



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/EGYPT'S LEADERS FOR EDUCATION AND DEVELOPMENT SCHOLARSHIP INITIATIVE PROGRAM

AUDIT REPORT NO. 6-263-11-002-P
November 10, 2010

CAIRO, EGYPT



Office of Inspector General

November 10, 2010

MEMORANDUM

TO: USAID/Egypt Mission Director, James Bever

FROM: Regional Inspector General/Cairo, Jacqueline Bell /s/

SUBJECT: Audit of USAID/Egypt's Leaders for Education and Development Scholarship Initiative Program (Report No. 6-263-11-002-P)

This memorandum transmits our report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report and have included the comments in their entirety in Appendix II.

The report includes 5 recommendations for your action. On the basis of your written comments, we consider that management decisions have been made on all 5 recommendations. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer (M/CFO/APC) with the necessary documentation to achieve final action.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

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SUMMARY OF RESULTS

Begun in 2004, the USAID/Egypt Leaders for Education and Development Scholarship Initiative (LEAD) Program has recruited, competitively selected, and provided scholarships to underprivileged students throughout Egypt to attend the American University in Cairo (AUC). The program’s current objectives are to award scholarships to two public school students, one male and one female, from each Egyptian governorate;¹ to train and equip these students with skills to become leaders in their society; and to enable the students to contribute to activities focused on Egypt’s development. The program provides funding for tuition, books, housing, and a living allowance for up to 6 years of study. In addition, the program offers a limited number of students the opportunity to participate in a study-abroad program for one semester at a university in the United States.²

USAID/Egypt awarded two cooperative agreements to AUC to implement the program. The first LEAD cooperative agreement (Table 1), begun in July 2004, funded scholarships for 106 students starting AUC in fall 2004 and fall 2005, and supported 56 students starting in fall 2006 during their first semester at AUC.³

Table 1: First LEAD Cooperative Agreement (263-A-00-04-00030-00)

Class Starting	Scholarship Recipients	Amount Awarded (\$ Million)
2004	48	11.4 [†]
2005	58	
2006*	56	
Total	162	

* The first cooperative agreement covered only the first semester of the 2006 class. The remaining semesters were covered under the second cooperative agreement.

[†] As of July 2010.

For fiscal year 2006, the U.S. Congress specifically earmarked funds to support scholarships that would allow Egyptian students with great financial need to attend a U.S.-accredited university in Egypt. To comply with this earmark, USAID/Egypt’s Office of Education and Training awarded a second LEAD cooperative agreement to AUC—the only U.S.-accredited university in Egypt—in March 2007. This cooperative agreement (No. 263-A-00-07-00023-00) is valued at approximately \$30.8 million and funded the remainder of the tuition and costs for the fall 2006 LEAD class and has provided scholarships for three additional class years in 2007, 2008, and 2009 (Table 2). As of March 31, 2010, the average annual program cost for LEAD students beginning the program in fall 2008 and fall 2009 was \$27,020 per student. These costs include tuition, housing, and student activity fees, as well as program administrative costs for office

¹ Egypt is divided into administrative units referred to as governorates.

² This audit focused on students starting the program in fall 2008 and fall 2009. At the time of the audit, no students from these two classes had participated in a semester abroad program, so activities related to that objective were not audited.

³ Cooperative Agreement No. 263-A-00-04-00030-00.

equipment and staff salaries. Appendix III provides additional information on expenditures and students' areas of study (page 20). As of March 2010, cumulative obligations and disbursements for the second agreement totaled \$30.8 million and \$10.3 million, respectively.

Table 2: Second LEAD Cooperative Agreement (263-A-00-07-00023-00)*

Class Starting	Scholarship Recipients	Amount Awarded (\$ Million)
2007	52	30.8
2008	54	
2009	57 [†]	
Total	163	

* This cooperative agreement also covered all but the first semester for the 56 students starting the program in fall 2006.

† One governorate had only one viable scholarship candidate during this year.

The objective of the audit was to determine whether the program was achieving its main objectives of recruiting, selecting, and providing scholarships to Egyptian public school students to equip them with skills to become leaders in their society and to contribute to activities focused on Egypt's development.

For students starting the program during academic years 2008–2009 and 2009–2010, USAID/Egypt and its implementer, AUC, achieved the main objectives of the LEAD program. Between July 2004 and July 2010, the LEAD program provided 325 scholarships valued at \$42 million and, according to AUC staff, 69 students supported by the program have already graduated (see page 12). The program has had a 91 percent retention rate since it began and an 88 percent graduation rate for students reaching the 6-year program limit.⁴ Only 28 of the 325 LEAD students, or 9 percent, either have been dismissed from the program or withdrew before completing their studies (see page 12).⁵ For the population reviewed in this audit—students beginning in fall 2008 and fall 2009—the program has been successful in student recruitment and selection. AUC used multiple methods to publicize the program and was able to recruit and select one male and one female student from most Egyptian governorates (pages 4–5). In its Fiscal Year 2009 Performance Plan and Report, USAID/Egypt currently uses and reports on one standard indicator related to recruitment and selection to measure the success of AUC's LEAD Program: *number of scholarships awarded* (see page 5).

The program also conducted scholarship program activities to develop students' leadership and community service skills (pages 5–7). However, for the audit sample of 50 of the 107 students who began the program in fall 2008 and fall 2009 and were still in the program at the time of our audit, AUC did not meet targets for half the indicators it

⁴ This graduation result compares well with data on U.S. college graduates. Approximately 43 percent of students seeking a bachelor's degree or its equivalent at U.S. institutions do not finish in 6 years or less.

