

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

**Audit of
USAID/Egypt's Compliance with
Project Evaluation Guidance**

Report No. 6-263-94-002
January 3, 1994





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

January 3, 1994

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

FROM : RIG/A/C, Philippe L. Darcy

SUBJECT: Final Report on Audit of USAID/Egypt's Compliance with Project Evaluation Guidance

Following is the subject audit report. The report concludes that USAID/Egypt complied with Agency guidance. Therefore, it contains no audit recommendations. At USAID/Egypt's request, we did not hold an exit conference for this audit.

We provided you a draft of this report on November 21, 1993. We considered your written comments on that draft when finalizing this audit report and have included them verbatim as Appendix II to this report.

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

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INTRODUCTION

Background

The U.S. Agency for International Development (USAID) is required by law to evaluate the results of development assistance to ensure that public funds are used effectively. According to the Foreign Assistance Act¹, USAID must report to Congress on the effectiveness of foreign assistance as reflected by progress toward meeting development objectives. The Act specifically requires USAID to establish a system to produce information to "assist in the evaluation of program performance."

USAID has established an evaluation system to meet this requirement. This system is described in USAID's Evaluation Handbook.² The Handbook, dated April 1987, provides specific guidance to USAID missions concerning project evaluations, which it defines as a management activity to be undertaken selectively to inform managers about key issues before major decisions are made regarding existing A.I.D.-funded activities or future program development. The Handbook explains USAID's policies concerning the evaluation of development assistance, gives an overview of its evaluation system, and provides specific guidance concerning evaluation procedures and responsibilities of USAID personnel.

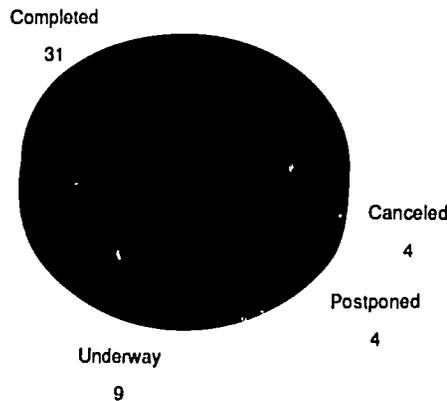
¹See Section 621(a) of the Foreign Assistance Act of 1961 (as amended).

²Included as a supplement to Chapter 12 of USAID's Handbook No. 3 entitled Project Assistance.

While USAID is responsible for providing guidance to and coordinating evaluation work among its missions, the actual planning and implementation of evaluation activities is left up to the missions. Within USAID/Egypt, the Mission Evaluation Officer in the Office of Project Development and Support is responsible for overall coordination of project evaluation activities.

As shown in the chart below, USAID/Egypt planned to have 48 project evaluations take place during fiscal years 1990-1993, at a total estimated cost of about \$5 million. As of May 1993, 31 of the 48 planned evaluations had been completed and nine were underway. The remaining eight were either postponed or canceled.

USAID/Egypt Project Evaluations 48 Scheduled for Fiscal Years 1990-93



Data as of May 1993

Audit Objectives

The purpose of this audit was to analyze USAID/Egypt's compliance with project evaluation guidance provided by USAID. Our criteria consisted of written guidance in USAID's Evaluation Handbook. The specific objectives of this audit, which was included in the Inspector General's Annual Audit Plan for fiscal year 1993, were to answer the following questions.

