

PD-ABB-291

100-67226

**Audit of USAID/Egypt's
Child Survival Project
No. 263-0203**

**Audit Report No. 6-263-90-06
June 20, 1990**

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

June 20, 1990

MEMORANDUM FOR D/USAID/Egypt, Marshall D. Brown

FROM : RIG/A/C, F. A. Kalhammer 
SUBJECT: Audit of USAID/Egypt's Child Survival
Project No. 263-0203

The Office of the Regional Inspector General for Audit/Cairo has made the subject audit and provided a draft report for your review and comment. Your comments are included as Appendix 1 to this report. Ten copies of the report are being forwarded herewith to you and your audit liaison for appropriate distribution within your Mission.

The report contains five recommendations for your action. The status of those recommendations as of the date of report issuance is as follows: Recommendations 1 and 2 are closed; Recommendations 3, 4 and 5 are considered "resolved." The recommendations remaining open can be closed when promised corrective actions have been completed.

Please advise me within thirty days of any actions planned or taken to close the open recommendations.

Thank you for the cooperation and courtesy extended to my staff during the audit.

U.S. Mailing Address:
Box 10, RIG/A/C
FPO New York 09527-0008

106, Kasr El-Eini St.
11th floor, Cairo Center Building
Garden City, Cairo, Egypt

Tel. Country Code (202)
No. 357-3345/6/7, 3909
Telefax: 355-4318

EXECUTIVE SUMMARY

On July 30, 1985 USAID/Egypt agreed to finance a Child Survival Project with the goal of improving the health of Egyptian people through the reduction of morbidity and mortality in infants, children and women of childbearing age. Principal activities to be financed over the life of project through July 31, 1993 were: (1) immunization of children for the six major diseases; (2) early diagnosis and treatment of acute respiratory infections; (3) child nutrition; and (4) child spacing. As of January 31, 1990, \$26 million had been obligated, \$12.2 million committed, and \$3.8 million disbursed.

The Office of the Regional Inspector General for Audit, Cairo conducted a performance audit of USAID/Egypt's Child Survival Project. Audit objectives included determining: to what extent the technical assistance contractor's performance had hindered project completion; whether vaccination coverage is sustainable; the adequacy of participant training efforts; whether adequate financial controls were being exercised; and the adequacy and timeliness of efforts taken to assess project progress.

The audit concluded that: the U.S. technical assistance contractor had failed to provide agreed upon key personnel and the necessary work products such as work and implementation plans in a timely manner; while vaccination coverage has almost been achieved, its desired effect may not be accomplished because of deficiencies in the cold chain; training has been seriously delayed -- less than ten percent of targeted training has been provided; substantial amounts are available in the budget that could be either saved or reprogrammed for other purposes; and project progress will be difficult to measure because output indicators are vague and outdated.

To correct these problems, specific recommendations were made for prompt action to be taken by USAID/Egypt to resolve any outstanding issues, including amending formal project documents to reflect the necessary changes suggested by the audit. USAID/Egypt's project officials are to be commended for their active involvement in monitoring and managing project activities, attempting to accelerate progress and taking corrective action. Management had initiated action on many of the issues we identified before, during and after the audit was made.

USAID/Egypt's Summary Response to the Audit

Significant management time has been expended in implementing this important project. The auditors have not only independently confirmed all the areas of concern identified by management, but have also endorsed all the management initiatives taken to foster and promote project implementation. We are disappointed that the audit report does not discuss all the audit objectives. It limits discussion to the exceptions, and furthermore, does not report on the considerable progress made by the Government of Egypt (GOE) and USAID on the issues cited in the audit recommendations.

As indicated in the audit report, contracting delays as well as poor contractor performance resulted in many implementation delays. Although the project was designed to be implemented by the prime contractor, USAID has taken steps to facilitate project implementation and address key issues in spite of staffing limitations. For example, when the selection of the host-country contract was delayed by the Ministry of Health (MOH), USAID in collaboration with UNICEF provided the training necessary to develop the management capability to implement and maintain the immunization program. USAID's intervention resulted in the purchase of twenty million syringes for use in the immunization program in Egypt. Joint USAID/UNICEF efforts resulted in eighty percent immunization coverage rates, the highest recorded in USAID's geographic bureau.

Similarly, when the important cold-chain activity was delayed by host country contracting issues, USAID encouraged the MOH to conduct its own preliminary assessment of cold chain equipment needs which formed the basis for procuring four thousand refrigerators for rural health clinics. This intervention was possible mainly because USAID had previously developed the cold-chain management and maintenance capability within the Ministry of Health. In April 1989, USAID decided to conduct the cold-chain evaluation. The evaluation was to focus on the engineering deficiencies in the cold-chain. This activity was later funded by UNICEF. The World Health Organization (WHO) funded engineer's report was utilized by A.I.D. to fund a cold-chain work plan. The collaboration amongst UNICEF, WHO, and USAID has required compromises in program scheduling, but has resulted in outstanding program results. In addition, USAID has periodically provided support to the technical assistance contractor to ensure that sub-contracts are in place to implement critical activities.

RIG/A/C's Response

This performance audit was begun late in 1989 under reporting guidelines which are gradually being phased out. Nevertheless, all audit objectives were adequately addressed and reported on. Issuance of the report was delayed because the Mission took over 2 1/2 months to provide us with its comments on the draft report. Many of those comments include information which was not provided at the exit conference held to discuss our preliminary audit results before this report was drafted. The Mission has accepted our five recommendations and been credited with taking timely actions which have allowed us to close or "resolve" those recommendations.

Office of the Inspector General

**Audit Of USAID/Egypt's
Child Survival Project
No. 263-0203**

TABLE OF CONTENTS

	Page
PART I - INTRODUCTION	1
A. Background	1
B. Objectives, Scope and Methodology	2
PART II - RESULTS OF AUDIT	5
A. Findings and Recommendations	6
1. The Project Was Delayed by Defective Contractor Performance	6
2. Prompt Action Was Not Taken to Implement a Cold Chain Study	9
3. Training Plans and Budget Needed to Be Revised	13
4. Changes in Life-of-Project Budget Should Be Based on Accurate Inflation and Exchange Rate Data	15
5. Vague and Outdated Output Indicators Create Difficulties in Measuring Project Progress	17

B. Compliance and Internal Controls 19

C. Other Pertinent Matters 20

PART III - EXHIBITS AND APPENDICES

EXHIBITS

1. Recommended Revision for Life-of-Project Budget

2. Project Design Summary Logical Framework

APPENDICES

1. Management Comments

2. List of Recommendations

3. Report Distribution

**Audit of USAID/Egypt's
Child Survival Project
No. 263-0203**

PART I - INTRODUCTION

A. Background

Deaths of infants and children under five account for 50 percent of all deaths occurring in Egypt each year. This is due to the high incidence of communicable childhood diseases, diarrhea, and acute respiratory infections, coupled with high birth rates, short intervals between births, poor care during delivery, and malnutrition.

