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AUDIT OF  
CONTROLS OVER PROJECT-RELATED  
CASH ADVANCES OF USAID/EGYPT  
Audit Report No. 6-263-87-14  
September 30, 1987

## memorandum

DATE: September 30, 1987  
*W.C. Spat*  
REPLY TO  
ATTN OF: William C. Spat, RIG/A/Cairo (Acting)

SUBJECT: Audit Of Controls Over Project-Related  
Cash Advances Of USAID/Egypt

TO: Mr. Marshall D. Brown, Director USAID/Egypt

The Office of the Regional Inspector General for Audit/Cairo has completed its audit of the audit of Controls Over Project-Related Cash Advances of USAID/Egypt. Ten copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment. Written comments had not been prepared as of report issuance because of the press of business in the Office of Financial Management at the end of the fiscal year. However, oral comments and additional documentation provided by the Office of Financial Management were considered and the report revised accordingly.

The report contains eight recommendations. Our discussions with the Office of Financial Management indicates that actions have been planned or taken to resolve most of these recommendations. Please advise us within 30 days of the actions taken or contemplated to close the recommendation.

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

## EXECUTIVE SUMMARY

AID regulations permit advance payments in dollars or local currency to be made to contract, grant, and cooperative agreement recipients based on an analysis of the working capital required. The advance should be limited to the minimum amount needed for immediate disbursing needs, which has been defined for AID by the U.S. Treasury as being up to 30 days from the date received until expended, taking into consideration the reimbursement cycle. The period may be extended to 90 days when it is determined in writing that applying the 30-day rule would seriously interrupt or impede project implementation. USAID/Egypt generally issued 90-day advances, although on occasion project advances were made to cover periods of up to 1 year. At June 30, 1986, there were 207 project-related, unliquidated cash-advance balances totaling \$18.6 million.

The objectives of this economy and efficiency audit were to determine whether: (1) cash advances were limited to recipients' immediate cash needs; and (2) an effective follow-up system was in place and working to resolve outstanding advances. The audit showed that advances were not limited to the immediate cash needs of all the recipients tested nor was an effective follow-up system in place. During the audit, the Office of Financial Management began focusing more attention on advances. Follow-up notices were sent out to some long-outstanding advance recipients and some advances were liquidated, but much more needed to be done to effectively control advances.

The conditions described in the report reflected the fact that USAID/Egypt provided advances beyond the recipients' immediate cash needs in both U.S. dollars and Egyptian pounds. Advances consistently overestimated their cash requirements in all 10 of the cases examined in detail, and resulted in excessive advances of funds and the consequent buildup of bank account balances. Also, funds were transferred between advance accounts without appropriate USAID/Egypt review and approval. In another case, a 120-day advance that was approved, exceeded the maximum 90-day period allowed by AID regulations.

AID regulations require that federal funds be economically and efficiently used for authorized purposes and that qualified and continuous supervision is provided by the Mission to ensure that internal control objectives are

achieved. U.S. Treasury and AID Cash Management Policies require that the cash management practices of recipient organizations are monitored so that cash is not maintained in excess of immediate disbursing needs.

The primary cause of the excessive advances was ineffective controls in USAID/Egypt Project Offices and the Office of Financial Management to ensure that AID and Treasury regulations were appropriately implemented. As of June 30, 1986, the failure to settle outstanding advances at the due dates cost the U.S. Government an estimated \$854,000 in unnecessary interest. The size and number of advances should be reduced and economies achieved. We recommended implementing required procedures and better analysis of requirements. The Mission agreed with the thrust of these recommendations.

At June 30, 1986, USAID/Egypt had 207 project-related, unliquidated advance balances totaling \$18.6 million, an average of about 2 1/2 advances per project. Of this amount, 165 balances totaling \$16.2 million, or 87 percent, should have been liquidated in prior periods ranging from 1 month to over 8 years. In some cases, advances remained unused for more than 1 year. In response to confirmation letters sent during the audit, some advancees claimed they never received an advance from USAID/Egypt. Other advancees claimed that liquidation vouchers were submitted years earlier, or that the advances had already been refunded. Numerous recipients expressed disagreement with the balances recorded on the Mission's books.

AID regulations required the Mission to monitor the cash management practices of recipients to ensure that organizations reported regularly on the use of advances and demonstrated through such reporting that balances of advances were maintained in amounts commensurate with immediate disbursing needs. Excess balances were to be promptly returned to AID. If amounts due were not received promptly, collection follow-up notices were to be sent to the recipients not later than 45 days from the original billing date.

The principal reason for the failure to settle accounts when due, or shortly thereafter, was that USAID/Egypt did not establish the fundamental accounting controls required to safeguard the funds involved. The Mission, for example, did not regularly or routinely follow up on advances that were unpaid as of the dates they were to be liquidated. No aging

analysis was regularly prepared so that management could readily identify advances that were outstanding for long periods of time. Also, no system existed for periodically verifying the balances recorded on Mission accounting records with advances.

Unless USAID/Egypt improved its procedures and practices and provided the required continuous follow-up over unliquidated cash advances, the U.S. Government would continue incurring extra interest costs. We recommended that the Mission establish the required follow-up procedures, separate uncollectible accounts, and prepare aging analyses of the outstanding advances. The Mission agreed with these recommendations.

*Office of the Inspector General.*

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PART I - INTRODUCTION

A. Background

The AID's cash management policy for advances permits advance payments in dollars or local currency to be made to contract, grant, and cooperative agreement recipients based on an analysis of the working capital required. The advance should be limited to the minimum amount needed for immediate disbursing needs, which has been defined for AID by the U.S. Treasury as being up to 30 days from the date received until expended, taking into consideration the reimbursement cycle. AID regulations permit the period to be extended to 90 days when it is determined in writing that applying the 30-day rule would seriously interrupt or impede project implementation.

At June 30, 1986, USAID/Egypt records showed that there were 207 project-related, unliquidated cash-advance balances totaling \$18.6 million. Typically, the funds advanced are placed in special project bank accounts and withdrawn as needed. Recipients submit monthly expenditure vouchers and request replenishment based on a projection of cash requirements for the next 90-day period. Project officers usually approve the initial advance as well as subsequent replenishments before the requests are sent to the USAID/Egypt Office of Financial Management.

The Office of Financial Management maintains records of the advances. This office, the advancees, and the respective project officers are responsible for ensuring that advances do not exceed immediate cash needs. The Outstanding Advance Status, MACS Report A08, shows the outstanding cash balances. A Subsidiary Advance Ledger, MACS Report A07, provides specific details of transactions. An overall control sheet is maintained for each advance.

This report is one of three Regional Office of Inspector General for Audit, Cairo reports dealing with outstanding project cash advances. The other audit reports concern: (a) project advance accounting records; and (b) interest earned on outstanding project cash advances.

## B. Audit Objectives And Scope

The Office of the Regional Inspector General for Audit/Cairo made an economy and efficiency audit of Controls Over Project-Related Cash Advances of USAID/Egypt. The objectives were to determine whether: (1) cash advances were limited to recipients' immediate cash needs; and (2) an effective follow-up system was in place and working to resolve outstanding advances.

The audit included a review of USAID/Egypt's practices for: (1) issuing advances; (2) comparing subsequent expenditures reported by advancees with the cash advanced; and (3) analyzing reported cash positions of advancees at the time advances were requested. Mission follow-up procedures also were examined. Discussions were held and correspondence exchanged with advance recipients, project officers, and Office of Financial Management officials.

This audit involved reviewing 80 outstanding cash-advance balances totaling almost \$11 million, or 59 percent of the total outstanding cash-advance balances of \$18.6 million, as of June 30, 1986. We sent letters to 64 of the 80 advance recipients to confirm the outstanding balances. Letters were not sent to the remaining 16 advance balances because: (1) addresses were not known for 6 recipients (mostly invitational travelers) who had advances totaling \$8,378; and (2) 10 advance recipients had liquidated their outstanding balances, totaling \$212,287, during the audit period. These 16 balances accounted for 1 percent of the total outstanding advances as of June 30, 1986.

The audit also included a detailed review of 10 advance balances over \$100,000 each, totaling \$9.3 million, or about 50 percent of the amount of unliquidated advances, as of June 30, 1986 (See Exhibit 1).