⁵ Of the 325 students awarded scholarships, 2 prospective students withdrew their applications prior to formal enrollment at AUC. According to AUC, students typically withdrew to pursue degrees not offered at AUC. AUC dismissed 22 students (or 7 percent), primarily for academic reasons, and 6 other students (2 percent) chose to withdraw.

had developed for its own use and that of USAID/Egypt in assessing the results of program activities (page 6). For example, while AUC met its target for student satisfaction with activities for both years reviewed, it did not meet grade point average targets in either year.

The mission can improve its management controls over the program by—

1. Improving program oversight (page 7).
2. Following and enforcing cooperative agreement requirements (page 10).
3. Finalizing the plan to follow up on graduates (page 12).

The audit recommends that USAID/Egypt:

- Amend the cooperative agreement to require mission approval of annual work plans that establish program activities and target dates related to program objectives (page 10).
- Document its review of the program monitoring and evaluation plan to ensure that performance indicators used to measure program results are defined and documented (page 10).
- Develop a monitoring process to periodically review AUC's data for completeness, accuracy, and consistency (page 10).
- Document its review of the cooperative agreement with AUC to ensure that mission and implementer activities are identified and understood by all parties, and are reflected in other implementing documents, such as the work and monitoring plans (page 12).
- Develop and implement a monitoring plan to track and assess graduates' leadership and development activities to document program impact (page 13).

Detailed findings appear in the following section. The audit scope and methodology are described in appendix I (page 15). Management comments are included in their entirety in appendix II (page 17).

AUDIT FINDINGS

During academic years 2008–2009 and 2009–2010, USAID/Egypt’s Office of Education and Training and the American University in Cairo (AUC) achieved the Leaders for Education and Development Scholarship Initiative (LEAD) Program objectives to recruit, select, and conduct scholarship program activities for underprivileged students from throughout Egypt. USAID/Egypt and AUC used activity targets developed by AUC to gauge results of activities designed to develop students’ leadership and community service skills. However, according to audit analysis of program data, for some students beginning the program in fall 2008 and fall 2009, AUC had met no more than half of the targets documented in its monitoring and evaluation plan. Appendix IV illustrates the activity targets and results for the two academic classes.

Recruitment and Selection – AUC generally performed program recruitment and selection activities in accordance with the cooperative agreement. Program staff recruited prospective Egyptian students through electronic and letter mail, newspaper announcements (like the one shown below), and public outreach activities. AUC focused much of its recruitment campaigns in Egyptian governorates where application rates had been low. After the recruitment campaign for the fall 2008 class, program staff developed and implemented guidelines to ensure that the university selected qualified students for the program. To improve the program’s selection process for the fall 2008 and 2009 classes, AUC staff revised interview questions, developed a methodical file review process, and defined attributes on which to rank the student applicants.



Newspaper advertisement used by AUC to recruit for the 2008–2009 academic year. (Image provided by AUC)

AUC successfully selected one male and one female student from most governorates during the 2008–2009 academic year. Program staff selected 54 students from 26

Egyptian governorates to begin study at AUC.⁶ Moreover, the program staff achieved its objective of selecting a total of 57 students from most governorates during the 2009–2010 academic year.⁷ During both academic years, no female candidates from one governorate in southern Egypt met the program’s selection criteria. For the 2008–2009 academic year, AUC and USAID/Egypt agreed to select an additional male applicant from a governorate that historically had fewer LEAD candidates to fill the void for the academic year. For the 2009–2010 year, no additional student was selected for the program, resulting in 57 rather than 58 students for that year.

Scholarship Program Activities – AUC conducted activities designed to develop students’ leadership and community service skills, in keeping with the program objectives. For example, the program held team-building retreats in governorates throughout Egypt, supported annual conferences, required student participation in community development activities, and facilitated training in presentation and time management. Accordingly, 28 of the 29 students contacted during this audit stated that they were generally satisfied with both the overall program and program staff.



LEAD students participated in team-building retreats, such as this one in the Sinai. (Image provided by AUC)

Although USAID/Egypt reports on the number of scholarships awarded, the mission had not developed any indicators to measure the overall results of program activities. Rather, USAID/Egypt reported using activity targets included in AUC’s monitoring and evaluation plan to monitor results of program activities.⁸ The six monitoring and evaluation plan targets included (1) *student grade point average*, (2) *improvement in grade point average for selected students*, (3) *student scores on a leadership index*

⁶ The program has historically awarded scholarships to two students from Luxor, a city in the Governorate of Qena. Luxor was officially designated as a governorate in December 2009.

⁷ During 2008, Egypt increased the number of governorates from 26 to 28, when Helwan and Sixth of October became governorates. The designation of Luxor as a governorate in late 2009 increased the number of governorates to 29.

⁸ AUC’s monitoring and evaluation plan uses the term “target” to describe the specific elements measured to determine the success of scholarship program activities.

developed by LEAD, (4) student participation rate, (5) student satisfaction with activities, and (6) student satisfaction with LEAD coordinators.⁹ USAID/Egypt staff used AUC's targets to monitor the success of the program's scholarship activities, although mission staff stated that AUC's targets exceed the requirements of the cooperative agreement.

For the audit sample of 50 of the 107 students starting in fall 2008 and fall 2009, AUC met or exceeded some of the six monitoring and evaluation plan targets.¹⁰ For both classes, AUC met or exceeded targets for *improvement in grade point average for selected students* and *student satisfaction with activities*. For the fall 2008 class, AUC also achieved intended results for *student participation rate*. For the fall 2009 class, the program fell slightly short of achieving its target for *student participation rate* and did not achieve two other targets—*student grade point average* and *scores on a leadership index developed by LEAD*. AUC program officials did not collect any information on one target, *student satisfaction with LEAD coordinators*, for either class.