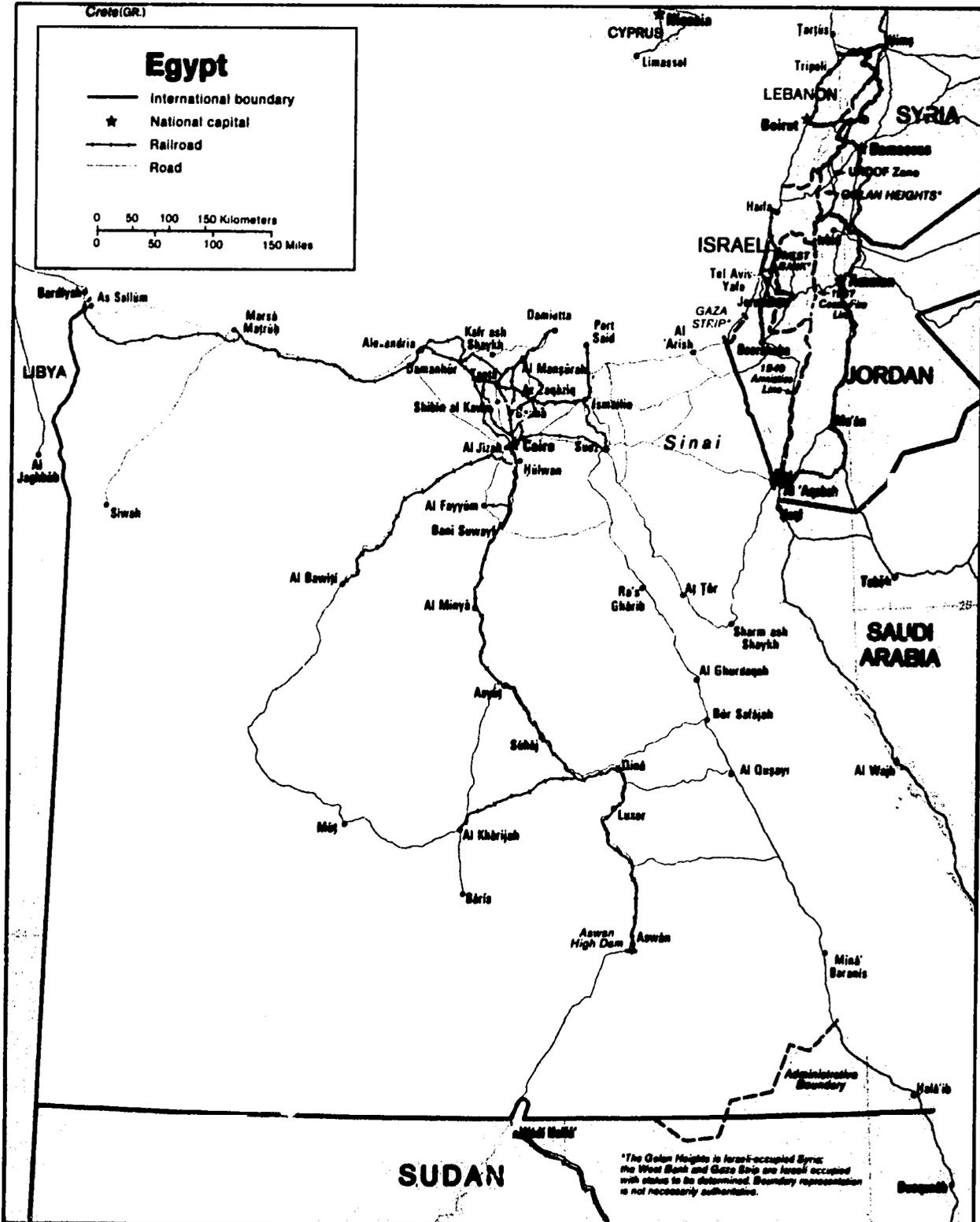
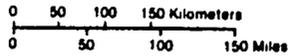
- 1) Did USAID/Egypt follow USAID policies and procedures in planning and budgeting for project evaluations?
- 2) Did USAID/Egypt follow USAID policies and procedures to ensure that project evaluations were implemented as required?
- 3) Did USAID/Egypt follow USAID policies and procedures in following up on project evaluation recommendations?

These objectives were designed to determine USAID/Egypt's compliance with USAID guidance. They were not designed to test the adequacy of the evaluations themselves. Appendix I contains a discussion of the scope and methodology for this audit.

Crete(GR.1)

Egypt

-  International boundary
-  National capital
-  Railroad
-  Road



REPORT OF AUDIT FINDINGS

Our answers to the following audit objectives are qualified to the extent of the effect, if any, of not having received complete written representations for the audit from USAID/Egypt officials directly responsible for the audited activities. See the Scope and Methodology Section in Appendix I for a complete discussion of this qualifier.



USAID/Egypt uses outside contractors to evaluate projects such as this wastewater project in Alexandria, Egypt. (Photograph from observation tour by IG in 1990)

Did USAID/Egypt follow USAID policies and procedures in planning and budgeting for project evaluations?

USAID/Egypt followed USAID policies and procedures in planning and budgeting for project evaluations.