A previous Office of Inspector General worldwide audit, Management of Cash Advances by AID Overseas Missions Needs Improvement No. 0-000-84-15, dated December 12, 1983, disclosed the same general conditions included in this report. In addition, the Regional Office of Inspector General for Audit, Cairo, issued several reports, in part detailing USAID/Egypt weaknesses in following up and monitoring in the cash advance area (e.g., Audit Report Nos. 6-263-83-6, 6-263-83-8, 6-263-85-4 and 6-263-85-9). Our review of internal controls and compliance was limited to the findings in this report.

Recommendations in these individual reports had been acted upon and closed; however, systemic problems had reoccurred. Recently, two other audit reports were issued by the Regional Inspector General, i.e. Project Advance Accounting Records (No. 6-263-87-11) and Interest Earned on Outstanding Project Advances (No. 6-263-87-12) dealing with errors and internal control weaknesses. Recommendations in these two reports were in the process of being implemented by USAID/Egypt.

The current audit work was done between September 1986 and March 1987, and was made in accordance with generally accepted government auditing standards.

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PART II - RESULTS OF AUDIT

The audit showed that project cash advances were not limited to the immediate cash needs of the recipients tested. Also, USAID/Egypt did not have an effective system for routinely following up on outstanding advances.

During the audit period, USAID/Egypt began focusing more management attention on advances. USAID's Office of Financial Management made follow-ups with a number of long-outstanding advance recipients and liquidated some advances. Much more needed to be done, however, to have an effective system of controls over this area.

Project officers and Office of Financial Management examiners did not appropriately analyze the justifications offered for advances, and consequently, contributed to the buildup of excess funds in the bank accounts of advances. The lack of an effective follow-up system meant that advances were not recalled when excessive, and that some remained outstanding for many years. Moreover, based on responses to inquiries made during the audit, certain advances shown as outstanding on USAID/Egypt's records may have been settled, although the correct balances of others were questionable. The absence of current addresses for six recipients, totaling \$8,378, could require the write-off of some uncollectible accounts.

The report makes eight recommendations to improve controls over project advances. They range from establishing procedures that ensure adequate supervision is applied to project advances to using appropriate accounting forms to effect paperwork transactions. These recommendations, along with those made in two related reports, constitute the actions necessary to establish proper controls over project cash advances. (See Regional Inspector General for Audit Cairo reports, Project Advance Accounting Records No. 6-263-87-12, dated June 30, 1987, and Interest Earned on Outstanding Project Cash Advances No. 6-263-87-11 dated June 30, 1987.)

A. Findings And Recommendations

1. Controls Were Lacking Over Project-Related Cash Advances

USAID/Egypt provided advances that exceeded the recipients' immediate cash needs in both U.S. dollars and Egyptian pounds. Advances consistently overestimated requirements, resulting in excessive advances of funds and the consequent buildup of bank account balances. In addition, some funds were transferred between advance accounts without appropriate USAID/Egypt review and approval, and in one case, a 120-day advance that was approved, exceeded the maximum 90-day period allowed by AID regulations.

AID regulations require that federal funds be economically and efficiently used for authorized purposes, and that qualified and continuous supervision be provided by the Mission to ensure that internal control objectives are achieved. U.S. Treasury and AID Cash Management Policies require that the cash management practices of recipient organizations be monitored so that cash is not maintained in excess of immediate disbursing needs.

The primary cause of the excessive advances was ineffective controls in USAID/Egypt Project Offices and the Office of Financial Management to ensure that regulations were appropriately implemented. These excessive advances cost the U.S. Government a significant amount of unnecessary interest. The size and number of advances should be reduced and economies achieved.

Recommendation No. 1

We recommend that the USAID/Egypt Associate Director of Financial Management implement the 30-day and 90-day approval limits in establishing AID advances, as set forth in the AID regulations.

Recommendation No. 2

We recommend that the USAID/Egypt Associate Director of Financial Management, in coordination with project officers, adopt procedures and set standards for recurring advances to reduce amounts requested based on analyses of cash available, prior advances, and reported amounts of monthly expenditures.

### Recommendation No. 3

We recommend that the USAID/Egypt Associate Director of Financial Management comply with the maximum advance period of 90 days permitted by AID regulations, and cancel the 120-day advance for construction activity under the Basic Education Project (Project No. 263-0139).

### Recommendation No. 4

We recommend that the USAID/Egypt Associate Director of Financial Management ensure that an appropriate authorized official reviews and approves: (a) cash transfers between advances; (b) adjustments that increase or decrease unliquidated cash-advance balances; and (c) analyses of projected cash needs comparing prior advances with actual disbursements.

### Discussion

AID's cash management policy for advances, as set forth in numerous documents including AID Handbook 1, Supplement B, Chapter 15; AID Handbook 11, Chapter 1, Paragraph 3.6.5.3; and AID Office of Financial Management and Controller Guidebook, Chapter 16 states:

"The advance shall be limited to the minimum amount needed for immediate disbursing needs (i.e. up to 30 days from date received until expended). The advance period may be extended up to 90 days when the approving official with the concurrence of the Controller servicing that official has made a written determination that implementation will be interrupted or impeded by applying the 30 day maximum." (Underscoring added)

AID Handbook 1, Supplement B, Chapter 15, as amended 1B:51 dated May 3, 1984, paragraph 15C.-1., sets forth the AID policy of advance payments for Grants and Cooperative Agreements to all nonprofit organizations:

"a. ...Department of the Treasury policy, however, requires AID to monitor the cash management practices of these institutions to insure that Federal cash is not maintained in excess of that required for their immediate disbursement needs."

"b. Advance payments should be based upon an analysis of the working capital (e.g., cash) required under the grant or cooperative agreement taking into consideration the reimbursement cycle. Advances to a nonprofit organization shall be limited to the minimum amounts needed at any given time..."

#### Advances Often Exceeded Immediate Cash Needs

The audit of 10 cash-advance balances (Exhibit 1), each over \$100,000 and totaling \$9.3 million, showed that advances often exceeded the recipients' immediate cash needs. This happened because the Office of Financial Management and the respective Project Offices did not provide effective oversight in reviewing the cash needs justifications prior to approving advances. Project officers often forwarded requests for advances without review. Even when Office of Financial Management analyses showed that recipients' cash on hand and requested replenishments were excessive, little action was taken to reduce or eliminate the outstanding balances. In many cases, additional advances were made to meet the needs estimated by advancees.

Here are five examples that demonstrate excessive advances:

- (1) Under Implementation Letter No. 15, the Neighborhood Urban Services Project No. 263-0161.05 provided the Governorates of Cairo; Alexandria; Giza; and Qaluibia, Emergency Fund Advances in the Egyptian Pound equivalent of \$1.2 million (\$1=LE.83168). The advances (Exhibit 2) covered the period August 1, 1983, through July 31, 1984. The purpose was to provide resources at the Governorate level for emergencies due to natural and man-made disasters.

Overall, \$834,788 (69 percent of the \$1.2-million emergency fund advanced) was either unspent or spent after the period for which the advances were authorized (August 1, 1983, through July 31, 1984). These advances were excess to needs. The Emergency Funds advanced and actually spent by the four Governorates during the authorized period totaled \$367,597 or 31 percent of the \$1.2 million (See Exhibit 3, page 2 of 2).

Of the \$1.2 million advanced, \$489,051 (41 percent) was not spent. This included \$349,334 that was refunded to USAID/Egypt and \$139,717 that was unliquidated (Exhibit 3), as of December 1, 1986. After the audit disclosed

this condition, the Project Officer subsequently followed up with the Governorate to liquidate the advance. Accordingly, the Cairo Governorate submitted expense vouchers totaling \$132,884 (95 percent of the total unliquidated balance of \$139,717) to the USAID/Egypt Office of Financial Management on December 11, 1986. The expenses covered the period from January 16, 1986, through October 11, 1986.