In addition to the program activity targets developed by AUC to measure program achievements, USAID/Egypt's cooperative agreement requires students to maintain a grade point average (GPA) of 2.0 for continued eligibility. Students with GPAs below 2.0 are placed on academic probation for two semesters. Over a 2-year period, at least eight students had grade point averages less than 2.0 for at least one semester. However, as of July 2010, four of these students had increased their GPAs above 2.0 within one semester. Tables 3 and 4 provide more information on grade point averages.

Table 3: Grade Point Averages for Fall 2008 Class Sample*

Grade Point Average	Fall 2008 Cumulative	Spring 2009 Cumulative	Fall 2009 Cumulative	Spring 2010 Cumulative
Below 2.00	1	0	1	2
From 2.00 to 2.99	1	4	9	9
3.00 or Higher	9	15	12	11
English Language Institute program[†]	12	4	0	0

* Because one student was dismissed after the first program year, the number of students decreased by one between spring 2009 and fall 2009. GPAs for an additional two students from the audit sample were not available because these students withdrew from the program.

[†] English Language Institute program's courses are graded on a pass/fail basis and do not affect a student's GPA.

⁹ The LEAD monitoring and evaluation plan also included an activity target for *student participation in community involvement campaigns*. According to AUC officials, this measure contributed to the leadership index target developed by LEAD.

¹⁰ While 111 applicants were selected for the program (54 for the fall 2008 class and 57 for the fall 2009 class), two students withdrew prior to enrolling and another withdrew after the program started. In addition, at the time of our audit, one student had been dismissed from the program. As a result, the total population for the fall 2008 and fall 2009 classes was 107 students.

Table 4: Grade Point Averages for Fall 2009 Class Sample

Grade Point Average	Fall 2009 Cumulative	Spring 2010 Cumulative
GPA Below 2.00	3	2
GPA from 2.00 to 2.99	2	5
GPA 3.00 or Higher	5	10
English Language Institute program[†]	15	8

[†] English Language Institute program’s courses are graded on a pass/fail basis and do not affect a student’s GPA.

AUC generally has been successful in recruiting, selecting, and conducting scholarship program activities for students. However, USAID/Egypt has the potential to increase program results by strengthening its management controls. Specifically, the mission needs to—

- Improve oversight of the program.
- Follow and enforce cooperative agreement requirements.
- Finalize the plan to follow up on graduates.

USAID/Egypt Should Improve Program Oversight

Automated Directives System (ADS) 303, “Grants and Cooperative Agreements to Non-Governmental Organizations,” requires the agreement officer’s technical representative (AOTR) to monitor and evaluate a recipient’s performance during the award. In addition, it requires USAID to always have some involvement in assistance awards—for example, monitoring performance and reviewing implementer reports. Moreover, the LEAD program AOTR’s designation letter outlines various oversight responsibilities, including monitoring AUC’s progress in achieving the objectives of the cooperative agreement and verifying that AUC’s program-funded activities conform to the terms and conditions of the award. In addition, ADS 202.3.6, “Monitoring Quality and Timeliness of Key Outputs,” notes that monitoring the quality and timeliness of outputs produced by implementing partners is a major role for AOTRs. USAID also provides extensive guidance related to data quality. ADS 203.3.5.1, “Data Quality Standards,” identifies five criteria for assessing data quality: validity, integrity, precision, reliability, and timeliness. While this ADS component is specific to data used for performance management plans, these criteria can be used as a resource to help missions to ensure the appropriateness of data on which they rely.

USAID/Egypt’s Office of Education and Training conducted limited monitoring of the program’s performance. Mission staff reported monitoring the program by reviewing AUC’s vouchers and quarterly progress reports. The office’s AOTR compared information from the progress reports with activity targets identified in AUC’s monitoring and evaluation plan. In addition, the AOTR reported reviewing announcements designed to recruit students, conducting site visits, and maintaining regular contact with AUC program staff. On the basis of these reviews, the AOTR stated that the office

believed the program was on track to achieve its objectives. However, mission staff did not test or verify the data provided in the progress reports. In addition, mission staff did not review implementer work plans, which are normally used to document actual program activities, because this type of review was not required by the cooperative agreement. Moreover, AUC did not exercise sufficient care in documenting and reporting data to the mission.

Documentation Should Be Improved – Although not required to do so by the cooperative agreement, AUC program officials developed work plans for the 2008 and 2009 LEAD classes, documenting planned activities. In addition, program officials developed a monitoring and evaluation plan with targets, including *student participation rates* and *student satisfaction with activities*. Yet these plans had deficiencies.

The work plans for students beginning the program in fall 2008 included activities to develop students' leadership skills. However, the work plan for these students did not set target dates for activities or describe how they related to program objectives. During the absence of a LEAD coordinator at the beginning of the fall 2009 semester, AUC officials did not develop a work plan as a guide for program activities for the new students prior to the start of the academic year. After AUC hired a coordinator in October 2009, the new staff person created the work plan progressively throughout the semester.