As outlined in USAID's Evaluation Handbook, USAID/Egypt is required to plan and budget for project evaluations by:

- using past experience in the design of new activities,
- including a plan for collecting necessary data, funding evaluation activities, and estimating a schedule for evaluations in each project paper, and
- preparing an Annual Evaluation Plan to include all project evaluations scheduled over a 2-year period.

Project papers for the projects we sampled included evidence that relevant past experience had been considered and applied during the design of the respective projects. Each project paper also contained a plan for collecting data, a budget, and an estimated schedule for project evaluations.

USAID/Egypt had prepared Annual Evaluation Plans for the four years prior to the audit. In those plans, USAID/Egypt had scheduled evaluations for six of the eight sampled projects. The remaining two projects were not due to be evaluated during the period covered by the annual plans.

Did USAID/Egypt follow USAID policies and procedures to ensure that project evaluations were implemented as required?

USAID/Egypt followed USAID policies and procedures to ensure that project evaluations were implemented as required.

USAID's Evaluation Handbook includes several policies and procedures designed to help USAID missions ensure that project evaluations are effectively implemented. One of the requirements in the Handbook is that missions issue a Mission Order describing the organization and operation of their project evaluation system. USAID/Egypt has issued Mission Order No. 3-27, entitled Evaluation Policy and Procedures, which complies with this requirement.

According to the Handbook, the Mission Evaluation Officer is responsible to develop and implement the missions' project evaluation system. USAID/Egypt has assigned a full-time Mission Evaluation Officer to oversee the development and implementation of its evaluation system.

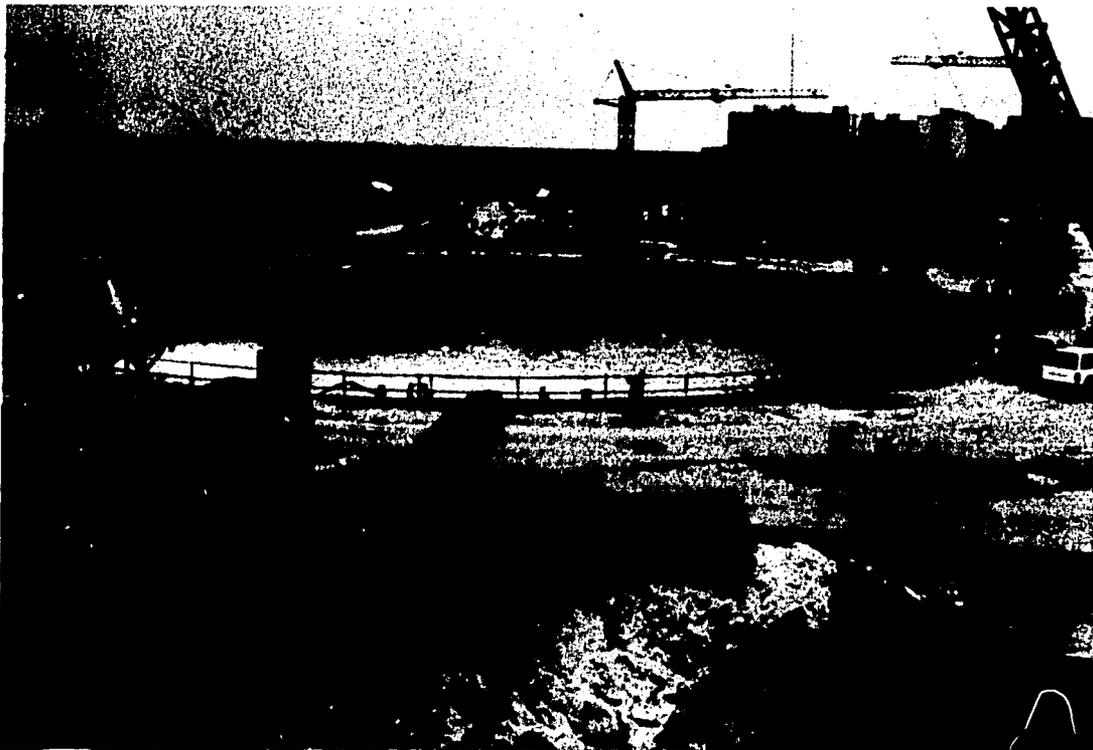
USAID/Egypt followed USAID policies and procedures to ensure that project evaluations were implemented as required.