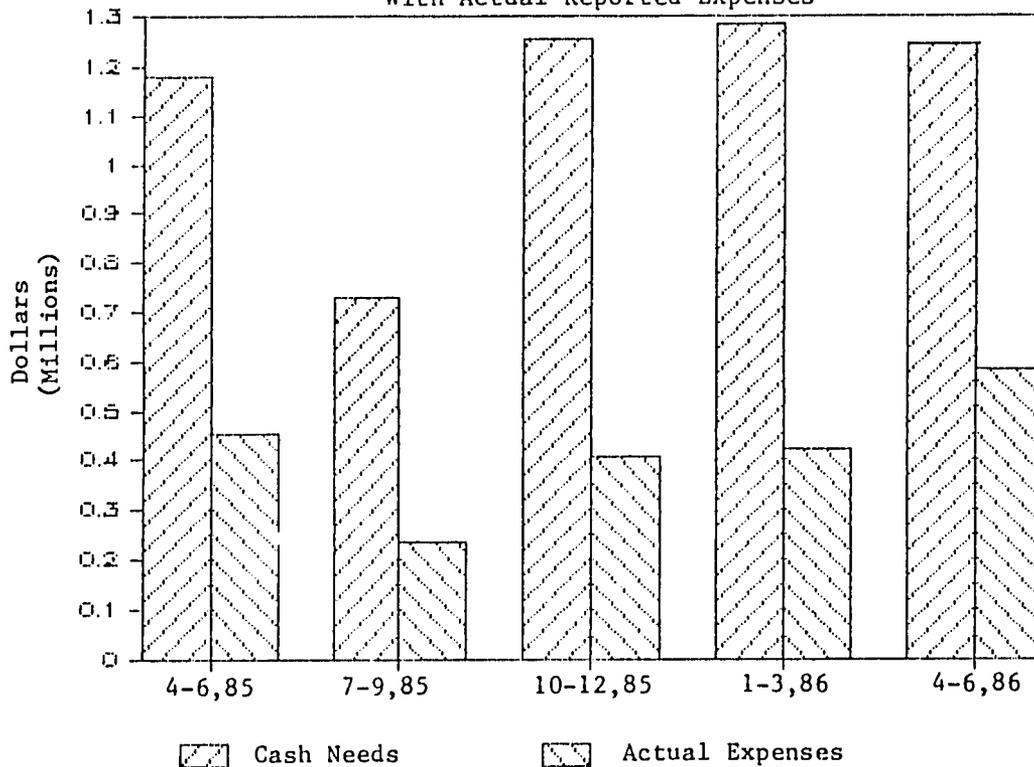
Another \$345,737 (29 percent of the \$1.2 million advanced) were excessive because the funds were spent after the authorized period for disbursement (Exhibit 3). The Governorates submitted disbursement vouchers to USAID/Egypt through December 1, 1985, more than one year after the expiration date of July 31, 1984. USAID/Egypt never amended Project Implementation Letter No. 15 to extend the period for disbursing the Emergency Funds. Of the \$749,275 (Exhibit 2) reported as expended, expenses totaling \$345,737 (Exhibit 3), were incurred after July 31, 1984, and therefore, were incurred without the required approval of USAID/Egypt.

The lack of effective oversight within the Office of Financial Management and the Project Office meant that cash was maintained by these Governorates in excess of immediate disbursing needs. In addition, the excess cash balances were not promptly refunded. Since USAID/Egypt exchanged dollars to acquire local currency prematurely to make the advances, the U.S. Government incurred unnecessary interest costs.

- (2) The Agricultural Mechanization Project No. 263-0031, Project Implementation Letter No. 14, budgeted the Egyptian pound equivalent of \$7.9 million for agricultural mechanization purposes. The audit showed that the Office of Financial Management did not regularly review the cash-needs projections of the Ministry of Agriculture, as required, or adjust the advance payments to the minimum amounts needed. As shown in Table 1 below, the Ministry's cash-needs projections averaged 2.78 times (Exhibit 4) the actual expenses incurred for the 14-month period from April 1985 to June 1986. In other words, the Ministry's estimates of its needs were almost triple what it actually spent during the period.

Table 1

### Comparison Of Projected Cash Needs With Actual Reported Expenses



By not recognizing the overestimation of actual expenses and reducing the amount of the advances, USAID/Egypt consistently advanced funds far in excess of the Ministry's immediate cash needs. The USAID Office of Financial Management officials said that reviews had been made, at times, of cash advance requirements. As examples, they cited interoffice memoranda to the USAID project officer, dated August 1, 1984 and October 20, 1985, stating that the Grantee needed to improve the accuracy of cash projections based on the historical rate of expenditures. In spite of this, the cash needs were still excessive in 1985 and 1986.

- (3) The Basic Education Project No. 263-0139 included a component for constructing 5,279 classrooms in 10 Egyptian governorates under Implementation Letter No. 9.

USAID/Egypt and the GOE budgeted the Egyptian pound equivalent of \$60.3 million (\$1=LE.83168) for this purpose. The audit showed that the Office of Financial Management approved a 120-day advance for this project, thereby exceeding the maximum allowable 90-day advance permitted by AID regulations.

An action memorandum from a USAID financial analyst to the Associate Director, dated November 20, 1986, stated that the 120-day period was warranted because the GOE education zones received subadvances from the Ministry of Education from 52 to 70 days after the zones submitted monthly expenditure reports. The reasons offered for the extended period may have been valid. However, we believe that the problem of delays in receiving advances at the education zone level was basically an internal GOE matter that should have been addressed through improved procedures rather than compensated for by larger advances on the part of USAID/Egypt.

- (4) Under the Control of Diarrheal Diseases Project No. 263-0137, Implementation Letter No. 15, dated January 20, 1985, USAID/Egypt approved the use of Egyptian pounds by the Ministry of Health, not to exceed the equivalent of \$6,156,784. The funds were for the operational costs of the Project Secretariat for year 3 of the project. A Report of Expenditures was to be submitted monthly by the Ministry and advances requested quarterly.

The audit showed that the average projected advances were 2.09 times the actual expenses for the 18-month period from February 1985 through August 1986 (Exhibit 5). This meant that USAID/Egypt consistently made advances that were excessive to this Ministry's immediate cash needs, even though the Office of Financial Management did review the Ministry's cash-needs projections up to April 1986.

- (5) Under Project Implementation Letter (PIL) No. 16 dated January 20, 1985, for the above project, USAID/Egypt provided funds not to exceed the Egyptian pound equivalent of \$6,640,133. These funds were for the commodity costs of the Project Secretariat for year 3 of the project. Our review showed that average projected advances were 2.94 times the actual expenses incurred for the 17-month period from February 1985 to July 1986

(Exhibit 6). The inflated projections gave rise to excessive advances during the full period, although the Office of Financial Management did compare the cash-needs projection with actual cash disbursements up to January 1986.

Also, under PIL No. 16, some erroneous postings caused unnecessary amounts to be advanced. An advance of \$813,704 under this PIL was issued to cover September, October, and November 1986. The Financial Management control sheet erroneously showed the advance balance as zero, but the correct unliquidated balance should have been \$563,981 (Exhibit 11 note 6) at the time this advance was requested. If postings to the account had been made correctly, the advance would have been for only \$249,723. This matter was discussed in the audit report on Project Advance Accounting Records No. 6-263-87-12.

#### Ninety-Day Advances Were Not Properly Authorized

There was no indication in the records that a specific determination had been made in writing by the Controller authorizing the 90-day advances, as required by the Controller Guidebook, Chapter 16.

The audit examined the justifications offered for the following four 90-day cash advances: Nos. P4100216W of L/Com-263-0070-01 financed in U.S. dollars; P562806186 of CO-263-0070-HC-01 financed in Egyptian pounds (LE) under the Egyptian Major Cereals Improvement Project (EMCIP); P15100487W of L/Com-263-0110-01-AMIDEAST financed in U.S. dollars under the Peace Fellowship Program; and P548103844 of CO-263-0127-C-00-2033L financed in Egyptian pounds (LE) to Wilbur Smith and Associates under the Provincial Cities Development Project.

The audit showed that under the terms of the governing contracts, advances were made initially in amounts equal to 3 months of cash needs. Subsequently, these advances were routinely replenished, each covering 3 months of projected cash needs. Each month the Office of Financial Management, after receiving a 1-month expense voucher, provided a new advance for a 3-month period: e.g., the last 2 months requested in the prior advance plus 1 more month. The advances, therefore, were not limited to advances up to 30 days from the date received until spent.

Two advances under the Egyptian Major Cereals Improvement Project demonstrated that the cash needs projected by the contractor significantly exceeded the cash actually used for expenses during the same 90-day periods. The Office of Financial Management's comparisons of projected cash needs with actual cash disbursements for these two advances, as shown in Exhibit 7, disclosed that excessive cash needs were projected by the contractor. For example:

- The average of 3-months cash needs projected for L/Com-263-0070-01 (U.S. \$) was 1.71 times the actual expenses for the 17-month period from January 1985 to June 1986 (See Exhibit 7, page 1 of 2).
- The average of 3-months cash needs projected for CO-263-0070-HC-01 (LE) was 1.80 times the actual expenses for the 14-month period from June 1985 to August 1986 (See Exhibit 7, Page 2 of 2).