Although AUC included activity targets for student participation and satisfaction in its monitoring and evaluation plan for the 2008–2009 and 2009–2010 academic years, neither USAID/Egypt nor AUC clearly defined what type of documentation was required to demonstrate meeting these targets. As a result, documentation that the program coordinators collected and maintained was incomplete. LEAD coordinators did not always require students to attend activities, document attendance, or complete satisfaction surveys. In addition, the coordinators did not request attendance sheets from other AUC offices that provided training or organized other events for the LEAD students. Further, program staff were not aware of one target described in the plan—*student satisfaction with LEAD coordinators*; therefore, staff did not collect any data on it. Moreover, although AUC tracked satisfaction data in multiple spreadsheets, program staff could not always provide evaluation forms to support the information entered into those spreadsheets.

AUC did not define or maintain documentation needed to support the results reported to USAID in progress reports. The documentation weaknesses diminished the value of information reported to USAID/Egypt.

Data Reliability Should Be Improved – USAID/Egypt's Office of Education and Training cannot fully rely on information in AUC's progress reports because of incomplete and unreplicable data for the selection process and on student satisfaction and participation rates. Information in the selection databases was incomplete. For example, English language test scores of several applicants for the 2008–2009 academic year were never entered into the selection database. Similarly, AUC did not enter scores for final applicant interviews for the 2009–2010 academic year into the selection database. Program staff stated that the interview panel made recommendations for selection and that, although the interview scores should have been entered, staff did not enter the information into the selection database because of insufficient time.

In addition, the steps taken to sort and weigh the selection data were unclear and could not be easily replicated. The AUC selection databases did not clearly identify elements used to determine results for each stage of the selection process, such as language testing, national test scores, and scores based on an applicant file review. The lack of clear protocols used to sort data and rank applicants made it difficult for AUC officials to replicate and explain the information on applicants generated during each phase of the selection process, information that was communicated to USAID/Egypt in quarterly progress reports. AUC reported both actual and projected information in its progress reports to USAID/Egypt. However, before the audit, USAID/Egypt officials believed that the information in the progress reports was factual.

In some cases, student satisfaction rates and participation rates that AUC reported to USAID/Egypt in its progress reports were inaccurate and lacked support. AUC overreported satisfaction rates by up to 16 percent and underreported them by as much as 5 percent; similarly, it overreported participation rates by as much as 11 percent and underreported them by as much as 2 percent. In addition, student satisfaction with and participation in some activities could not be verified because, as noted previously, program staff had not collected data on either target for those activities. Appendixes V and VI include the data reviewed for both targets.

USAID/Egypt's Office of Education and Training conducted limited monitoring of the AUC program. Oversight was not sufficient to ensure that the program accurately documented results and reported on program activities. According to mission officials, their monitoring and oversight role was limited by the cooperative agreement. The cooperative agreement's substantial involvement provisions include the approval of AUC's program coordinator, participation in the development and refinement of selection procedures, and approval of nominations for scholarship awards. Mission staff reviewed and questioned AUC program vouchers and reviewed data in progress reports. Mission staff compared the data with targets in the AUC monitoring and evaluation plan. However, the AOTR stated that the mission did not request or review the AUC program work plans because such review was not specified in the cooperative agreement. Furthermore, mission staff reported resistance from AUC to providing information beyond that explicitly required in the cooperative agreement. Mission staff also noted that changing the substantial involvement language of a highly visible cooperative agreement like the program can be difficult. In addition, officials stated that earmark language for this program can make it difficult for a mission to design and manage a program because earmarks can limit mission flexibility and control. According to mission staff, ambiguities and misconceptions about the mission's management oversight role, compounded by difficulties in obtaining information from AUC, affected their oversight of the program.

Notwithstanding the language in the cooperative agreement that may restrict USAID's substantial involvement in the direct management and oversight of a cooperative agreement, the mission has a fiduciary responsibility to monitor any USAID-funded program in the interest of the U.S. Government. Because the American people entrust the stewardship and management of public funds to USAID, mission managers must ensure that program oversight addresses problems that may impede desired results and weaken accountability and credibility. Reliance on AUC's progress reports to monitor most program activities impedes the mission's ability to assist an implementer in improving its processes and procedures to ensure efficient and effective use of USAID

resources. Consequently, this audit makes the following recommendations.

Recommendation No. 1: We recommend that USAID/Egypt amend the Leaders for Education and Development Scholarship Initiative Program cooperative agreement to require mission approval of annual work plans that establish program activities and target dates related to program objectives.

Recommendation No. 2: We recommend that USAID/Egypt document its review of the monitoring and evaluation plan for the Leaders for Education and Development Scholarship Initiative Program to ensure that performance indicators used to measure program results are defined and documented.

Recommendation No. 3: We recommend that USAID/Egypt develop a monitoring process to periodically review the American University in Cairo's data for completeness, accuracy, and consistency.

USAID/Egypt and Implementer Should Ensure That Cooperative Agreement Requirements Are Followed

USAID/Egypt's second cooperative agreement with AUC for the LEAD program establishes multiple activities that should be conducted during the recruitment, selection, and scholarship phases, unless both parties agree in writing to modifications. The agreement, among other things, requires USAID/Egypt to approve final nominations for scholarship awards and requires AUC to—

- Follow certain selection requirements, including considering applicants who have achieved a score of 85 percent or higher on Egyptian national examinations.
- Implement orientation programs for LEAD students.
- Develop annual conferences for all students to share their concerns and plan for the subsequent semester.
- Monitor students' progress toward graduating within 6 years.

In at least five instances—related to student selection, scholarship approval, orientation, the annual conference, and monitoring progress toward graduation—USAID/Egypt's Office of Education and Training and AUC did not follow the terms of the cooperative agreement.