The Child Survival Project focuses on four interventions that address most of the major causes of infant death. The interventions are: 1) immunization for six major childhood diseases, 2) early diagnosis and treatment of acute respiratory infections, 3) child nutrition, and 4) child spacing. Diarrheal diseases, another major cause of infant death, were addressed through another USAID financed project and were not the subject of this audit.

The project authorization, signed July 30, 1985, would have made \$72.9 million available over the eight years of the project. This was subsequently reduced to \$67.9 million in August 1989 to reflect changes in inflation and exchange rates. As of January 31, 1990, \$26 million had been obligated, \$12.2 million had been committed, and \$3.8 million disbursed. The Government of Egypt (GOE) had contributed about \$350,000 in local currency to the project.

B. Objectives, Scope, and Methodology

The Office of the Regional Inspector General for Audit/Cairo conducted a performance audit of USAID/Egypt's Child Survival Project. The audit objectives were to determine whether:

- . contractor performance had furthered project objectives;
- . vaccination coverage was sustainable;
- . participant training efforts were adequate;
- . adequate financial controls over funding were being exercised;
- . efforts to assess project progress were adequate and timely;
- . project funded vehicles were adequately procured, maintained, and used in accordance with A.I.D. regulations;
- . the project committee met regularly and documented its deliberations;
- . all conditions precedent were properly met; and
- . procurement of any ADP hardware and software was necessary and reasonable.

The audit was conducted from November 1989 through March 1990, and covered the period since the project's inception in August 1985. To accomplish the audit objectives we interviewed key A.I.D., contractor, and GOE officials, and reviewed project files, financial reports and other pertinent documentation relative to the project including International Children's Emergency Fund (UNICEF) and World Health Organization (WHO) reports. We also reviewed project files and selectively tested high dollar expenditures under the \$3.8 million disbursed as of January 1990. Our audit included visits to one project site, the pilot village, Qualama, in Qalubia Governorate, contacts with other major international donors such as UNICEF and WHO, as well as a visit to the Egyptian Organization for Biological and Vaccine Production (VACSERA), the sole importer, manufacturer and distributor of vaccines in Egypt.

We focused our audit on one of the four components -- the Expanded Program of Immunization (EPI) -- because of its substantial progress. The other three components -- Acute Respiratory Infection, Child Nutrition, and Child Spacing -- had only recently begun activities. Our pre-audit survey effort determined that: A.I.D. financed vehicles were being adequately maintained and utilized; the project committee had met regularly; conditions precedent had been met; and the Mission had exercised adequate controls over ADP hardware and software procured to date. Accordingly, we focused our audit efforts and limited our review of internal controls and compliance to the remaining objectives only, as listed below.

- . reviewing the World Health Organization's (WHO) cluster surveys conducted to verify reported vaccination coverage, and evaluating a UNICEF study addressing the reliability of the cold chain used to help ensure the effectiveness of vaccines;
- . selectively testing vouchers with high dollar expenditures to determine if A.I.D. financial controls were adequate;
- . analyzing and recalculating the local currency budget based on more accurate data;
- . evaluating the usefulness of current performance indicators.
- . comparing contractor performance against the contract document;
- . comparing training planned and conducted;
- . verifying vehicle utilization and maintenance through on-site verification and review of pertinent reports;

- . obtaining and reviewing documentation showing that conditions precedent were met;
and
- . obtaining and reviewing project committee minutes documenting committee meetings
and deliberations.

We performed the audit in accordance with generally accepted government auditing standards.

**Audit of USAID/Egypt's
Child Survival Project
No. 263-0203**

PART II - RESULTS OF AUDIT

The audit disclosed certain problems that USAID/Egypt was already taking action to correct and others requiring prompt attention. The contractor had not performed adequately; however, USAID/Egypt and the MOH were taking action to correct this situation. Although the "cold chain," which helps to ensure that vaccines are effective was not assessed promptly, the project had nearly attained its immunization coverage objectives. Delays in the training program were hindering accomplishment of project objectives, however.

Financial controls were generally adequate but the Mission had not revised the project budget properly. Evaluation of three lagging components could prove difficult because current output indicators are generally outdated, vague, and cannot adequately serve as a tool for measuring project results.

Management action is needed to:

- . improve contractor performance;
- . ensure that cold chain problems are corrected;
- . revise the training budget and plans to accommodate what can now be accomplished over the remaining life of the project;
- . amend the life-of-project budget to properly account for inflation and exchange rate changes; and
- . revise output indicators for all project components except the Expanded Program of Immunization.

A. Findings and Recommendations

1. The Project Was Delayed by Defective Contractor Performance

The prime U.S. technical assistance contractor, Clark Atlanta University (CAU) -- formerly Atlanta University, had failed to promptly provide the agreed upon key personnel and products, such as work and implementation plans, needed to complete the project. CAU's defective performance, which eventually caused serious delays in providing required technical assistance, was recently the subject of intense review by Ministry of Health (MOH), CAU, and USAID/Egypt representatives. This review led to a proposal to restructure the contract to better meet the needs of the Child Survival Project. This proposal had been accepted in principle by the MOH.

Recommendation No. 1

We recommend that USAID/Egypt obtain a mutually acceptable amended technical assistance contract between Clark Atlanta University and the GOE/MOH by May 31, 1990 or take steps to terminate the contract.

We have been advised by USAID/Egypt after receipt of their comments on the draft report that the amended contract has been executed. Accordingly, the recommendation is closed.

Discussion

On December 5, 1988 USAID/Egypt agreed to finance a \$25.1 million contract between CAU and the MOH to provide \$10.9 million in technical assistance and \$14.2 million in commodities under the Child Survival Project. The host country contract named six key people, expected to serve 36 to 48 months each in Egypt, as essential to completing work. The contract outlined a list of technical assistance and procurement tasks to be performed, and specified a number of products to be delivered by the contractor including a work plan describing a strategy for accomplishing the work and an implementation plan which was due 11 months after contract execution.

At the time of our audit, CAU had been slow to provide its named key officials. Of the key people arriving, only two were among those originally identified by CAU, three others were appointed to replace expatriates originally identified but no longer available, and the sixth key member -- an Evaluation Specialist -- was almost six months overdue. Of the five key personnel on board, three arrived after the agreed upon dates and two, including the Chief of Party, were found to be below MOH's performance standards. After MOH brought certain performance defects to the attention of CAU, both resigned upon CAU's request, but no replacements have been named. The training specialist was also subsequently relieved of her duties as the project no longer required her services.