The Office of Financial Management's actions in these and other cases was to tell the Project Officer that the advance recipient should be advised to improve the accuracy of its projections to avoid discounting future statements of cash needs. For example, as previously reported in Audit Report No. 6-26387-11, the contractor (Consortium for International Development) earned almost \$1 million in interest on AID advances. USAID/Egypt's actions did little to correct the problems that resulted in excessive advances.

For internal control purposes, the cash-need projections made by staff of the Office of Financial Management (see Exhibit 7) should have been made in a consistent manner and reviewed and approved by an authorized official. Such a review and approval process would help avoid excessive advances.

The audit also compared the actual cash advances made by USAID/Egypt with the expenditures reported by the contractor. The results showed that advances actually made were more than twice the expenses incurred, as follows:

- Advance of L/Com-263-0070-01 (U.S. \$)

The average monthly cash advance made was 2.48 times the actual cash disbursements for the 17-month period from January 1985 to May 1986 (See Exhibit 8, Page 2 of 3).

- Advance of CO-263-0070-HC-01 (LE)

The average monthly cash advance made was 2.31 times the actual cash disbursements for the 14-month period from June 1985 to August 1986 (See Exhibit 8, Page 3 of 3).

Cash On Hand At Time Of Request Exceeded Guidelines

Under USAID/Egypt informal guidelines, the cash on hand should not exceed 25 percent of the cash requested. For example, a 90-day advance should not be replenished until the recipient's cash on hand is less than 1 month's expected expenditures.

The audit compared the cash on hand with the cash needs projected 1/ by the Mission to see whether guidelines were being followed. For seven advances tested, the cash on hand (available) at the time of replenishment was, on average, 55 to 73 percent of the total projected. This condition should have triggered a Mission response to cut back on the advances. However, this did not happen and advances consistently had more cash on hand than immediate needs. For example:

- Advance Of Implementation Letter No. 14, Agricultural Mechanization Project (Project No. 263-0031)

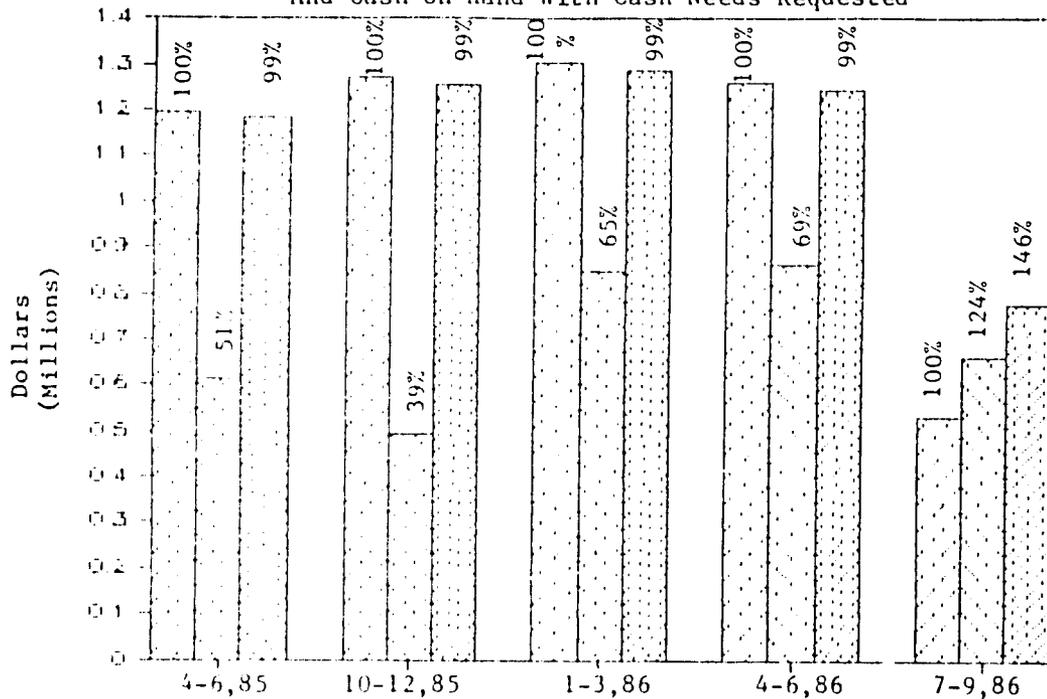
The average cash advance available and unliquidated was 70 percent, and the average actual cash advance projected was 108 percent of the total cash needs requested for the 15-month period from April 1985 through June 1985, and October 1985 through September 1986, as shown in Table 2. (Refer also to Exhibit 9)

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1/ The term "cash needs projected" means the unliquidated balance of prior advance, according to the Mission's records, plus the cash USAID/Egypt paid to replenish the advance.

Table 2

Comparison Of Projected Cash Needs  
And Cash On Hand With Cash Needs Requested



Cash Needs Requested
  Cash Available On Hand
  Cash Projected

- Advance Of Implementation Letter No. 15, Control Of Diarrheal Diseases Project (Project No. 263-0137)

The average cash advance available and unliquidated was 68 percent, and the average actual cash advance projected was 104 percent of the total cash needs requested for the 15-month period from May 1985 to August 1986 (see Exhibit 10).

- Advance Of Implementation Letter No. 16, Control Of Diarrheal Diseases Project (Project No. 263-0137)

The average cash advance available and unliquidated was 62 percent, and the average actual cash advance projected was 114 percent of the total cash needs requested for the 15-month period from May 1985 through April 1986 and September 1986 through November 1986 (see Exhibit 11).

## Transfers of Funds Were Not Appropriately Authorized

The Office of Financial Management transferred an outstanding advance balance of \$76,614, between appropriations, from PIL No. 12 to PIL No. 15 under Project No. 263-0137, after the final voucher of PIL No. 12 was terminated on January 31, 1985. The form did not contain a proper authorization by an authorized administrative or certifying officer. Such authorization was needed to assure that advance transactions were made appropriately and to comply with the Office of Financial Management, Controller Guidebook, Chapter 1, paragraph XVI, page 1.22 internal control requirements for the separation of functions which states:

"Separation of Duties--Key duties such as authorizing, approving, recording transactions, ...making payments, and reviewing or auditing shall be assigned to separate individuals to minimize the risk of loss to the Government. ...This in turn depends on the assignment of work in such a fashion that no one individual controls all phases of an activity or transaction, thereby creating a situation that permits error or irregularities to go undetected."

Also, a cash advance was transferred to the Peace Fellowship Program (Project No. 263-0110), L/Com-263-0110-01, (\$), that was not properly approved. The transfer voucher involved was Voucher and Schedule to Effect Correction of Errors No. 263-85-068-T/L 102, which totaled \$477,962.

## Conclusion

USAID/Egypt did not have effective procedures for limiting cash advances to the minimum amounts necessary. Closer adherence to published handbook and other regulations was needed to achieve greater discipline in the issuance of advances. This would result in the more economical and efficient use of federal funds contemplated by AID regulations.

## 2. Mission Follow-Up Procedures For Unliquidated Advances Were Inadequate

At June 30, 1986, USAID/Egypt had 207 project-related, unliquidated advance balances totaling \$18.6 million. Of this amount, 165 balances totaling \$16.2 million, or 87 percent, should have been liquidated in prior periods ranging from 1 month to over 8 years. The outstanding advances cost the U.S. Government unnecessary interest costs estimated at \$854,000. In some cases, advances remained unused for more than 1 year.

AID regulations require the Mission to monitor the cash management practices of recipients to ensure that organizations report regularly on the use of advances and demonstrate through such reporting that balances are maintained in amounts commensurate with immediate disbursing needs. Excess balances are to be promptly returned to AID. If amounts due are not received promptly, collection follow-up notices are to be sent to the recipients, not later than 45 days from the original billing date.

The USAID/Egypt Office of Financial Management was unable to settle all the problems disclosed in the replies of the confirmation letters sent during the audit. For example, some advancees claimed that they had never received advances from USAID/Egypt and other advancees claimed that liquidation vouchers had been submitted years earlier, or that the advances had already been refunded to USAID/Egypt. Moreover, some recipients expressed disagreement with the balances shown on the Mission's records.

The principal reason for the failure to settle accounts when due, or shortly thereafter, was that USAID/Egypt did not establish the follow-up procedures required to safeguard the funds involved. The Mission, for example, did not regularly or routinely follow up on advances that were due. No aging analysis was regularly prepared so that management could readily identify advances that were outstanding for long periods of time. Also, no regular system existed prior to July 1986, for periodically verifying the balances recorded on Mission accounting records with advancees. Since July 1986, however, a regular system has been put into effect, according to USAID officials.