During the selection process for the 2008–2009 academic year, AUC staff used a higher national testing score than the one specified in the cooperative agreement, 90 percent instead of 85 percent. As a result, AUC did not consider at least eight students who scored between 85 and 90 percent for the LEAD program. In this case, AUC did not notify USAID/Egypt to allow the mission to approve this change to the terms of the cooperative agreement. In fact, the mission was not aware of the change until this audit identified the issue.

For its part, USAID/Egypt did not approve the final LEAD scholarship awards, despite the cooperative agreement requirement that the mission do so. Because the AOTR

normally observes selected student interviews as the final component of the selection process, mission officials stated that approving the scholarship nominations was not necessary. Further, mission officials noted that the cooperative agreement qualifies the requirement for USAID/Egypt to approve the scholarship awards, stating that the “ultimate decision to admit students to [AUC] shall rest exclusively with the University.” However, by not reviewing and approving the final list of proposed scholarship recipients, the mission may not be fully cognizant of the program’s award recipients.

Beyond selection, the cooperative agreement requires AUC to arrange orientation activities for LEAD students, including a Cairo tour for new students, most of whom come from other parts of Egypt. Instead, for one class of students AUC provided a dinner at a park and a team-building activity at an art center. In addition, although AUC was required to introduce a buddy system to students during their orientation in 2008 and 2009, AUC officials could not provide any documentation showing that the officials implemented or introduced a buddy system. Moreover, at least one LEAD coordinator was not aware of this requirement.

The cooperative agreement also states that students will attend an annual conference, where they will establish goals for the following semester. However, program staff did not require students to attend the annual conference, and not all of them did. In addition, staff did not use the conference to establish goals for the following semester. Rather, students planned and organized annual LEAD conferences in Cairo in February of both the 2008–2009 and 2009–2010 academic years as an experience in event planning.

AUC did not monitor all students’ progress adequately to ensure graduation within 6 years of enrollment, a condition for students’ participation in the program. The LEAD director stated that students had to complete academic plans each semester. The program monitored progress toward graduation by reviewing students’ academic plans. However, of students beginning study in fall 2009, the audit found that only 32 percent had completed an academic plan and answered the question in the plan regarding their progress toward graduating on schedule.



This flyer announces the 2009–2010 LEAD conference.
(Image provided by AUC)

According to AUC program staff, they were not aware of all the elements included in the cooperative agreement and did not understand the binding nature of the agreement. Moreover, the AUC program director believed the agreement contained proposed activities instead of required activities. In relation to the cooperative agreement requirement that USAID/Egypt approve the final LEAD scholarship awards, mission staff stated that the mission exercised adequate oversight of the selection process given that AUC officials have the authority to make the final scholarship award decisions. Although the current cooperative agreement states that the selection, implementation, and scholarship program activities described in the agreement are illustrative, it also states that changes should be agreed to in writing by both the recipient and USAID/Egypt.

Although USAID/Egypt's cooperative agreement for LEAD specifies multiple activities that should be completed during the program's recruitment, selection, and scholarship periods, these activities are illustrative and can be changed if both parties agree. Mission officials will need to play a more active role to ensure that some key program components are conducted. Since AUC does not recognize the binding nature of the cooperative agreement as a contractual document, the mission cannot be sure that program activities will be achieved successfully and as envisioned. Consequently, this audit makes the following recommendation.

Recommendation No. 4: We recommend that USAID/Egypt document its review of the cooperative agreement for the Leaders for Education and Development Scholarship Initiative Program to ensure that mission and implementer activities are identified and understood by all parties and are reflected in other implementing documents such as the work and monitoring plans.

USAID/Egypt Should Ensure Followup on Program Graduates

USAID/Egypt's LEAD program was created, in part, to develop future leaders for society. In October 2009, USAID/Egypt revised the second cooperative agreement with Modification No. 5 to require AUC to design indicators to measure program graduates' contribution to Egyptian society. In accordance with the modification, AUC was to develop these indicators by the end of March 2010.

As of July 2010, AUC reported that 69 students had graduated with majors in areas including engineering, computer science, economics, and political science. Forty-two of the 48 students who started the program in fall 2004 (88 percent) have graduated. An additional 25 students who began in fall 2005 and 2 students who began in fall 2006 have also graduated.¹¹ Students graduated within the 6-year timeframe, in 5 years on average. Only 28 of the 325 students admitted to LEAD have been dismissed from the program or have withdrawn before completing their studies, for a 91 percent retention rate.

Although students had graduated, AUC had not finalized indicators to track the graduates' activities. The AUC staff had developed a draft monitoring and evaluation

¹¹ These 69 students account for 21 percent of the 325 students admitted to the LEAD program.

plan to track graduates' employment, participation in community service, and continued professional development. Program staff and graduates noted that the program coordinators had tracked graduates informally by e-mail and telephone. The LEAD coordinators included the information gathered informally in quarterly progress reports to USAID/Egypt.

Until October 2009, USAID/Egypt's Office of Education and Training did not specifically require AUC to track graduates. Although the first and second LEAD agreements identified the need for followup studies to be performed after students graduated, the agreements did not explicitly require tracking graduates' activities. By the time Modification No. 5 to the second agreement took effect, requiring development of followup indicators, LEAD students had already begun graduating.

Despite the USAID/Egypt AOTR's suggestions to conduct followup studies of LEAD graduates, the program had no monitoring and evaluation manager from the time the former manager left the program in March 2010 to the time of the audit. AUC staff stated that a replacement, once hired, would be responsible for finalizing the monitoring and evaluation plan for graduate followup. Although the AUC program director stated that the program did not have a budget to follow up on LEAD graduates, followup would be a duty of the monitoring and evaluation manager, whose position was included in the LEAD budget.

