and cost data to produce estimates of future costs.

\* \* \* \* \*

**Procedure 6: Determine whether CAPMAS complies, in all material respects, with the relevant agreement terms and applicable laws and regulations.**

**Finding:**

No exceptions were found as a result of applying the procedure.

\* \* \* \* \*

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of opinions on the: 1) internal controls related to CAPMAS's valuation of activities, pricing of outputs, allocation of costs, and reporting to USAID/Egypt, 2) the CAPMAS information system, 3) CAPMAS's compliance with the relevant agreement terms and applicable laws and regulations, and 4) CAPMAS's maintaining of documents in support of the outputs achieved and reported to USAID/Egypt. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to USAID/Egypt.

This report is intended solely for the use of USAID/Egypt and the management of CAPMAS, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

*Coopers & Lybrand*

THE CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS  
THROUGH PROJECT IMPLEMENTATION LETTER NUMBER 4  
UNDER THE TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROGRAM  
USAID/EGYPT PROJECT NUMBER 263-0233

FOR THE PERIOD FROM MARCH 1, 1995 THROUGH JUNE 30, 1996

MANAGEMENT COMMENTS

<p>ARAB REPUBLIC OF EGYPT CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS HAZEL CITY, CAIRO</p>	<p>جمهورية مصر العربية مركز الأبحاث والدراسات (مركز الأبحاث والدراسات)</p>
<p>P.O.B. 2086 Cairo Telephone : 804882 Telex : 92396 CAPMAS UN - Cairo : CAPMAS CAIRO. Fax : (202) 4024099</p>	<p>صندوق بريد ٢٠٨٦ القاهرة الهاتف : ٨٠٤٨٨٢ تلكس : ٩٢٣٩٦ ك.ا.م.س.ا.ن. - القاهرة : ك.ا.م.س.ا.ن. ك.ا.م.س.ا.ن. برق : ٤٠٢٤٠٩٩ - ٢٠٢</p>
<p>Ref. Cairo, 11 October 1997</p>	<p>التيميد : التصاخرة في</p>
<p><b>Mr. Poul Deuster</b> <i>Associate Mission Director</i> USAID - Cairo</p>	
<p>Referring to COOPERS &amp; LYBRAND report On auditing. The 1995/1996 Household Income, Expenditure and Consumption Survey submitted within your letter No: P.I.L. No: 4 Under F. T 800.</p>	
<p>We'd like to inform you that the contents of a/m report are of CAPMAS core financial and institutional domains. CAPMAS feels disappointed for the interventions showed by Mr/ auditor.</p>	
<p><u>Accordingly, we'd like to Clarify:-</u></p>	
<ul style="list-style-type: none"><li>* CAPMAS has complied with all items of the agreement ratified between CAPMAS and USAID from the beginning of the first phase of 95/1996 HIECS through issuing the final results showing the continuous and sustainable cooperation between them throughout all survey phases. This cooperation was so significant that the final results were issued on date scheduled which shows a firm compliance with the methodology agreed upon.</li><li>* The survey phases also were always carried out under supervision of the USAID Expert.(Mr. Patrik) who had to sign and approve the technical report of each phase accomplished on date and accuracy required and by cooperation with CAPMAS's technical and statistics experts as well.</li><li>* It's worthy to mention that CAPMAS has previously cooperated with USAID for the 90/1991 HIECS survey which had no any notices or remarks.</li></ul>	

**THE CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS  
THROUGH PROJECT IMPLEMENTATION LETTER NUMBER 4  
UNDER THE TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROGRAM  
USAID/EGYPT PROJECT NUMBER 263-0233**

**FOR THE PERIOD FROM MARCH 1, 1995 THROUGH JUNE 30, 1996**

**INDEPENDENT ACCOUNTANTS RESPONSE**

The Central Agency for Public Mobilization and Statistics (CAPMAS) management provided comments relating to the draft report presented at the exit conference on September 8, 1997. CAPMAS's comments are included, unedited, in Appendix A to this report. We have read management's comments, however, the agreed-upon procedures report has not been modified.

THE CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS  
THROUGH PROJECT IMPLEMENTATION LETTER NUMBER 4  
UNDER THE TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROGRAM  
USAID/EGYPT PROJECT NUMBER 263-0233

FOR THE PERIOD FROM MARCH 1, 1995 THROUGH JUNE 30, 1996

MISSION RESPONSE

**USAID**



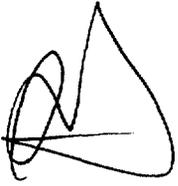
UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

**MEMORANDUM**

DATE : December 7, 1997

TO : Lou Mundy, RIG/A/C

FROM : Shirley A. Hunter, Division Chief, FM/FA 

SUBJECT : Agreed-Upon Procedures Report No. 6-263-98-001-O:  
The Central Agency for Public Mobilization and  
Statistics, Outputs Financed Under the Technical  
Support for Sector Policy Reform Program  
(USAID/Egypt Project No. 263-0233)

Following are the Mission's comments to the subject report. The report contains no recommendations for inclusion in the OIG tracking system. However, the report identified certain weaknesses in the CAPMAS system for valuing and pricing of outputs, and suggested that USAID should consider these weaknesses prior to entering into new agreements with CAPMAS. The attached memo from the Project Officer dated December 3, 1997, describes the actions planned to address the weaknesses identified by the audit.