We believe that CAU's inability to adequately fill long-term expatriate vacancies with key officials has hindered it in meeting major contractual obligations on time. Our analysis showed that CAU was not only late in meeting contract benchmarks but also submitted products that were not always fully acceptable to the MOH and USAID. To illustrate, the work plan prepared by CAU was about 50 days late and lacked strategic focus and depth. The implementation plan was likewise submitted late and still requires major revision. CAU was forced to resort to short-term consultants to assist in its preparation.

The project is not obtaining the evaluative assistance expected from CAU. The evaluation specialist, six months overdue at the time of our audit, was to be responsible for activities such as providing direction and guidance in establishing an evaluation component, and selecting measurement methodologies.

Various officials cited how the project could have moved faster had CAU provided more effective and timely assistance. For example, the responsible MOH component director faulted the contractor for not providing more input to the Acute Respiratory Infection Program, while the WHO representative noted that, had such consultative assistance been provided, the project would have progressed more quickly.

In January 1990 USAID/Egypt advised CAU of various implementation problems including:

- . delays in submitting the strategic work and implementation plans,
- . qualitative deficiencies in plans submitted, and
- . delays in critical technical assistance and procurement tasks assigned to CAU, such as media campaigns, training, workshops and procurement needs assessments.

Concerns about CAU's ability to field a full team acceptable to all parties had existed for over two years, even before CAU was selected as the prime contractor. In November 1987, two months before CAU was selected by MOH, a USAID/Egypt official warned: "since original proposals were, after all, submitted in October 1986, more than one year ago, serious question now must exist concerning availability of key personnel." However, after many discussions with MOH, USAID/Egypt decided to approve MOH's selection of CAU as the prime contractor.

A.I.D. did not conduct the required assessment of host country contracting capabilities before project approval. Such assessments are the basis for determining whether to use host country contracting or to use the direct contracting mode. See the "Other Pertinent Matters" section for a discussion of this issue.

As a result of close involvement by USAID project officials, major changes have recently occurred and are still taking place to address the issue of CAU's poor performance. To illustrate, MOH has reorganized the project by appointing separate component directors. This reorganization allowed CAU to propose new changes towards restructuring its technical assistance and support to the project.

2. Prompt Action Was Not Taken to Implement a Cold Chain Study

Of the four Child Survival Project components financed by USAID, the EPI is considered the most advanced as it is close to attaining the 80 percent coverage goals initially set for each of the 6 childhood diseases. We are however concerned that vaccines administered in attaining this coverage retain their effectiveness because of detected weaknesses in the cold chain used to conserve vaccine potency.

Cold chain control involves maintaining vaccines within specified temperature limits. An assessment of the cold chain in Egypt showed that because of deficient equipment, improper storage of vaccines, or poor management, 50 percent of cold chains reviewed had exceeded their temperature range limits, or that it was not possible to determine temperatures at all. Weaknesses in the cold chain may result in less than totally effective dosages being administered. Polio cases are occurring among individuals previously inoculated, and we are concerned that these may have been caused by weaknesses in the cold chain. USAID/Egypt has recently begun to address this cold chain issue through a subcontractor, who is preparing an action plan to address the cold chain problem. We believe that USAID/Egypt should complete the cold chain plan, and act to provide technical assistance and commodities needed.

Recommendation No. 2

We recommend that USAID/Egypt promptly complete the cold chain work plan based on the findings of the UNICEF study, and initiate action to provide the needed technical assistance and commodities.

Based on the execution of a subcontract to improve cold chain management and the initiation of needed procurement actions reported in the Mission's response, the recommendation is closed.

Discussion

According to cluster surveys conducted jointly by UNICEF and WHO, the EPI program is reported to be close to attaining its goal of 80 percent coverage for each of the 6 childhood diseases. However, evidence is now emerging that raises a question as to whether individuals inoculated have been adequately immunized.

The cold chain is the mechanism used to ensure that vaccines maintain their potency at all points from the producer until their administration at 3500 health care centers nationwide. Cold chain control involves maintaining the temperature of vaccine within certain temperature limits recommended by WHO. If this chain breaks down, the vaccines may lose their potency and related effectiveness, and may have to be retested and/or destroyed.

USAID/Egypt undertook considerable responsibility concerning maintenance of the cold chain. According to the Project Paper, USAID/Egypt was to provide advice to improve cold chain management as part of its technical assistance to the project. Furthermore, evaluations of cold chain maintenance and cold chain requirements were identified as major actions to be accomplished in 1987, the second year of the planned project, in collaboration with UNICEF. In April 1989 USAID/Egypt added this cold chain evaluation to an interim work plan being developed, but subsequently deleted the evaluation of cold chain maintenance when UNICEF volunteered to finance a WHO consultant, who conducted it late in 1989.

The WHO consultant completed assessing the EPI cold chain in December 1989. He was assisted by 5 teams, each consisting of a doctor and two technicians. He reported to UNICEF that of 289 cold chains assessed in Egypt's 26 governorates, 50 percent had experienced some sort of break, either because vaccine temperature had exceeded the WHO-acceptable range, or because of an inability to determine the temperature that vaccines had been exposed to. He also reported that breaks occurred at the governorate, district, or health center level, and characterized the problems as related to deficient equipment, improper storage, and poor management.

To illustrate, at the governorate level he said that seven governorates had no cold boxes, raising a question as to how they collected their vaccine from VACSERA -- the distribution point. At the district level, 50 percent of 54 district stores surveyed were storing vaccine at temperatures beyond the accepted range, and 42 percent had no temperature records. At the health center level, 50 percent of the 289 centers surveyed had no stock of one or more vaccines, 27 percent had expired stocks, and 22 percent had no one responsible for destroying such expired stocks. A cognizant USAID project official acknowledged that the UNICEF report prepared by the WHO consultant is a reliable indicator of the current situation.

Given the prolonged absence of a technical assistance contractor for the first 3 years of the project, we believe that A.I.D. could have arranged for this task to have been completed in another manner. This evaluation is long overdue given the increased immunization coverage achieved since this project was approved. By 1987 the project was reported to have almost achieved its coverage goal of 80 percent for the 6 childhood diseases. Conduct of the assessment at the time originally planned would have provided an early quality check on the potency of vaccines administered.