After the audit brought the lack of follow-up procedures to the attention of USAID/Egypt's Office of Financial Management, the office sent follow-up letters to advancees

totaling \$2.5 million, or 13 percent, of the total unliquidated advance balances of \$18.6 million. The Office of Financial Management has not yet informed us of the results of the follow-up letters.

The audit showed that funds were not appropriately controlled. Unless USAID/Egypt improves its procedures and practices and provides the required continuous follow-up over unliquidated cash advances, the U.S. Government will continue to incur extra interest costs.

#### Recommendation No. 5

We recommend that the USAID/Egypt Associate Director of Financial Management establish follow-up procedures over project cash advances to ensure that balances are liquidated by due dates and that unused cash balances are promptly returned to AID.

#### Recommendation No. 6

We recommend that the USAID/Egypt Associate Director of Financial Management routinely send out collection follow-up notices to all advancees who have not liquidated outstanding advances within 45 days after the due dates.

#### Recommendation No. 7

We recommend that the USAID/Egypt Associate Director of Financial Management establish separate financial reporting for uncollectible cash advances pending an appropriate decision to write off these balances.

#### Recommendation No. 8

We recommend that the USAID/Egypt Associate Director of Financial Management revise the Standard Financial Monthly Report (MACS A08) which provides the status of outstanding advances, in order to provide a basis for taking proper action on excessive and/or unexpended balances, and to provide an aging analysis, by project, of each unliquidated cash advance balance, according to realistic accountability dates.

#### Discussion

AID Handbook 19, Chapter 1, as amended 19:55 dated July 15, 1980, paragraphs 1I-8.-(e). and (f)., set forth the Accounting Principles and Standards for Receivables and Advances:

"e. If amounts due are not received promptly, collection follow-up notices are sent out, not later than 45 days from the original billing date. All receivables are reviewed at least quarterly, when determination of uncollectibility is made and write off is authorized pursuant to AID guidelines.

f. A regular estimate is made of the amount of receivables that may not be collected. The amounts of such estimates are used to determine the amounts to be recorded in the "Provisions for Uncollectibles" Accounts."

AID Handbook 19, Chapter 1, as amended 19:43 dated May 11, 1979, paragraph 1N.-1, sets forth the objective of the AID reporting system:

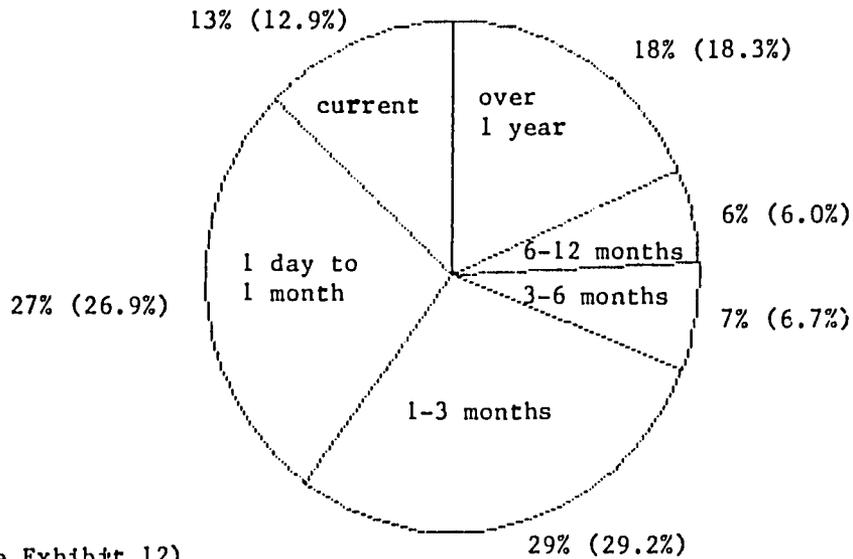
"b. The AID financial reporting system is designed to provide information to Agency officials...for the evaluation of performance in relation to plans, for the exercise of financial control over resources, and to promote efficiency and economy in operations."

Under these requirements USAID/Egypt should have taken timely action to settle outstanding advances. At the time the audit was started, the Mission was not following up on project-related advances by routinely sending out collection notices. We analyzed the status of outstanding advances at June 30, 1986, in terms of how long the advances were outstanding. The aging analysis below (Table 3) showed that about 87 percent of the value of outstanding advances should have been liquidated as of the cutoff date of June 30, 1986. About \$3.4 million, or 18 percent of the total value, should have been settled at least 1 year earlier. Some balances should have been settled by late 1978. Accordingly, the U.S. Government incurred unnecessary interest costs estimated at \$854,000 (see Exhibits 12 and 13).

Table 3

## Aging Analysis Of Cash Advances

Balances at June 30, 1986



(Also see Exhibit 12)

### Audit Tests Disclosed Numerous Problems With Outstanding Account Balances

The auditor sent letters to 64 advance recipients to confirm the accuracy of the unliquidated balances stated in the MACS A08 report as of June 30, 1986, and to provide information on the type of bank account in which USAID/Egypt advances were being kept. Responses were received from almost 100 percent of the recipients contacted. Audit confirmation letters could not be sent for 6 advances - five involving invitational travel and one involving technical services - totaling \$8,378, because neither the Office of Financial Management nor the Project Offices had addresses of the recipients (see Exhibit 14). The confirmation replies of 64 advance recipients revealed refunds of outstanding advances and questions about correct account balances, as follows:

- (1) As a result of the audit, unused funds totaling \$1.9 million were refunded to USAID/Egypt under 11 advances. The \$1.9 million collected was 18 percent of the total of \$10.8 million tested. The funds had been unused for more than 1 year. Seven other advances were liquidated after confirmation letters were sent for advances totaling \$38,818 or 0.4 percent of the total tested of \$10.8 million (see Exhibits 15 and 16).
- (2) Three recipients with advances totaling \$37,325, or 0.3 percent of the \$10.8 million, said that they had already submitted expense vouchers to USAID/Egypt to liquidate travel advances dating back to 1981. Because USAID/Egypt did not have evidence of these vouchers, the advances were not liquidated in the accounting records, as follows:
- . Advance No. P061001322, Document No. TA-1114770 dated March 12, 1981, under Project No. 263-0026 totaled \$750; and the advancee's reply was dated August 15, 1986.
  - . Advance No. P0263432W, Document No. TA-263-81-265 dated June 16, 1981, under Project No. 263-0026 totaled \$1,575. The advancee's reply was dated August 27, 1986.
  - . Advance No. P218600308, Document No. PIL No. 46 dated October 3, 1983, under Project No. 263-0029 at the Ministry of Health totaled \$35,000, and consisted of \$19,000 converted at a rate of \$1=LE.83168 plus \$16,000 paid in U.S. dollars. The advancee's reply was dated October 15, 1986.
- (3) Two recipients with advances totaling \$1,250, or .01 percent of \$10.8 million, said that they did not receive the advance amounts contained in USAID/Egypt accounting records. The related advances were involved, as follows:
- . Advance No. P81274717, Document No. TA-263-81-220-(A) dated May 4, 1981, under Project No. 263-0026 totaled \$1,000. The advancee's reply was dated August 23, 1986.
  - . Advance No. P882-199, Document No. SA-0029-0019-LE-AM1 under Project No. 263-0029 at the High Institute of Public Health, Alexandria

University totaling \$250, which was outstanding since May 1982. The advancee's reply was dated September 8, 1986.

- (4) According to USAID/Egypt records, \$1,200, or .01 percent of \$10.8 million, was advanced for travel to three people: \$400 each under Advance No. P026381316, Document No. TA-263-81-316. This advance has remained unliquidated on the records since February 28, 1982. As a result of the confirmation letters sent to the advancees on July 21, 1986, we were advised that two advancees were working in Kuwait and Saudi Arabia, respectively. Their addresses were not known to USAID/Egypt. The third advancee, as per reply dated August 8, 1986, informed USAID/Egypt that he had refunded the \$400 to the project officer in 1982 because the travel was cancelled. USAID/Egypt did not find any documents to support this refund. The project officer involved had left USAID/Egypt and transferred to Kenya.
- (5) The recipient of Advance No. P956301237, Travel Authorization No. TA-263-81-162 under Project No. 263-0026, said that USAID/Egypt had not requested him to submit an expense voucher at the time he received the \$800 advance in March 1981, in order to liquidate this advance, as per reply dated August 7, 1986. Accordingly, he had not submitted an expense voucher and the advance was unliquidated.
- (6) Advancees reported that they disagreed with the unliquidated cash advance balances stated in USAID/Egypt records as of June 30, 1986. There were 31 advances that totaled \$4.3 million, or 40 percent of the \$10.8 million tested (see Exhibit 17). The reasons offered included:
  - . No-pay vouchers to liquidate advances were recorded in the advancees' records but were not yet recorded in USAID/Egypt records. In some cases the expenses were incurred many months before, but the vouchers were not sent to USAID/Egypt. In other cases the vouchers were submitted, but were not posted timely by the Mission.
  - . Cost disallowances were recorded on USAID/Egypt's records but not on the advancees' records.
  - . Advancees provided balances as of dates different from the requested June 30, 1986, date.