The Handbook also requires that evaluations be designed to address certain concerns applicable to any type of development assistance. These concerns include the relevance, efficiency, effectiveness, and sustainability of development activities. We reviewed reports for nine recent project evaluations and found that, in most cases, the above concerns were being addressed.

The required format for an evaluation report is given in the Handbook. This format includes: (1) an executive summary, (2) a table of contents, and (3) a discussion of purpose, methodology, conclusions, and recommendations in the body of the report. All nine evaluation reports in our sample followed the required format, with a few minor exceptions.



An evaluation of USAID/Egypt's Farmer-to-Farmer Project found it to be an effective agent in providing new and appropriate technologies to Egyptian farmers. (Nile Delta — June 1992)



An interim evaluation of this wastewater project recommended ways to improve its sustainability after completion. (Alexandria - 1990)

Did USAID/Egypt follow USAID policies and procedures in following up on project evaluation recommendations?

USAID/Egypt generally followed USAID policies and procedures to follow up on project evaluation recommendations. (While conducting tests to answer this third audit objective, we found some minor problem areas explained in a separate letter sent to USAID/Egypt's management.)

USAID's Evaluation Handbook requires missions to respond to all recommendations for action presented in evaluation reports by stating a proposed course of action in an evaluation summary. As directed by the Handbook, USAID/Egypt prepared evaluation summaries which listed courses of action to be taken in response to most of the recommendations made in the sampled project evaluation reports.

The Handbook also requires that USAID/Egypt establish a system for following up on the decided course of action in response to evaluation recommendations. USAID/Egypt has established such a system. All actions documented in the summaries of the sampled evaluations were included in that tracking system.

SCOPE AND METHODOLOGY

Scope

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require auditors to obtain written representations from management when the auditors deem them useful. The Office of the Inspector General deems such representations necessary to support potentially positive findings. The Director of USAID/Egypt provided us with a representation letter for the audit. This letter contained essential assertions about the activities we audited. However, only the Director, not the officials directly responsible for the activities under audit, signed the written representation.

Due to the lack of written representation by USAID/Egypt officials directly responsible for the audited activities, our answers to the audit objectives are qualified to the extent of the effect of not having received such written representations. (The complete representation is contained in Appendix II to this report.)

The scope of the audit included all USAID/Egypt projects begun since 1983 and all project evaluations conducted and/or scheduled to be conducted for USAID/Egypt projects since fiscal year 1990.

As of December 31, 1992, USAID/Egypt had obligated just over \$3 billion for 29 projects started since 1983. According to its records, USAID/Egypt planned to have 48 project evaluations take place during fiscal years 1990-1993, at a total estimated cost of about \$5 million. As of May 1993, 31 of the 48 planned evaluations had been conducted. Of the remaining 17 planned evaluations, 9 were in process, 4 had been canceled and 4 were delayed.

In answering the three audit objectives, we tested whether USAID/Egypt followed applicable internal control procedures. Our tests were sufficient to provide assurance that the findings presented in this audit accurately reflect conditions for the items tested. However, we tested only to determine whether USAID/Egypt had complied with USAID guidance. These tests did not cover the adequacy of the project evaluations reviewed.

Methodology

We judgmentally selected the following 8 projects from 29 projects started by USAID/Egypt since 1983 in order to conduct tests under Audit Objective No. 1:

National Agricultural Research (Project No. 0152)
Cairo Sewerage II (Project No. 0173)
Canal Cities Water & Wastewater II (Project No. 0174)
Telecommunications IV (Project No. 0177)
Local Development II (Project No. 0182)
Power Sector (Project No. 0215)
Technical Coop. & Feasibility Studies II (Project No. 0225)
Population/Family Planning III (Project No. 0227)

We tested USAID/Egypt's compliance with planning and budgeting requirements by examining the project papers of 8 of 29 projects started by USAID/Egypt since 1983 and reviewing USAID/Egypt's Annual Evaluation Plans for the last four years prior to the audit.