Cold chain problems may be contributing or causing doses of administered polio vaccine to be less than totally effective. Other factors, such as inadequate dosages, can have the same effect. A MOH plan of action for eradicating polio, dated December 1989, disclosed that polio is still occurring among previously inoculated individuals. It stated that of seven Egyptian polio referral units, two account for 91 percent of all reported cases, and both were reporting high levels of polio among previously inoculated individuals. To illustrate, the Polio and Rehabilitation Institute at Imbaba in Cairo reported that 45 percent of its 82 polio cases during August 1988 occurred in individuals previously receiving 3 or more vaccinations for the disease. El Shatbi Hospital in Alexandria reported that 16 percent of its cases during the 4 months ending March 1989 were individuals who had received 3 or more vaccinations. In characterizing the state of the cold chain as serious, WHO's consultant said "it is debatable whether vaccines administered in some parts of the country are potent enough."

Further analysis of 416 polio cases recorded for the six months ending June 1989 revealed that many areas with the highest percentage of reported cases were also areas where the cold chain was reported to be the weakest.

While we recognize that there are other factors that can contribute to the continued presence of polio in children, we also agree with WHO on the importance of the cold chain in ensuring that vaccines maintain their potency so that dosages administered are effective. The WHO consultant has recently been employed by CAU to develop a plan of action for addressing weaknesses identified in his cold chain report. We agree that immediate attention needs to be focused on cold chain weaknesses. More specifically, USAID/Egypt should complete the work plan based on the UNICEF study and initiate action to provide technical assistance and commodities needed.

3. Training Plans and Budget Needed to Be Revised

Training -- a crucial USAID contribution under the Child Survival Project -- had been seriously delayed so that less than ten percent of targeted training had been provided at the time of audit. Without training, the project's objectives cannot be accomplished. Major factors contributing to the delay were the time consumed by the GOE/MOH in selecting and negotiating a technical assistance contractor and the reorganization of its implementing agency. Poor English language capabilities of prospective trainees and inadequate cooperation by MOH officials have also contributed to the delays. As a result, original training plan and funding allocations are now outdated and should be completely revised.

Recommendation No. 3

We recommend that USAID/Egypt update training plans and revise the training budget, to include only such training as can be realistically achieved during the life of the project.

The recommendation is considered "resolved" pending execution of the ProAg amendment mentioned in the Mission's response.

Discussion

The Child Survival Project budget currently allocates \$12 million for training that includes long-term, short-term, invitational and in-service training, as well as workshops and seminars. At the time of the audit, very little had been committed for training.

According to the Project Paper, training is a crucial USAID financed project element; without it the project cannot accomplish its objectives. For example, since the prevention, diagnosis, and treatment of acute respiratory infection relies greatly on training of health personnel, achievement of this objective appears in doubt if training programs are not progressing satisfactorily.

For participant training the Project Paper specified that the equivalent of 708 man-months of long-term training were to be achieved during the life of the project. The first group of participants was to depart for training by August 1986, and most long-term training was expected to be completed within three years of that date. To date, long-term training

had consisted of two participants spending a combined 27 man-months of training in the United States. Although the target for short-term training was 339 man-months, only 30 man-months had taken place. To date only \$285,000 had been disbursed on participant training.

While in-service training cannot be measured in terms of man-months, its level of expenditures can be considered an indication of its progress. Although the equivalent of \$8.1 million was allocated for in-service training, commitments and expenditures had amounted to only \$615,000 and \$135,000, respectively.

Some of the factors resulting in training being delayed have now been resolved. The MOH was according training a higher priority after difficulties encountered in selecting a contractor and negotiating a contract were resolved.

As the overall long-term training plan is just about to be implemented, the time available over the remaining life of the project -- three and one half years -- does not allow for it to be fully implemented, and could result in component objectives not being met. Consequently, we believe USAID/Egypt, in conjunction with MOH, should revise this plan and funds should be reallocated to better reflect training requirements during the limited time available.

4. Changes in Life-of-Project Budget Should Be Based on Accurate Inflation and Exchange Rate Data

The Child Survival Project budget allocates large amounts of U.S. dollars to pay for expenses incurred in local currency. The rate of exchange has escalated significantly since the project was approved in July 1985 creating a large surplus. In August 1989 when USAID/Egypt amended the project to reflect both the currency devaluation and inflation, it failed to properly account for all inflation and exchange rate changes during this four-year period, and as a result, \$8.8 million are still available that could be either saved or reprogrammed for other purposes.

Recommendation No. 4

We recommend that USAID/Egypt amend the life-of-project budget to properly reflect the local currency devaluations and annual inflation rates, and reprogram surplus funds for other activities under the Child Survival Project or elsewhere.

The recommendation is considered "resolved" pending completion of the actions needed to ratify an amended life-of-project (LOP) budget for the project.

Discussion

The project's budget needs to be revised as a result of the changes in the exchange rate and inflation. The project paper, dated July 1985, estimated USAID/Egypt's share of the project's total cost at about \$72.9 million. According to the Project Paper, cost estimates were considered reasonably firm and were expected to hold for the life of the project.

From project approval in July 1985 until August 1989, the exchange rate for one U.S. dollar escalated from LE0.83 to LE2.55, generating funds exceeding the project's original needs. To avoid creation of a windfall to the GOE, USAID/Egypt issued Project Implementation Letter #10 which reduced the LOP budget from about \$72.9 million to about \$67.9 million for changes in the exchange rate, while also taking into consideration changes in the local inflation rate. However, we believe the budget should be reduced by an additional \$8.8 million to reflect more accurate data. See Exhibit 1.

USAID in making its adjustments failed to recognize 15 percent inflation built into the original project cost, and an exchange rate that was LE0.15 less than the rate actually in effect at that time. Our calculations were based on more accurate data. To illustrate, we 1) used an inflation rate that was considered more accurate than that used by the design staff; 2) considered the original 15 percent inflation rate built into initial LOP costs that was not recognized, and 3) used the LE2.55 rate of exchange in effect at the time of the amendment rather than the LE2.40 rate applied by project officers.

We believe that USAID/Egypt should amend the LOP budget taking into account not only more accurate inflation and exchange rate data, but also any planned new activities such as local production of vaccine. The project specialist and other A.I.D. officials agreed that USAID/Egypt had previously miscalculated its adjustment of the LOP budget and needs to reprogram excess funds now available. No action would, however, be taken until after a feasibility study of the production of certain vaccines in Egypt is completed. Accordingly, any savings identified will be reprogrammed for these vaccines, and the LOP budget adjusted accordingly.