Without followup on graduates, USAID/Egypt and AUC cannot be sure that the scholarship program is contributing to students' development as leaders in Egyptian society. The first students having graduated in fall 2008, USAID/Egypt and AUC have the opportunity to begin a review of indicators that could demonstrate the overall success of, and justify continuing, the program. To encourage the mission to seize the opportunity, this audit makes the following recommendation.

Recommendation No. 5: We recommend that USAID/Egypt develop and implement a monitoring plan to track and assess the leadership and development activities of graduates of the Leaders for Education and Development Scholarship Initiative Program to document program impact.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Egypt agreed with the five recommendations included in the draft report. RIG/Cairo reviewed the mission's responses and has determined that management decisions have been reached on all five recommendations.

Regarding recommendation no. 1, USAID/Egypt stated that the mission will modify the cooperative agreement to require the implementer, the American University in Cairo (AUC), to develop annual work plans with clearly established activities and milestones. The mission expects AUC to submit an annual work plan by November 30, 2010, for the program performance period through June 2011. Based on the mission's planned actions, RIG/Cairo considers that a management decision has been reached on recommendation no. 1.

In response to recommendation no. 2, USAID/Egypt agreed with the recommendation and is preparing to conduct an annual review of AUC's monitoring and evaluation plan by December 31, 2010. Accordingly, RIG/Cairo considers that a management decision has been reached on recommendation no. 2.

Regarding recommendation no. 3, USAID/Egypt agreed with the recommendation and plans to conduct semiannual meetings with AUC to review the implementer's data. The mission also plans to develop a monitoring tool by January 31, 2011 that will include a file review to confirm the completeness, accuracy, and consistency of data reported on students' selection, grade point averages, and attendance at career-building activities. Consequently, RIG/Cairo considers that a management decision has been reached on recommendation no. 3.

In response to recommendation no. 4, USAID/Egypt plans to develop a checklist of required cooperative agreement activities and actions to be used as a monitoring tool in conjunction with the planned finalized work plans and a revised monitoring and evaluation plan by December 31, 2010. As a result of these planned actions, RIG/Cairo considers that a management decision has been reached on recommendation no. 4.

Regarding recommendation no. 5, USAID/Egypt plans to ensure that tracking actions begin for graduate's postcollegiate activities using the revised monitoring and evaluation plan that is to be developed by December 31, 2010. Based on these mission plans, RIG/Cairo considers that a management decision has been reached on recommendation no. 5.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with the audit objective. We believe the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Egypt's Leaders for Education and Development Scholarship Initiative (LEAD) Program was achieving its main goals of selecting and training Egyptian public school students to become leaders in Egyptian society. To implement the program, USAID/Egypt signed two cooperative agreements with the American University in Cairo (AUC), valued at approximately \$11.4 million and \$30.8 million, respectively.¹² The audit focused on activities conducted as part of the second cooperative agreement during the academic years 2008–2009 and 2009–2010 for the program's fifth and sixth classes of students, which began the program in fall 2008 and fall 2009, respectively.

In planning and performing the audit, we assessed internal controls related to documentation and data verification, supervisory and management review, and review of performance measures and activity targets. Specifically, we evaluated the mission's program documentation, including USAID/Egypt's 2008 and 2009 Federal Managers' Financial Integrity Act of 1982 documentation, USAID/Egypt's full performance plan and report for 2008 and 2009, data quality assessments, and oversight performed by the agreement officer's technical representative.

Audit fieldwork was performed at the USAID/Egypt mission and the implementing partner's offices from May 31 to July 22, 2010. In addition, the team obtained information from current LEAD students and graduates through both e-mail and telephone interviews.

Methodology

To answer the audit objective, we interviewed USAID/Egypt staff to gain an understanding of the program history, associated risks, and status. We reviewed program efforts to recruit and select students, implement scholarship program activities for enrolled students, and follow up with program graduates. We also interviewed implementing partner (AUC) staff and current and former LEAD students. We reviewed applicable laws and regulations and USAID policies and procedures. To determine progress toward the program's stated objectives, we reviewed documentation provided by the mission and implementing partner, including the current cooperative agreement and modifications; progress and financial reports from fiscal years 2008, 2009, and 2010; implementer work plans; files of the agreement officer's technical representative;

¹² The first cooperative agreement, 263-A-00-04-00030-00, funded the first two classes of scholarships, along with part of the third. The second, 263-A-00-07-00023-00, funded the remainder of the third, along with all subsequent classes.

and implementer documentation such as selection scoring and training attendance sheets.

To verify information reported to USAID/Egypt on the selection process and scholarship program activities, we selected a statistical sample of students and reviewed records for those students. With the assumption of 5 percent error, a variation of +/- 4 percent, and a 95 percent confidence level, the Office of Inspector General's statistician in Washington selected a random statistical sample of 25 students starting the program in fall 2008 and 25 students starting the program in fall 2009. For the class starting in fall 2008, two students in our sample withdrew from the program, and one student was dismissed. In addition, for some measures, student identifier information was not available. In these cases, files for all students were reviewed. Using this process and site visits to the implementing partner, we verified the results reported to USAID/Egypt in the implementing partner's progress reports. Also using this process, we determined the extent to which AUC was meeting the targets established in its monitoring and plan, which USAID/Egypt reported using to monitor program results.

To determine whether the program was addressing cooperative agreement requirements related to recruitment for the program, we interviewed mission and AUC staff and reviewed AUC documents related to recruitment. To determine the extent to which the program was following up with graduates, we interviewed AUC staff and reviewed relevant documents. We also obtained information from a limited number of LEAD graduates (12) through an e-mail questionnaire.