As stated in the attached memo, USAID has tentatively scheduled the Financial Analysis Support Team (FAST) to provide CAPMAS with technical assistance in USAID policies and procedures essential to effective management and implementation of projects. FAST will train CAPMAS's staff in internal control structure, planning and budgeting, financial management guidance, cost principles and accounting cycles, as well as review and restructuring of CAPMAS's payroll system.

Furthermore, USAID will not undertake any future activities with CAPMAS until training has been delivered, and until a full assessment is conducted to ensure that the weaknesses identified have been fully addressed.

Based on the above, Mission requests issuance of the final report.

Att: a/s

106 Kasr El Aini Street  
Garden City  
Cairo, Egypt

15



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

SEC 1 - 1997

MEMORANDUM

TO : Shirley Hunter, OD/FM/FA

FROM : Timothy J. O'Hare, EGO/SP *TJOH*

SUBJECT : Agreed-Upon Procedures Report No.  
6-263-98-001-0: The Central Agency for Public  
Mobilization and Statistics, Outputs Financed  
Under the Technical Support for Sector Policy  
Reform Program (USAID/Egypt Project No. 263-0233)

**BACKGROUND:** USAID has received and reviewed the subject agreed-upon procedures report prepared by Coopers & Lybrand. The report documents its independent accountants' procedures, findings, and recommendations as they pertain to the Central Agency for Public Mobilization and Statistics' (CAPMAS) management of a household income, expenditure, and consumption survey financed by USAID's Technical Support for Sector Policy Reform Project (263-0233) as authorized by Project Implementation Letter (PIL) No. 4 of March 23, 1995.

The survey was conducted for the purpose of collecting data in both urban and rural areas on household income levels, consumption patterns, and expenditures. It also collected data on income sources and distribution, living standards, and expenditure patterns. Data collected by the survey was important to CAPMAS' efforts to update the Egyptian consumer price index.

**DISCUSSION:** The subject report's Procedure 1 challenged the adequacy of the assumptions upon which CAPMAS based the proposal it submitted to USAID for project funding. The assumptions, according to Procedure 1, were not sound as evidenced by the discrepancy between the proposal's projected costs and those set forth in PIL No. 4. The report states that the discrepancy could have been reconciled had there been adequate documentation explaining how CAPMAS estimated survey costs and then allocated them to outputs. The lack of adequate documentation is unfortunate and USAID concurs with the report's recommendation that, in the future, both USAID and CAPMAS document all stages of proposal preparation and approval.

In a similar vein, the report's Procedure 2 compared the actual costs incurred by CAPMAS executing the survey with those projected by PIL No. 4. While USAID does not dispute the report's finding that PIL No. 4's cost estimates were not adequately documented, it does recognize that its projected costs were just that, projected costs. It should be kept in mind that, because of contingencies and other costs difficult to anticipate at the proposal stage, it is not unusual for estimated costs of a proposed activity to differ with those actually incurred. This is especially true of activities involving field work, which by its very nature tends to encounter delays and unexpected costs mobilizing personnel and supporting them in the field. This survey's experience conducting field work and preparing quarterly reports was not unusual. The line item in PIL No. 4 estimated the costs of carrying out field work and quarterly report preparation to total LE 100,000. Actual costs were LE 150,525. USAID takes exception to Procedure 2's finding that "the pricing of outputs in PIL No. 4 was not reasonable". Notwithstanding that exception, USAID does concur with its recommendation that future CAPMAS proposals document the assumptions and bases upon which outputs are priced.

In response to the findings and recommendations accompanying Procedure 3, "Determine whether the design and implementation of the CAPMAS information system is adequate to value activities, allocate costs and report to USAID/Egypt and determine the consistency with which CAPMAS applies relevant accounting principles", USAID has tentatively scheduled its Financial Assistance Support Team (FAST) to provide CAPMAS technical and assistance in USAID policies and procedures essential to effective management and implementation of projects. Pending CAPMAS concurrence and cooperation, FAST will train its staff in internal control structure, planning and budgeting, financial management guidance, cost principles, and accounting cycles. USAID will not undertake any future activities with CAPMAS until such time as the training and technical assistance has been delivered.

USAID notes that no findings were issued in the matter of Procedure 4.

Regarding Procedure 5, "Evaluate the revenue and expenditure cycles of CAPMAS and determine their adequacy for USAID/Egypt agreements", USAID is confident that the proposed FAST technical assistance to be provided CAPMAS in response to Procedure No. 3 is equally responsive to Procedure 5 and its recommendation that USAID conduct a comprehensive review and restructuring of CAPMAS's payroll system.

Finally, USAID notes that no findings were issued in the matter of Procedure 6, which was to "determine whether CAPMAS complied, in all material respects, with the relevant agreement terms and applicable laws and regulations".

17

**RECOMMENDATION:** Based on its review of the subject report and the remedial actions proposed here, USAID recommends that RIG/A/C conclude these procedures and issue its transmittal memorandum, which, among things, makes no recommendation with respect to including this report in the Inspector General's follow-up system.