5. Vague and Outdated Output Indicators Create Difficulties in Measuring Project Progress

The Foreign Assistance Act requires A.I.D. to develop a management system that includes quantitative indicators for measuring progress toward defined objectives. The output indicators spelled out in the Child Survival Project Paper are generally outdated, vague, and cannot serve as a proper tool for measuring project results for three of the project's four components. The indicators were originally to be revised within the first 12 to 18 months of the project. As the project is over four years old and indicators have not been updated, we believe immediate management attention needs to be directed towards revising and properly defining output indicators to address the project's current objectives. Without properly defined indicators it will not be possible to adequately evaluate the project's results.

Recommendation No. 5

We recommend that USAID/Egypt revise output indicators for measuring progress toward project objectives of the Acute Respiratory Infection, Child Nutrition, and Child Spacing components.

The recommendation is considered "resolved" pending finalization of the planned Project Paper amendment.

Discussion

The Foreign Assistance Act, Section 621A(b), requires A.I.D.'s management system to include quantitative indicators for measuring progress toward defined objectives. These objectively verifiable indicators help managers assess project progress, detect problem areas timely, make sound decisions to resolve problems, and demonstrate the impact of projects.

In the case of the Child Survival Project, output indicators are especially important as the Project Paper merely defines outputs in terms of "improving" or "expanding" existing programs. While output indicators for the Expanded Program of Immunization, as spelled out in the Project Paper, can help A.I.D. management in assessing project progress, indicators for the other three components are generally vague and outdated, in

some cases inappropriate or obsolete, and do not, in our opinion, provide an appropriate means for measuring results.

The logical framework of the Project Paper described 18 different indicators for measuring 1) overall goal achievement, 2) whether project purpose has been achieved, and 3) life-of-project outputs. Appendix 1 (attached as report Exhibit 2) illustrates logical framework indicators contained in the Child Survival Project Paper. These indicators do not adequately address "how much" is to be achieved, and consequently they do not provide an adequate basis for measuring results achieved. To illustrate, one of the indicators for measuring whether project purpose has been achieved reads: "Infant morbidity and mortality reduced through expanded and improved childbirth care and child spacing services." This is neither quantifiable nor specific. Other indicators are no longer appropriate, such as the development of a commercial weaning food, an activity which was dropped over two years ago under the Child Nutrition component.

The Project Paper, approved in July 1985, recognized that measurable outputs would need to be revised within the first 12 to 18 months of the project. The project is now over four and one-half years old and project officials have started to evaluate the adequacy of current indicators to reflect experience gained since these output indicators were defined.

Given the lapse of time since the start of the project, we believe that it is now appropriate to revise the Project Paper in order to develop more specific and accurate indicators, as there is a need to have more quantifiable outputs wherever possible for measuring and evaluating results achieved.

B. Compliance and Internal Controls

Compliance

The technical assistance contractor did not comply with the terms of the contract in fielding expatriate staff, and in producing deliverables.

According to the project paper, an evaluation of the cold chain requirements was to be made by USAID in 1987. This, however, was not completed until late 1989, and then by a UNICEF/WHO consultant.

We limited the review of compliance to the issues in this report, and nothing came to our attention that would indicate non-compliance in other areas.

Internal Controls

Participant training efforts were not adequately implemented as the Mission did not have a formal system to ensure follow-up and evaluation of returned participant trainees (see Other Pertinent Matters).

The life-of-project budget was amended in August 1989 to reflect both currency devaluation and inflation. Inaccurate data was used which did not properly account for all changes that occurred from project inception in 1985 to date.

The project lacked clear indicators that could serve as a tool for measuring results, and comparing achievements to targets.

The review of internal controls was limited to the issues discussed in this report.

C. Other Pertinent Matters

Assessment of Host Country Contracting Capabilities - Host Country assessments become the basis for determining whether to use host country contracting or to use the direct contracting mode. Although required by A.I.D. since December 1983, this assessment was not formally conducted before the Child Survival Project was approved in July 1985. Our review showed that award of the technical assistance contract, a key element of this project, was delayed for about one and one-half years because of problems MOH had in selecting a contractor and negotiating a contract. To illustrate, MOH had much difficulty complying with USAID selection requirements in a timely manner, and as a result, A.I.D. did not approve MOH's selection of a technical assistance contractor until late January 1988, two and one-half years after the project was approved. After negotiations began, it became apparent that MOH was not adequately equipped to negotiate the contract. The project officer monitoring negotiations between the contractor and MOH stated that MOH officials involved had almost no negotiating experience. We cannot overemphasize the importance of such assessments before approval of projects.

Use of "Monitor Cards" - To ensure that vaccines do not lose their potency and effectiveness during transport and storage, WHO recommends a monitor card be used that can identify breaks in the cold chain and its extent. These cards are not routinely being used in Egypt because of their alleged cost-ineffectiveness. In light of the project's involvement in the immunization program in Egypt, we believe greater emphasis should be placed on this issue. The project officer has advised us that coordinated efforts with the MOH are currently underway to order and start using monitor cards on a larger scale. Based on this fact, we are not making any recommendations at this time, but because of the life-threatening nature of viruses, we believe that joint USAID/MOH efforts to use the monitor card should be expedited to ensure vaccine potency, as this is an integral part of the Expanded Program of Immunization in Egypt.

Obstacles in Completing Training Plans - Although not required, the Minister of Health personally approves all participant training documents with the resulting delays frequently causing training courses to be canceled. According to the Project Paper, all training participants are to be funded directly by A.I.D. after receipt of requests from the Contracting Agency (Project Secretariat). In our opinion, this would indicate that the project director's signature is sufficient, and raises a question as to why the Minister is taking a formal role in the selection process himself? We suggest the Mission discuss this matter with its MOH counterparts.

Follow-up on Returned Trainees: - A formal system for tracking participants not only during training, but also during follow-up and evaluation after returning from training, was not in place during our audit. Informal follow-up was adequate for the few participants returning from training. However, a formal system, required by Handbook 10, Mission Order 10-1 and USAID Staff Notice 87-053, would systematically verify that future project participants have returned to Egypt, and would serve as a means to measure the impact of participant training in achieving project goals and objectives. Project and Mission officials advised us that a formal follow-up system is currently being designed. We are not making any recommendations because this issue was previously brought to management's attention in IG Audit Reports 6-263-87-2 and 6-263-90-01. Recommendation 5(a) of the latter report applies to the Child Survival Project as well.

Decommitment of Unneeded Funds - A review of the Child Survival Project's expired commitment documents showed an unneeded balance of \$70,778 outstanding for periods ranging from a few months to three years. This issue was brought to the project officials' attention, and subsequently the whole amount was decommitted. Due to the Mission's prompt response and action, no recommendation is warranted at this point.