MANAGEMENT COMMENTS



MEMORANDUM

Date : October 11, 2010

To : Jacqueline Bell, Regional Inspector General/Cairo

Through : James Bever, Mission Director /s/

From : Evelyn Perez, OET Office Director /s/

Subject : Mission Response to Draft Audit of USAID/Egypt's Leaders for Education and Development Scholarship Initiative Program

USAID/Egypt has reviewed the draft Audit Report No. 6-263-10-00X-P dated September 29, 2010 and following is the Mission response to the Audit report. The Mission would like to thank the staff of the RIG Office for the time and effort that they put into the audit of USAID/Egypt's Leaders for Education and Development scholarship program. The Mission appreciates the opportunity to provide written comments regarding the subject report.

The USAID/AUC relationship is politically very important and is a strong element of the U.S. government's bilateral relationship with Egypt. The USG has a long history of recognizing AUC's unique position and capabilities in Egypt, especially in an increasingly contentious Middle East. The LEAD program helps support the United States' joint efforts with the Government of Egypt to strengthen development of the workforce and promote human capacity building through scholarship and higher education programs and opportunities.

The LEAD program has progressively improved over the last years. An evaluation of the LEAD program was conducted in May 2008 to assess the extent the project objectives were being met. Since that evaluation, there have been many significant program improvements and adjustments. For example, LEAD management has developed and implemented student grant terms and conditions to better hold all stakeholders responsible.

The RIG audit report noted that OET stated resistance from AUC in providing information beyond what was explicitly required in the cooperative agreement. The report further added that Mission officials stated that the earmark language pertaining specifically to this program make it difficult to closely monitor implementation. Various Mission staff also reported that changing the substantial involvement language of a highly visible cooperative agreement such as the LEAD program is difficult. In light of the above facts, OET believes the RIG audit report will enable the Mission to take additional steps to improve implementation of the LEAD program through an amendment of the cooperative agreement which allows deeper USAID/Egypt management oversight.

RIG Recommendation 1: We recommend that USAID/Egypt amend the Leaders for Education and Development scholarship program cooperative agreement to require mission approval of annual work plans that establish program activities and target dates related to program objectives.

RIG Recommendation 2: Document its review of the cooperative agreement and the American University in Cairo's Leaders for Education and Development Scholarship Initiative Program monitoring and evaluation plan to ensure that performance indicators and expectations are clearly defined and documented (see page 8).

OET Response: Agreed. OET will modify the cooperative agreement to require annual work plans with clearly established activities and milestones. AUC will submit an Annual Work Plan by November 30, 2010 covering the period through June 30, 2011. Further, OET together with AUC will review the binding nature of the cooperative agreement and its amendments annually. This review will also be used to review AUC's M&E plan in accordance with the suggestions on clearly define the type of documentation is required to demonstrate meeting targets and ensure effective monitoring of performance indicators related to student selection, scholarship approval, orientation, conference activities, and graduation monitoring activities. The first such meeting will occur during the first quarter of FY11. Meeting notes will be produced.

Based on the above, the Mission believes that a management decision has been reached on this audit recommendation and requests closure of Recommendation No. 1 and 2 upon the modification of the cooperative agreement and the report issuance.

RIG Recommendation 3: Develop a monitoring tool to periodically review the implementer's data for completeness, accuracy, and consistency (see page 8).

OET Response: Agreed. Beginning in January 2011, OET will lead a regularly scheduled semi-annual meeting in which AUC's data will be reviewed and this will verify LEAD's quarterly activities and associated data. This periodic file review will confirm evidence of completeness, accuracy, and consistency of: a) student selection decision making, including evidence of fair and transparent interview panels; b) grade point average monitoring; c) student attendance at career-building activities. Concise reports will be generated to document regular implementation of this monitoring tool.

Based on the action identified above, the Mission requests RIG/Cairo concurrence that a management decision has been reached and that this audit recommendation be considered closed upon the development of a monitoring tool to be completed in January, 2011.

RIG Recommendation 4: Recommend that USAID/Egypt document its review of the cooperative agreement with AUC to ensure that mission and implementer activities are identified and understood by all parties, and are reflected in other implementing documents, such as the work and monitoring plans.

OET Response: Agreed. OET will clarify with AUC the cooperative agreement's required program activities; annual work plans; and M&E plan. A checklist of required cooperative agreement activities/actions; final annual work plans; and a revised M&E plan that ensures regular assessment of each activity's progress will be produced by December 31, 2010.

Based on the action identified above, the Mission requests RIG/Cairo concurrence that a management decision has been reached and that this audit recommendation be considered closed upon the submission of a revised M&E plan on December 31, 2010.

RIG Recommendation 5: Develop and implement a monitoring tool to track and assess Leaders for Education and Development Scholarship program graduates' post collegiate leadership and development activities to document program impact (see page 11).

OET Response: Agreed. Through the revised M&E plan due to be submitted to USAID before December 31, 2010. OET will ensure the LEAD program's M&E director track and assess graduates' post collegiate activities and report program impact. (Youmna Khalil, the new AUC M&E director, joined the LEAD program on August 22, 2010, and OET has met with her to discuss her role and USAID expectations on this matter.)

Based on the action identified above, the Mission requests RIG/Cairo concurrence that a management decision has been reached and that this audit recommendation be considered closed upon the submission of a revised M&E plan on December 31, 2010.