For tests conducted under Audit Objectives 2 and 3, we judgmentally selected a sample of 9 of the 31 project evaluations completed during fiscal years 1990-1993. The nine evaluations were for the following projects:

Irrigation Management System (Project No. 0132)
Alexandria Wastewater System Expansion (Project No. 0100)
Public Finance and Administration (Project No. 0209)
Development Training-Egyptian Labor Development (Project No. 0125.09)
Child Survival (Project No. 0203)
Population/Family Planning II (Project No. 0144)
Energy Manpower Development (Project No. 0140)
Farmer to Farmer (Project No. 0102)
Small & Micro Enterprises (Project No. 0212)

We examined USAID/Egypt's compliance with guidance in USAID's Evaluation Handbook concerning the implementation of project evaluations. Specifically, we also tested whether USAID/Egypt had complied with USAID guidance to ensure that project evaluations addressed certain key concerns and that final evaluation reports were prepared in the proper format.

Finally, we tested whether USAID/Egypt had followed up on recommendations made in the sampled project evaluations. This was done by cross-indexing recommendations to planned actions recorded in USAID/Egypt's evaluation summaries, and by tracing those planned actions to USAID/Egypt's evaluation recommendation tracking system. Our audit field work was conducted at USAID/Egypt offices in Cairo from March to August 1993.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

December 22, 1993

MEMORANDUM

RECEIVED
23 DEC 1993

TO: Philippe L. Darcy, RIG/A/C

FROM: Douglas Clark, A/D/DIR *DJC*

SUBJECT: Audit of USAID/Egypt's Compliance with
Project Evaluation Guidance - Draft Report

The subject draft report has no recommendations for Mission action. However, the Mission has the following comment:

USAID/Cairo has succeeded in strengthening its project evaluation system. Focusing on results and frank evaluations, this success is due to a concerted Mission-wide effort involving serious emphasis upon planning, conducting, and follow-up of the Mission's evaluations. The Mission, from its management to its Project Officers, working with the host country agencies involved, deserve special recognition for the marked improvement. The evaluation system certainly can and will be continually improved based on Mission experience and comments by the RIG/A.

Please issue the final report.

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CAIRO, EGYPT

NOV 02 1993

Mr. Philippe L. Darcy
Regional Inspector General
for Audits
Cairo, Egypt

RECEIVED
2 NOV 1993

Dear Mr. Darcy:

This Representation Letter is being issued in accordance with Agency guidance in response to the audit of "USAID/Egypt's Compliance with Project Evaluation Guidance".

Based upon discussions with Mission Staff, and taking into account identified staffing constraints and vulnerabilities as expressed in Mission ICAs, to the best of my knowledge and belief, I confirm that all appropriate financial records in the possession and under the control of USAID/Cairo relating to the function being audited have been made available to you. To the best of my knowledge and belief, the records made available to you are accurate and complete, and they fairly represent the status of USAID/Egypt's Compliance with Project Evaluation Guidance within the Mission. To the best of my knowledge and belief, as a layman and not as a lawyer, in conjunction with A, B, C and D below, USAID/Egypt has reported all known instances pertaining to USAID/Egypt's Compliance with Project Evaluation Guidance, which, in the Mission's judgement, would evidence material irregularities or non-compliance with AID policies, or violations of U.S. laws and regulations. Specifically I represent that:

- (A) USAID/Egypt is responsible for the internal control system, for the fairness and accuracy of accounting and management information for the function under audit. USAID/Egypt to the best of my knowledge and belief exercises its best efforts to ascertain and follow applicable U.S. laws and AID regulations and AID interpretations of those laws and regulations.

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- (B) To the best of my knowledge and belief, and based on discussions and verbal representations by others in the Mission, USAID/Egypt has made available to you or otherwise provided you at your request all financial and management information related to the audit objectives.
- (C) To the best of my knowledge and belief, except for any findings or other matters included in the audit report, USAID/Egypt is unaware of any material instances associated with the function being audited where financial or management information has not been properly and accurately recorded/reported.
- (D) To the best of my knowledge and belief, USAID/Egypt has complied with all contractual agreements, to the extent there are such agreements, which could have any material effect on USAID/Egypt's Compliance with Project Evaluation Guidance.

Upon review of your draft report and following further discussion with my staff, I know of no events subsequent to the date of your draft report, (other than those which were included in our response to that report), which to the best of my knowledge and belief would materially alter the statements in (A) thru (D) above.

All representations made herein by me are made in light of my experience since my arrival at post.

Sincerely yours,


Henry H. Bassford
Director

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