**Audit of USAID/Egypt's
Child Survival Project
No. 263-0203**

EXHIBITS AND APPENDICES

Recommended Revision for Life-of-Project (LOP) Budget

BUDGET LINE ITEM	ORIGINAL BUDGET (000)			AMENDED BUDGET (000)			RECOMMENDED BUDGET (000)		
	FX	LC	TOTAL	FX	LC	TOTAL	FX	LC	TOTAL
Technical Assistance	\$6,848	\$10,361	\$17,209	\$12,848	\$4,361	\$17,209	\$12,848	\$4,361	\$17,209
Training	5,058	8,338	13,396	5,058	6,974	12,032	5,058	4,560	9,618
Commodities	14,032	12,010	26,042	14,032	10,045	24,077	14,032	6,568	20,600
Renovations	-	575	575	-	575	575	-	575	575
Other	-	7,220	7,220	-	6,039	6,039	-	3,948	3,948
Evaluation/Audit	300	200	500	300	200	500	300	200	500
Subtotal	26,238	38,704	64,942	32,238	28,194	60,432	32,238	20,212	52,450
Contingency	5,000	3,000	8,000	5,000	2,509	7,509	5,000	1,641	6,641
Total	\$31,238	\$41,704	\$72,942	\$37,238	\$30,703	\$67,941	\$37,238	\$21,853	\$59,091

1. Based on the justification explained in PIL # 10, we believe line items "Technical Assistance", "Renovations", and "Evaluation/Audit" should not be changed.
2. Line items "Training", "Commodities", "Other", and "Contingency" were recalculated taking out the original 15% estimated inflation rates; applying actual inflation rates; and using an exchange rate of \$1=LE2.55 which was the effective rate during August 1989 when USAID/Egypt amended the budget.

PROJECT DESIGN SUMMARYLOGICAL FRAMEWORK.

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
<u>PROGRAM OR SECTOR GOAL TO WHICH PROJECT CONTRIBUTES</u>	<u>MEASURES OF GOAL ACHIEVEMENTS</u>		<u>ASSUMPTIONS FOR ACHIEVING GOAL TARGETS</u>
To improve the health of the Egyptian People.	<ol style="list-style-type: none"> 1. Progressive increase in life expectancy at birth 2. Decrease in infant & under 5 mortality 3. Achievement of national population goals. 	CCE Statistics	Disease specific programs can achieve targets.
<u>PROJECT PURPOSE</u>	<u>CONDITIONS THAT WILL INDICATE PURPOSE HAS BEEN ACHIEVED: END OF PROJECT STATUS</u>		<u>ASSUMPTIONS FOR ACHIEVING PURPOSE</u>
To reduce morbidity and mortality in infants, children, and women of child-bearing age.	<ol style="list-style-type: none"> 1. 60% of children under 5 immunized under WD schedule. 2. 60% of pregnant women immunized for tetanus toxoid. 3. ARI treatment program established in MHI system. 4. Anemia detection and treatment programs for mothers & children established in MHI services. 5. A low cost popular weaning supplement available commercially. 6. Public awareness increased re need for immunizations, childbirth care, ARI treatment, and weaning nutrition, and child spacing. 7. Infant morbidity and mortality reduced through expanded and improved childbirth care and child spacing services. 	<p>MHI Records & Statistics.</p> <p>CCE Vital Statistics KAP and Ethnographic Surveys.</p> <p>MHI Records.</p> <p>Production Statistics.</p> <p>Media Surveys.</p> <p>CCE Vital Statistics KAP and Ethnographic Surveys.</p>	<ol style="list-style-type: none"> 1. Improved immunization coverage will decrease overall incidence of childhood communicable diseases. Tetanus immunizations will reduce perinatal infant mortality. 3. Effective ARI treatment programs can significantly reduce under 5 mortality and morbidity. 4. Treatment of anemia will improve the overall nutritional status of mothers and children. 5. Commercial supplements can improve weaning nutrition. 6. Health education can be accomplished through use of national TV and Radio. 7. Improved childbirth care and spacing of birth intervals can reduce infant mortality.

<u>OUTPUTS</u>	<u>OVER LIFE OF PROJECT MAGNITUDE OF OUTPUTS:</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS FOR ACHIEVING OUTPUTS.</u>
<ol style="list-style-type: none"> 1. An expanded, improved and utilized national immunization system. 2. An expanded child nutrition program which addresses malnutrition related to weaning and anemia. 	<ol style="list-style-type: none"> 1. Management of MCH immunizations system strengthened to provide adequate supplies of effective vaccines to 3000 health units. 2. MCH Clinics (3000) provide mandatory child immunizations on regular basis. 3. MCH personnel trained in 26 overstate programs for MCH 	<p>MCH Records</p> <p>MCH Records.</p> <p>MCH Immunization Statistics.</p> <p>-</p>	<ol style="list-style-type: none"> 1. Adequate supplies of vaccines equipment, and an effective cold chain will increase the rate of immunizations. 2. Trained personnel can improve and expand delivery of MCH services.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

JUN 3 1990
RECEIVED

MEMORANDUM

TO : Frederick Kalhammer, RIG/A/C -----
FROM : Marshall D. Brown, Mission Director
SUBJECT : Draft Report on the Audit of Child Survival Project.

The following is the Mission's response to subject draft report.

EXECUTIVE SUMMARY:

Significant management time has been expended in implementing this important project. The auditors have not only independently confirmed all the areas of concern identified by management, but have also endorsed all the management initiatives taken to foster and promote project implementation. We are disappointed that the audit report does not discuss all the audit objectives. It limits discussion to the exceptions, and furthermore, does not report on the considerable progress made by the Government of Egypt (GOE) and USAID on the issues cited in the audit recommendations.

As indicated in the audit report, contracting delays as well as poor contractor performance resulted in many implementation delays. Although the project was designed to be implemented by the prime contractor, USAID has taken steps to facilitate project implementation and address key issues in spite of staffing limitations. For example, when the selection of the host-country contract was delayed by the Ministry of Health (MOH), USAID in collaboration with UNICEF provided the training necessary to develop the management capability to implement and maintain the immunization program. USAID's intervention resulted in the purchase of twenty million syringes for use in the immunization program in Egypt. Joint USAID/UNICEF efforts resulted in eighty percent immunization coverage rates, the highest recorded in USAID's geographic bureau.