Advancees' records showed no balance in the account while USAID/Egypt's records indicated an amount was still outstanding.

Office Of Financial Management's Recent Actions to Follow Up On Accounts

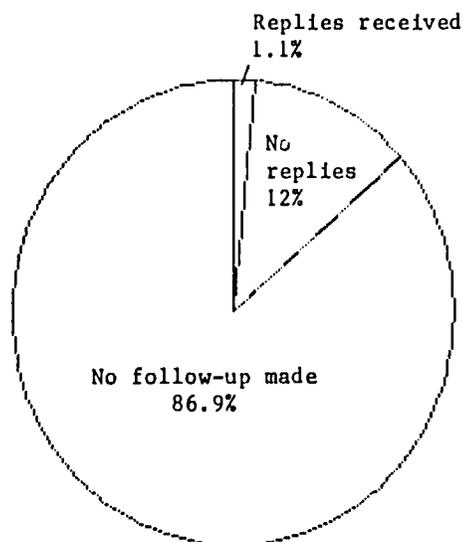
Many of the problems disclosed in this report stem from the lack of an effective Mission follow-up system. At the time the audit started, the Office of Financial Management was not routinely sending out follow-up letters on outstanding advances. Follow-ups were begun during the audit period. USAID/Egypt's Office of Financial Management had made follow-ups for about 45 advances, totaling \$2.5 million, up to the time we completed detailed audit work. This was about 13 percent of the total unliquidated, cash-advance balances of projects of \$18.6 million as of June 30, 1986 (see Table 4 below). The Office of Financial Management received only 13 replies totaling \$261,049, or 10 percent, of the total follow-up letters of \$2.5 million.

In addition, because they did not have addresses of the advancees, the Office of Financial Management sent follow-up letters to project officers covering another \$19,268. Project Officer follow-ups, therefore, covered about 0.1 percent of the total outstanding advances at June 30, 1986.

Table 4

Follow-Up Of Unliquidated Advances

Balances at June 30, 1986



We reviewed copies of replies related to certain of the USAID/Egypt follow-up letters confirming our findings. Three of these replies covered eight advances totaling \$4,342. The first reply dated September 7, 1986, confirmed that six advancees received travel advances under Authorization Nos. 263-81-028 and 263-81-161 totaling \$2,842 in 1981 under the Housing and Community Upgrading Project (Project No. 263-0066). The project officer said that five of these advancees had left the project and their new addresses were unknown. The sixth advancee told the present project officer that he had submitted a travel voucher to liquidate his advance in 1981 to the old project officer. He added that the other five advancees had submitted travel vouchers to the same project officer in 1981.

The second reply, dated August 27, 1986, confirmed that an advancee received Travel Advance No. 263-80-285 totaling \$900 in September 1980 under Technology Transfer and Feasibility Studies IV Project No. 263-0042. The advancee said that he had submitted travel vouchers in 1980 to the Office of Financial Management. He added that they had not asked him to submit expense vouchers either at the time he received the advance or within the allowed 90-day period after the accountability date on October 22, 1980. Accordingly, the Office of Financial Management did not find any documents to liquidate this advance. On October 14, 1986, the Office of Financial Management issued an administrative voucher (per the Financial Report MACS P05 dated October 22, 1986) to write off this outstanding advance balance from the account of project cash advances.

The third reply, dated August 7, 1986, from a person who had received a \$600-travel advance under the same project (Project No. 263-0042), on December 22, 1980, said that USAID/Egypt did not request that he submit an expense voucher. Accordingly, he had not submitted a voucher. USAID/Egypt did not follow up on the due date of January 22, 1981, or subsequently, and the advance was outstanding as of June 30, 1986--more than 5 years later.

In summary, USAID/Egypt lacked effective follow-up procedures over unliquidated balances. In essence, Controller officials did not ensure that outstanding balances of cash advances were liquidated by expected dates. Thus, conditions were perpetuated where disputes arose over the real balances, while the accountability trail was lost over advance recipients who either had left the Agency or

the country. A better follow-up system was needed to establish accountability over, and settlement of, funds advanced.

#### Management Comments

A draft of this report was provided to the Mission for official comment. The Mission declined to comment formally at this time because of the press of business entailed by the end of the fiscal year, but generally concurred with the report recommendations. Oral comments and additional documentation provided by the Office of Financial Management subsequent to the exit conference were considered and the report revised accordingly. The written USAID/Egypt comments to this report will be included in the 30-day response advising us of actions taken or contemplated to close the recommendations.

## B. Compliance And Internal Control

### Compliance

The audit results showed that USAID/Egypt had not provided and monitored cash advances in compliance with AID regulations requiring that qualified and continuous supervision be provided to ensure that: (a) advances are limited to the minimum amounts needed for immediate disbursing needs; (b) federal funds are economically and efficiently used for authorized purposes; and (c) excess cash balances are promptly returned to the government. USAID/Egypt also had not implemented follow-up procedures over unliquidated cash-advance balances in compliance with AID regulations. These conditions were discussed in the appropriate sections of this report. Nothing came to our attention that would indicate that untested items were not in compliance with applicable laws and regulations.

### Internal Control

Internal controls over cash advances related to the projects were not implemented in compliance with AID internal control standards, regulations, and procedures. USAID/Egypt did not provide effective oversight to review the accuracy of the justification of cash-advance needs prior to approving advance payments; therefore, advance payments were provided beyond immediate disbursing needs. Also, USAID/Egypt lacked the controls necessary for effective follow up on unliquidated balances of advances at the due dates or liquidation dates to reduce those balances to minimum levels. The tests of internal controls were limited to the matters discussed in this report.

AUDIT OF CONTROLS OVER PROJECT-RELATED  
CASH ADVANCES OF USAID/EGYPT

PART III - EXHIBITS AND APPENDICES

Summary Of Audit Findings Related To Ten  
Advance Balances Selected For Detailed Transactions Review  
As Of June 30, 1986

Advance No.	Document No.	Advance Name	Accountability Date	Advances Currency Financed	Unliquidated Balances in US \$ 2/	Period of Cash Advanced	Audit Findings		Transfers between Advances Lacked Appropriate review and approval
							Advance Exceeds immediate Cash Needs	Cash On Hand Exceeded Guidelines	
P225106802	PIL # 15 Project 263-0161-05	Neighborhood Urban Services Governates Cairo/Alexandria	7/31/84	LE	333,152.95	1-year	X	N/A	
PI76102766	PIL # 16 Project 263-0137	Control of Diarrheal Diseases Project Ministry of Health	1/08/85	LE	747,865.28	90-day	X	X	
PI76102765	PIL # 15 Project 263-0137	Control for Diarrheal Diseases Project Ministry of Health	5/31/86	LE	759,239.87	90-day	X	X	X
P4100216W	L/COM 263-0070- 01 Project 263-0070	Consortium for Int'l Dev. Egyptian Major Cereals Improvement Project	4/30/86	US\$	274,710.23	90-day	X	X	
P562806186	CO-263- 0070-4C- 01 Project 263-0070	Consortium for Int'l Dev. Egyptian Major Cereals Improvement Project	4/30/86	LE	855,854.56	90-day	X	X	
P040607093	PIL # 14 Project 263-0031	Agricultural Mechani- zation Project	5/30/86	LE	1,245,230.62	90-day	X	X	
PI5100487W	L/COM 263-0110- 01 Project 263-0110	AMIDEAST-Peace Fellowships Program	5/30/86	US\$	606,447.39	90-day	X	X	X

Audit Findings

<u>Advance No.</u>	<u>Document No.</u>	<u>Advance Name</u>	<u>Accountability Date</u> <sup>1/</sup>	<u>Advances Currency Financed</u>	<u>Unliquidated Balances in US \$</u> <sup>2/</sup>	<u>Period of Cash Advanced</u>	<u>Advance Exceeds immediate Cash Needs</u>	<u>Cash On Hand Exceeded Guidelines</u>	<u>Transfers between Advances Lacked Appropriate review and approval</u>
P412600230	PIL # 9 Project 263-0139	Basic Education Project Ministry of Education	6/30/86	LE	4,044,275.65	90-day	X	X	
P132404771	PIL # 9 Project 263-0139	Basic Education Project Ministry of Education	6/30/86	LE	284,312.40	90-day	X	X	
P548103844	CO-263- 0127-C-00 2033L Project 263-0161-03	Provincial Cities Development Project Wilbur Smith & Assoc.	6/21/86	LE	124,794.74	90-day	X	X	
Total Advances Selected				50%	<u>\$9,275,883.69</u>				
Total Unliquidated Cash Advances Balances				100%	<u>\$18,630,950.25</u>				

<sup>1/</sup> Represents the due date for liquidation of the advance.