Program Expenditures, Average Student Costs, and Student Majors

Program Expenditures and Average Student Costs as of March 2010

Class Starting Semester	Expenditures (\$)	Average Cost Per Student (\$)
Fall 2008	2,805,812	28,058
Fall 2009	1,480,921	25,981
Total	4,286,734	Cumulative Average 27,020

Note: Expenditure total reflects rounding.

LEAD Student Majors*

Major	Class Starting Fall 2008	Class Starting Fall 2009
Architectural engineering	1	
Business administration	1	
Biology		5
Chemical engineering	5	5
Chemistry	2	1
Communication and media arts		5
Construction engineering		2
Computer engineering	1	
Computer science	8	10
Economics	1	
Electronics engineering	4	3
Journalism and mass communications		1
Mechanical engineering	6	2
Petroleum and energy engineering	8	10
Physics	1	
Political science	2	6
Psychology	1	1
Undecided	8	5
Marketing	1	
Integrated marketing communications		1

* Unaudited AUC information as of March 2010.

Implementer's Targets and Reported Results*

Fall 2008 Class			
Number	Target	Met	Verification
1	Grade point average: Average grade point average (GPA) is higher than 3.0 for 80% of students (semester)	No	65%
2	Improvement in grade point average for selected students: 0.5 point improvement for students below 1.7 grade point average (semester)	Yes	One student had a GPA below 1.7, and the student's GPA increased by more than 0.5 points in the following semester.
3	Student scores on a leadership index developed by LEAD: Student performance is greater than 3 on the leadership index.	No	83% of the students have an overall official score greater than 3 as of the fall 2009 semester.
4	Student participation rates: 90% attendance in trainings	Yes	90%
5	Student satisfaction with activities: 75% satisfaction with activities	Yes	84%
6	Student satisfaction with LEAD coordinators: 75% satisfaction with coordinator performance	No	Coordinator's performance was not evaluated.
Fall 2009 Class			
Number	Target	Met	Verification
1	Grade point average: Average grade point average is higher than 3.0 for 80% of students (semester)	No	49%
2	Improvement in grade point average for selected students: 0.5 point improvement for students below 1.7 grade point average (semester)	Yes	Three students had GPAs below 1.7, and all three students' GPAs increased by more than 0.5 points in the following semester.
3	Student scores on a leadership index developed by LEAD: Student performance is greater than 3 on the leadership index.	No	64% of students have an overall unofficial score greater than 3 as of the fall 2009 semester. [†]
5	Student participation rates: 90% attendance in trainings	No	83%
4	Student satisfaction with activities: 75% satisfaction with activities	Yes	91%
6	Student satisfaction with LEAD coordinators: 75% satisfaction with coordinator performance	No	Coordinator's performance was not evaluated.

* The LEAD monitoring and evaluation plan also includes an activity target for *student participation in community involvement campaigns*. According to AUC officials, this measure makes up part of the leadership index target developed by LEAD.

[†] LEAD program officials stated that the program does not officially record students' leadership index scores for the first semester. Second semester leadership index scores for these students had not been completed by the time of the audit.

Student Satisfaction Rates for Selected Activities

Fall 2008 Class

Name of Activity	Reported Rate (%)	Verified Rate (%)	Percentage Over- or Underreported
Aspire leadership training	98	98	0
Fayoum retreat	100	100	0
Art-of-living session	99	86	16
Communication skills training	83	75	11
Needs assessment	100	98	2
Misriyati workshop on identity, diversity, minority rights, and conflict resolution	53	47	13
Presentation skills training	NA	83	NA

Fall 2009 Class

Name of Activity	Reported Rate (%)	Verified Rate (%)	Percentage Over- or Underreported
Weekly meetings	88	88	1
Vision event	81	85	-5
Social skills training	98	93	6
Career Advising and Placement Services Office training	93	98	-5

Student Participation Rates for Selected Activities Fall 2008 Class

Training or Event	Reported Rate (%)	Verified Rate (%)	Percentage Over- or Underreported
Faculty academics session	Not reported	75	NA
Biweekly meetings	Not reported	84	NA
Team-building event at Fagnoun	Not reported	100	NA
Career Advising and Placement Services Office training	Not reported	82	NA
Winter camp	96	96	0
Community transformation project and team meetings facilitation	Not reported	100	NA
Fayoum retreat	Not reported	Limited support	NA
Team-building retreat in the black and white desert	Not reported	92	NA
Art-of-living session	22	22	0
Basic communication training	100	90	11
Leadership Paradox training	10	Unsupported	
Needs assessment theoretical training	100	94	6
Winter camp	96	96	0
Hands-on needs assessment training	100	92	9
Misriyati workshop on identity, diversity, minority rights, and conflict resolution	100	90	11
Self-awareness session	Not reported	76	NA
Presentation skills coaching	Not reported	100	NA
Fall 2009 weekly meetings	Not reported	82	NA

**Student Participation Rates for Selected Activities
Fall 2009 Class**

Training or Event	Reported Rate (%)	Verified Rate (%)	Percentage Over- or Underreported
Orientation program			
October 3 session	Not reported	49	NA
October 9 session	Not reported	93	NA
Weekly meetings	100	Limited support	
Tailored orientation	100	No attendance documented	
Presentation skills training	100	93	8
Discussion and training in constructive criticism	100	Unsupported	
Skill enhancement workshops	Not reported	16	
E-mail etiquette training	100	100	0
Personal visions training	100	98	2
Social etiquette training	100	98	2
Cultural outing (to concert)	98	No attendance documented	
Career Advising and Placement Services Office training	100	99	1
Values training	100	96	5
Dahab retreat	98	100	-2
Old Cairo tour	95	Limited support	
Annual conference	Not reported	75	NA

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