Similarly, when the important cold-chain activity was delayed by host country contracting issues, USAID encouraged the MOH to conduct its own preliminary assessment of cold chain equipment needs which formed the basis for procuring four thousand refrigerators for rural health clinics. This intervention was possible mainly because USAID had previously developed the cold-chain management and

-2-

maintenance capability within the Ministry of Health. In April 1989, USAID decided to conduct the cold-chain evaluation. The evaluation was to focus on the engineering deficiencies in the cold-chain. This activity was later funded by UNICEF. The World Health Organization (WHO) funded engineer's report was utilized by AID to fund a cold-chain work plan. The collaboration amongst UNICEF, WHO, MOH and USAID has required compromises in program scheduling, but has resulted in outstanding program results. In addition, USAID has periodically provided support to the technical assistance contractor to ensure that sub-contracts are in place to implement critical activities.

Following is our response to the subject report:

Recommendation No. 1

We recommend that USAID/Egypt obtain a mutually acceptable amended technical assistance contract between Clark Atlanta University (CAU) and the GOE/MOH by May 31, 1990 or take steps to terminate the contract.

USAID Response

The contract amendment, which was approved in draft by USAID, is currently with MOH for signature. We will provide you a copy of the amended contract when executed and request that this recommendation be closed. This will culminate an effort begun by USAID in April 1989 to promote contractor performance.

1/

We would like to point out, however, that USAID is not in a position to terminate the contract as recommended, since we are not a party to the contract. The decision to terminate the contract rests with the MOH, and AID's options are limited by the terms of the irrevocable letter of commitment we issued to finance the contract.

Recommendation No. 2

We recommend that USAID/Egypt promptly complete the cold chain work plan based on the findings of the UNICEF study, and initiate action to provide the needed technical assistance and commodities.

27

-3-

USAID Response

Although the recommended action is appropriate, the discussion in the draft report is unbalanced and does not support the recommendation. The discussion centers around the existence of an unverified hypothesis that weaknesses in the cold chain result in previously immunized children getting polio (cause-effect). However, the audit does not discuss the other factors that can contribute to the presence of polio in previously immunized children in Egypt, nor does it mention pertinent factors presented to them by the Mission during the audit that would result in a more balanced discussion of pertinent facts. 2/

In early 1990, the Ministry of Health Supreme Council on Polio Eradication concluded that even a potent oral vaccine may not produce the desired immunity level in Egyptian children living in certain areas due to their intense exposure to wild viruses resulting from extremely poor sanitary conditions etc. Furthermore, the auditors were informed that there were questions as to whether the standard vaccines produced enough immunity to protect Egyptian children from polio. As a matter of fact the MOH is recommending the addition of one dose of injectable polio vaccine to the EPI program.

In short, we believe that the discussion section should have presented all the issues. The audit appears to rely solely on the report of the WHO consultant for much of the information contained in the discussion section of this finding. It must be pointed out that the WHO consultant was an engineer who was hired to review the engineering aspects of the cold-chain system. Given that the auditors have been informed that the Supreme Council and the medical doctor on the Mission staff believe that conclusions of the WHO consulting engineer do not include all pertinent facts, we believe the scope and methodology section of the audit report should discuss the techniques used by the auditors to verify the evidence presented (in accordance with the third reporting standard for government performance audits), to assist the reader in understanding the merits of the audit work and what is reported.

. 28

-4-

Nevertheless, the Mission agrees that completion of the cold-chain work plan and initiation of action to provide needed technical assistance and commodities are appropriate. Previous improvements in cold-chain equipment and management were instrumental in achieving the high childhood immunization coverage rate of eighty percent. USAID worked with UNICEF on the initial cold-chain study and later with the MOH, CAU and UNICEF to contract for further technical assistance. A CAU consultant completed the cold chain plan on March 31, 1990. AID approved the specifications for cold chain equipment to be procured under this plan on March 15, 1990.

The Procurement Service Agent hired by the MOH has prepared an Invitation For Bids (IFB) and procurement action is underway. In April, CAU signed a subcontract for technical assistance in cold chain management, including use of monitor cards. We, therefore, request that this recommendation be closed.

Recommendation No.3:

We recommend that USAID/Egypt update training and revise the training budget, to include only such training as can be realistically achieved during the life of the project.

USAID Response:

The Project Paper Amendment, on which work began in April 1989, was scheduled to be completed in February 1990. The completion date was subsequently postponed to September 1990, to enable the Mission to conduct a comprehensive feasibility study of potential vaccine production activities. The study was completed in May 1990. The project committee will review this report and incorporate appropriate activities into the Project Paper amendment to be completed by September 1990. The budget revisions will also be incorporated into the Project Agreement Amendment. It may be noted that minutes of project committee meetings held on August 29, and October 25, 1989 document discussions held with respect to issues raised in recommendations 3 and 5.

24

-5-

Recommendation No. 4:

We recommend that USAID/Egypt amend the life of project budget to properly reflect the local currency devaluation and annual inflation rates, and re-program surplus funds for other activities under the Child Survival Project or elsewhere.

USAID Response:

It is usual practice to amend life of project budgets when amending Project Papers and Project Agreements. USAID will ensure that local currency devaluations and annual inflation rates are reviewed in compiling appropriate project budgets. USAID will request that the recommendation be closed when the Project Paper Amendment is approved by the Mission.

Recommendation No 5:

We recommend that USAID/Egypt revise output indicators for measuring progress toward project objectives of the Acute Respiratory Infection, Child Nutrition and Child Spacing components.

USAID Response:

As indicated under our response to recommendation No 3, this issue has been under discussion at various project committee meetings, and will be incorporated into the Project Paper Amendment. We will request closure when the Project Paper amendment is approved by the Mission.

-6-

We believe the following changes in the audit report should be made to present a more balanced picture.

1) Executive Summary Section, Para 2 and 3:

The audit conclusions do not address the stated objectives. (1) The audit report does not indicate the extent to which the technical assistance contractor's performance had hindered project implementation. (2) The conclusion that the vaccine coverage may not be sustainable because of deficiencies in the cold-chain is unsubstantiated in the audit. Furthermore, the conclusion that it is not sustainable is inconsistent with the second recommendation. We believe that the deficiencies in the cold-chain can be rectified within a tolerable error rate. (3) The fact that training has been seriously delayed does not answer the question of the adequacy of participant training efforts. (4) The fact that substantial amounts are available in the budget does not provide an opinion as to whether adequate financial controls were exercised. (5) While we recognize that the output indicators were outdated and vague, the audit report does not state whether the efforts made to assess project progress were adequate or timely. As a matter of fact, we believe that we have exercised appropriate financial controls, clearly documented that management had taken significant steps to assess project progress, taken necessary steps to ensure that training was adequate, and furthermore, responded positively to foster project implementation given the contractor related delays.

3/

4/

5/

6/

7/

2) Last sentence of executive summary: "Management had initiated.....in process."

This should read " Management had initiated action on many of the issues raised in this audit before the audit began in November 1989."