<sup>2/</sup> Represents unliquidated cash advance balance in U.S. dollars as of June 30, 1986.

EXHIBIT 2

Neighborhood Urban Services Project (Project No. 263-0161.05)  
Implementation Letter No. 15 Emergency Fund Advances  
Advances And Reported Disbursements

(1) Advance Payments Made (\$1=.83168 LE)

<u>Voucher Reference</u>	<u>Advancee Name</u>	<u>Advance Period</u>	<u>Advance Amount</u>
3-7437 - 8/14/83	Cairo Governorate	8/1/83 - 7/31/84	\$ 420,835
3-6807 - 8/14/83	Alexandria Governorate	8/1/83 - 7/31/84	300,596
3-7430 - 8/14/83	Giza Governorate	8/1/83 - 7/31/84	240,477
3-7431 - 8/14/83	Qualubia Governorate	8/1/83 - 7/31/84	240,477
Total Emergency Fund Advances			\$1,202,385 =====

(2) Reported Disbursements

<u>Voucher Reference</u>	<u>Advancee Name</u>	<u>Disbursement Periods</u>	<u>Amount</u>
T/L 773707 - 6-1263 dated 12/16/1985	Cairo Governorate	1/03/1984 5/11/1985	\$281,118
T/L 773086 - 6-1258 dated 1/28/1986	Qaluibia Governorate	1/04/1984 8/15/1985	120,519
T/L 773086 - 6-1261 dated 1/28/1986	Alexandria Governorate	9/09/1984 11/30/1985	107,161
T/L 773086 - 6-1262 dated 1/28/1986	Giza Governorate	4/20/1985 and 8/12/1985	240,477
Total Disbursements			\$749,275 =====

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Neighborhood Urban Services Project (Project No. 263-0161.05)  
Implementation Letter No. 15 Emergency Fund Advances  
Excessive To Needs For Authorized Period

(1) Disbursements After July 31, 1984 (\$1=.83168 LE)

<u>Voucher Reference</u>	<u>Descriptions</u>	<u>Disbursement Periods</u>	<u>Amount</u>
T/L 773707-6- 1263 - 12/16/1985	Cairo Governorate Expenses	10/10/1984 - 05/11/1985	\$ 34,027
T/L 773086-6- 1258 - 01/28/1986	Qalubia Governorate Expenses	08/26/1984 and 08/15/1985	12
T/L 773086-6- 1262 - 01/28/1986	Giza Governorate Expenses	04/20/1985 and 08/12/1985	240,477
T/L 773086-6- 1261 - 01/28/1986	Alexandria Governorate Expenses	09/09/1984 - 11/30/1985	107,162
Total Disbursements after July 31, 1984			<u>\$381,678</u>
Receipt No. A728191 - 06/01/86	Alexandria Governorate Refund of Expenses	09/09/1984 - 11/30/1985	(35,941)
Total Net Disbursements After July 31, 1984			<u>\$345,737</u> =====

(2) Emergency Funds Refunded to USAID/Egypt (\$1=.83168 LE)

<u>Receipt Reference</u>	<u>Check Reference</u>	<u>Descriptions</u>	<u>Amount</u>
A728177 - 5/8/1986	579507 - 3/31/1986	Qalubia Governorate Refund of Advance	\$119,958
A728178 - 6/1/1986	0430217 3/18/1986	Alexandria Governorate Refund of Advance	193,435
A728191 - 6/1/1986	0430217 3/18/1986	Alexandria Governorate Refund of Expenses	35,941
Total Emergency Funds Refunded to USAID/Egypt			<u>\$349,334</u> =====

(3) Emergency Fund Advances' Balance as of 12/1/1986 (\$1=.83168 LE)

<u>Egyptian Governorates</u>	<u>Advances</u>	<u>Disbursements</u>	<u>Refunded</u>	<u>Balance</u>
Cairo	\$ 420,835	\$281,118	\$ -0-	\$139,717
Alexandria	300,596	107,161	193,435	-0-
Giza	240,477	240,477	-0-	-0-
Qalubia	<u>240,477</u>	<u>120,519</u>	<u>119,958</u>	<u>-0-</u>
Total	\$1,202,385 =====	\$749,275 =====	\$313,393 =====	\$139,717 =====

(4) Actual Expenses for Authorized Period 8/1/83 to 7/31/84 (\$1=.83168 LE)

<u>Voucher Reference</u>	<u>Egyptian Governorates</u>	<u>Expenses Periods</u>	<u>Amounts</u>
T/L 773707-6-1263 12/16/1985	Cairo	1/3/1984 - 5/9/1984	\$247,090
T/L 773086-6-1258 1/28/1986	Qalubia	1/4/1984 - 3/15/1984	120,507
Total Actual Expenses from August 1, 1983 to July 31, 1984			\$367,597 =====

(5) Summary of Emergency Fund Advances Excessive to Needs for the Authorized Period:

-Total Amount of Emergency Fund Advanced	\$1,202,385 =====	100% ===
	<u>Amount</u>	<u>Percent</u>
-Total amount spent after July 31, 1984	\$ 345,737	
-Total amount refunded to USAID/Egypt	\$ 349,334	
-Total amount unliquidated as of December 1, 1986	\$ <u>139,717</u>	
	\$ <u>834,788</u> =====	69% ==

EXHIBIT 4

Agricultural Mechanization Project  
(Project No. 263-0031) PIL No. 14  
Review Of Cash Needs Justification

(1) Cash Advance Projection Ratios per MACS A07 report dated 10/2/1986  
(\$1=.83168 LE)

<u>Voucher Advance</u>	<u>Reference Disbursement</u>	<u>Period of Transaction</u>	<u>Projected Advance 1/ (A)</u>	<u>Actual Expenses 2/ (B)</u>	<u>Ratio (A)/(B)</u>
5-7093 T/L 773406	T/L 773336	April, May and June 1985	\$1,181,625	\$452,712	2.61
N/A 3/	T/L 773814	July, August and September 1985	728,912 4/	237,100	3.07
6-1654 T/L 773814	6-2264 T/L 773951	Oct., Nov. and Dec. 1985	1,254,273	406,642	3.08
6-2263 T/L 773951	6-3996 T/L 773551	Jan., Feb. and March 1986	1,288,516	424,701	3.03
6-3995 T/L 773551	6-6043 T/L 773100	April, May and June 1986	1,245,231	584,415	2.13
6-6042 T/L 773284	N/A 3/	July, August and Sept. 1986	775,805 5/	-0-	N/A 3/
					<u>13.92</u>
					Average Ratio (13.92 / 5)
					<u>2.78</u> ====

- 1/ Consists of Unliquidated Balance of previous advance plus Cash Advance payment for new period.
- 2/ Represents actual disbursement amounts for the related period.
- 3/ Not Applicable because either advance not issued or disbursement not yet recorded.
- 4/ This amount represents unliquidated advance balance of April, May and June 1985 which were used to cover expenses of July, August and September 1985.
- 5/ This amount represents total cash advance issued of \$114,989 converted at new rate (\$1=1.35 LE) and unliquidated balance of advance for April, May and June 1986 of \$660,816 converted at old rate (\$1=LE.83168).