8/

3) Page 7, Para 2: "Our analysis.....fully acceptable."

We believe this statement should go on to say "Not fully acceptable to both the MOH and USAID."

9/

-31-

-7-

4) Page 20,: Section reported as "Compliance."

10/

Reporting on compliance within the meaning of Chapter 7 of the GAO's generally accepted government auditing standards relates to compliance with 'Laws' and 'Regulations.' The discussion in the draft audit report under the heading "Compliance" deals with the Project Paper and an AID-financed technical assistance contract. As AID Project Papers are planning documents, and do not establish reportable compliance criteria under generally accepted government auditing standards, we believe this should be made clear to the reader. Contracts, on the other hand, usually establish certain deliverables, often within a particular time-frame, and provide remedies that each party may exercise as it sees fit. We do not view compliance with contractual clauses as a reportable item in an audit report, except when assessing contractor performance.

5) Page 20, Section on "Internal Controls"

11/

The fourth field work standard for government performance audits requires that an assessment of applicable internal controls be made when necessary to satisfy the audit objectives. Since this was reported on, the Mission assumes that the auditors concluded that it was a significant weakness. Accordingly, we believe that the section on internal controls should not only identify the controls assessed, but also the scope of the auditor's assessment work, and the significant weakness found during the audit. This report would assist management in better carrying out its responsibilities under the "Federal Manager's Financial Integrity Act."

6) Page 21, "Other Pertinent Matters"

12/

The paragraph under the heading "Procurement of Project Vans" should be deleted. Contrary to what is stated in the draft audit report, the Mission's legal advisor did not assert that there was an inconsistency between the Project Paper, on the one hand, and the Project Authorization and the Project Agreement, on the other hand.

-8-

Rather, the legal advisor pointed out to the auditors that the Project Paper specifically discussed AID-financed procurement of vehicles and included funding for this procurement in the budget. The summary budget in the Project Agreement conforms to the budget in the Project Paper. Details regarding particular procurements or items to be procured generally are not included in the Project Agreement or the Project Authorization. The conformity of the budgets indicates that the covenant regarding the provision of transport and other administrative support by the Government of Egypt was not intended to modify the procurement plan stated in the Project Paper. The documents are not in fact inconsistent. The legal advisor did observe that express reference in the covenant to AID financing of some vehicles might have helped to prevent erroneous conclusions by the auditors, although it would not have been particularly in the interest of the Agency to have drafted the covenant in that manner. The Mission agrees that precise drafting of documents by all offices of the Agency would be salutary.

RIG/A/C's Evaluation of Selected Mission Comments

- 1/ As noted in the report, the amended contract has now been signed.
- 2/ The Mission has mistaken our hypothesis as cause-effect, when it was cause and possible effect. The draft report clearly stated that cold chain problems may cause doses of polio to be less than totally effective, and also that there may be other factors that could render the vaccine ineffective. Much of the information presented by the Mission is new and was not brought out at the exit conference.
- 3/ Our report cited contractor delays and qualitative deficiencies, and showed how the project could have moved faster had the contractor provided greater assistance. The full text of the first finding provides ample details.
- 4/ Sustainability in this context refers to vaccine efficacy. While cold chain problems may not be the only cause of vaccine ineffectiveness, it is the most readily identifiable one susceptible to corrective action.
- 5/ The Mission quoted only half our sentence: "training has been seriously delayed so that less than ten percent of targeted training has been provided."
- 6/ It was neither the intent nor the nature of this report to provide such an opinion. Page 2 of the report states clearly that "adequate financial controls over funding were being exercised" as understood within the scope of this performance audit.
- 7/ In RIG/A/C's opinion, an objective reader of the report will come to the conclusions here summarized and evidenced by the Mission's ready acceptance and prompt implementation of the report's recommendations.
- 8/ The executive summary has been amended to reflect this comment.
- 9/ Phrase has been added.

- 10/** As the Project Paper is the basis for project authorization and since projects are authorized neither by law nor by regulation, normally, but rather by internal Agency administrative actions, to accept the Mission's argument would obviate the possibility of verifying the compliance of any activities with applicable criteria not specifically legislated or regulated. Clearly, this is not the intent of government auditing standards.
- 11/** The applicable internal controls to satisfy the audit objectives were assessed. Noted weakness were reported in the draft. The Mission's assumption that the auditors concluded a significant weakness exists is incorrect, or it would have been noted as a system deficiency in the report.

The scope of the auditors' assessment work is included in the relevant section of the report.

- 12/** Notwithstanding the fact that RIG/A/C's collective recollection of the legal adviser's exit conference comments varies somewhat from what has been presented more than three months after the fact, his statements constitute more than sufficient coverage of the issue for the reader's benefit. Accordingly, this matter has been deleted from the relevant section of the report.

7/2

List of Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	6
<p>We recommend that USAID/Egypt obtain a mutually acceptable amended technical assistance contract between Clark Atlanta University and the GOE/MOH by May 31, 1990 or take steps to terminate the contract.</p>	
<u>Recommendation No. 2</u>	9
<p>We recommend that USAID/Egypt promptly complete the cold chain work plan based on the findings of the UNICEF study, and initiate action to provide the needed technical assistance and commodities.</p>	
<u>Recommendation No. 3</u>	13
<p>We recommend that USAID/Egypt update training plans and revise the training budget, to include only such training as can be realistically achieved during the life of the project.</p>	
<u>Recommendation No. 4</u>	15
<p>We recommend that USAID/Egypt amend the life-of-project budget to properly reflect the local currency devaluations and annual inflation rates, and reprogram surplus funds for other activities under the Child Survival Project or elsewhere.</p>	

Recommendation No. 5

17

We recommend that USAID/Egypt revise output indicators for measuring progress toward project objectives of the Acute Respiratory Infection, Child Nutrition, and Child Spacing components.

APPENDIX 3

Report Distribution

	<u>No. of Copies</u>
Mission Director, USAID/Egypt	10
Assistant Administrator, Bureau for Asia and Near East (ANE)	2
U.S. Ambassador to Egypt and DCM	2
Office of Egypt and European Affairs (ANE/EE)	3
Audit Liaison Office (ANE/DP)	1
Assistant Administrator, Bureau for External Affairs (XA)	2
Office of Press Relations (XA/PR)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Bureau for Management Services, Office of Procurement (MS/OP/OS)	1
Assistant to the Administrator for Personnel and Financial Management (AA/PFM)	1
Office of Financial Management, Financial Policy Division (PFM/FM/FP)	2
Center for Development Information and Evaluation (PPC/CDIE)	3
Senior Assistant Administrator for Bureau for Science and Technology (SAA/S&T)	1