Control Of Diarrheal Diseases Project  
(Project No. 263-0137) - PIL No. 15  
Review Of Cash Needs Justification

(1) Cash Needs Projection Ratios as per MACS A07 Report Dated 11/17/86  
(\$1=.83168LE)

<u>Voucher Reference</u>		<u>Transaction Period</u>	<u>Advance Projected 1/ (A)</u>	<u>Actual Expenses 2/ (B)</u>	<u>Ratio (A) / (B)</u>
<u>Advance</u>	<u>Expenses</u>				
T/L 773761- 5-2765, JV- 85-245 and SF-1097-263- 85-066	T/L 773207- 5-4095, T/L 773438- 5-4566 and T/L 773709- 5-5368	Feb., March and April, 1985 for Initial Advances	\$1,903,304	\$747,400	2.54
T/L 773749- 5-5502	T/L 773105- 5-6391, T/L 773439 5-7197 and T/L 773439- 5-7150	May, June and July, 1985	1,428,145	671,234	2.12
T/L 773439- 5-7150	T/L 773886- 5-8151, T/L 773235- 6-381 and T/L 773466 -6-839	August, September and October 1985	1,345,890	579,060	2.32
T/L 773632- 6-1274	T/L 773852- 6-1984, T/L 773360- 6-3206 and T/L 773323 -6-3009	November, December 1985 and January 1986	1,006,156	595,474	1.68
T/L 773360 -6-3008 and T/L 773410- 6-3524	T/L 773455- 6-3609, T/L 773608- 6-4175 and T/L 773786 -6-4773	February, March and April, 1986	1,302,063	542,823	2.39
T/L 773916- 6-5205	T/L 773987- 6-5522 and T/L 773333- 6-6492	May and June 1986	833,674	511,443	

T/L 773405- 6-7002	T/L 773442 -6-7267 and T/L 773440 -6-7285	August, 1986	430,093 <u>3/</u>	314,637 <u>4/</u>	
Total of May, June and August 1986			\$1,263,767	\$826,080	1.52
					<u>12.57</u>
Total Ratio					<u>12.57</u>
Average Ratio (12.57/6)					2.09 =====

1/ Projected cash advance needs consists of unliquidated balance of previous advance plus cash advance payment for new period.

2/ Represents total actual expenses incurred in the related period.

3/ Cash advance projected for August 1986 was calculated as follows:

Unliquidated Balance of May and June 1986	\$322,231
Less: Expenses of July 1986	76,759
(No advance requested for July 1986)	_____
Cash available for August 1986	\$245,472
Add: Advance paid on rate of \$1=LE1.35)	<u>184,621</u>
Total Cash Advance for August 1986	\$430,093 =====

4/ Actual expenses of August 1986 were converted on two exchange rates as follows:

T/L 773442-6-7267 (\$1=.83168LE)	\$245,472
T/L 773440-6-7285 (\$1=1.35LE)	<u>69,165</u>
Total Expenses of August 1986	\$314,637 =====

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The Control Of Diarrheal Diseases Project  
(Project No. 263-0137) - PIL No. 16  
Review Of Cash Needs Justification

-- Cash Needs Projection Ratios as per MACS A07 Report Dated 11/17/86  
(\$1=.83168LE)

<u>Voucher Reference</u>		<u>Transaction</u>	<u>Advance</u>	<u>Actual</u>	<u>Ratio</u>
<u>Advance</u>	<u>Expenses</u>	<u>Period</u>	<u>Projected 1/</u> (A)	<u>Expenses 2/</u> (B)	<u>(A)/(B)</u>
T/L 773761- 5-2766	T/L 773206- 5-4096, T/L 773439- 5-4567 and T/L 773705- 5-5367	February, March and April 1985, Initial Advance	\$2,680,867	\$1,933,420	1.39
T/L 773757- 5-5514	T/L 773169- 5-6392, T/L 773445- 5-7198 and T/L 773445- 5-7149	May, June and July 1985	1,082,140	671,110	1.61
T/L 773445- 5-7152	T/L 773893, T/L 773257- 6-380 and T/L 773467- 6-840	August, September and October 1985	1,442,803	465,163	3.10
T/L 773631- 6-1275	T/L 773851- 6-1983, T/L 773345- 6-3227 and T/L 773345- 6-3010	November and December 1985 and January 1986	1,713,399	674,854 <u>3/</u>	2.53
T/L 773345- 6-3007	T/L 773435- 6-3610, T/L 773599- 6-4174 and T/L 773786 -6-4772	February, March and April 1986	1,166,314 <u>4/</u>	171,784	6.78

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6-7280 dated 9/7/86	T/L 773988- 6-5521, T/L 773334- 6-6493 and T/L 773442 -6-7079	May, June and July 1986	1,022,410 <u>5/</u> 458,429 <u>6/</u> 2.23
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Total Ratio	<u>17.64</u>
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Average Ratio (17.64 / 6)	2.94 =====
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1/ Represents total of unliquidated cash advance balance (cash available) plus cash advance payment for the related period.

2/ Represents total actual expenses of three months related period.

3/ Actual expenses for the period of November and December 1985 and January 1986 was computed as follows:

- Voucher 6-1983 Expenses for November 1985 of \$146,729
- Voucher 6-3010 Expenses for January 1986 of 818,803

Less:

- Voucher 6-3227 refund to the Advance in  
MACS A07 for December 1985 290,678

Actual Total Expenses	\$674,854 =====
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4/ The total advance projected for February, March and April 1986 was calculated as follows:

- Inaccurate balance as per MACS A07  
on 3/6/86 \$791,881

Add:

- Refund of expenses for December 1985  
wrongly recorded as expenses 290,678
- Refund of expenses for December 1985  
corrected entry 290,678

Less:

- Incorrect double entry of advance for  
May, June and July 1985 of 334,692

Unliquidated Balance of November,  
December 1985 and January 1986 \$1,038,545

Add:

- Voucher T/L 773345-6-3007 advance for  
February, March and April 1986 127,769

Actual Total Cash Advance projected for  
February, March and April 1986 \$1,166,314  
=====

5/ The actual cash advance projected for May, June and July 1986 was  
calculated as follows:

- Unliquidated balance of February, March  
and April 1986 (1,166,314 4/ - 171,784)  
amounted of \$ 994,530

Add:

- Unrecorded advance issued for July expenses  
1986 Voucher No. 6-7280 27,880

Actual cash advanced for expenses of  
May, June and July 1986 \$1,022,410  
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6/ Actual expenses for May, June and July 1986 was computed as follows:

- Expenses of May 1986, Voucher 6-5521  
amount of \$ 17,841

Add:

- Expenses of June 1986, Voucher 6-6493  
amount of 325,023

Total Expenses of May and June 1986 \$342,864

Add:

- Expenses of July 1986, Voucher 7079  
amount of 115,565  
(Exchange rate should be of \$1=LE.83168)                     

\$458,429  
=====

PERIOD OF PROJECTION	#1 AMOUNT Projected	#2 AMOUNT Spent	#3 RATIO #1/#2	Average Last 3 Proj
Jan, Feb, March 83	2,264,531.15	2,486,575.87	0.91	
Feb, March, April 83	2,536,000.00	2,404,266.91	1.05	
March, April, May 83	3,069,950.00	2,215,608.11	1.38	1.1
-----				
April, May & June 83	3,084,950.00	1,774,364.74	1.74	1.39
May, June & July 83	2,609,950.00	1,609,700.01	1.62	1.58
July, Aug & Sept 83	2,234,950.00	2,134,515.39	1.05	
July, Aug & Sept 83	2,259,950.00	2,195,528.11	1.03	1.23
Aug, Sept & October	2,159,950.00	2,021,568.11	1.07	
September, Oct & Nov	1,959,950.00	1,274,533.60	1.54	1.61
Oct, Nov & December	2,534,950.00	1,826,700.07	1.39	1.33
Nov, Dec & Jan	2,331,228.00	2,546,432.73	0.92	1.28
DEC, JAN & FEB	2,311,278.00	2,771,662.11	0.94	1.08
JAN, Feb, Mar 84	2,666,228.00	1,672,339.72	1.60	1.35
Feb, Mar, APR 84	3,324,750.00	1,428,320.11	2.33	1.71
Mar, APR, MAY 84	2,589,150.00	1,428,320.11	1.81	2.44
APR, MAY, JUN 84	2,622,150.00	1,852,912.77	1.44	2.19
MAY, JUN, JUL 84	2,622,150.00	2,244,144.21	1.26	1.74
June, July, Aug 84	1,279,950.00	2,867,231.81	0.62	1.04
July, Aug, Sept 84	2,261,950.00	2,214,119.53	1.24	1.04
Aug, Sept, Oct 84	2,614,950.00	2,417,601.88	1.08	1.04
Sept, Oct, Nov 84	2,469,950.00	2,261,344.44	1.09	1.04
Oct, Nov, Dec 84	2,844,950.00	2,999,888.13	0.95	1.10
Nov, Dec, Jan 85	3,114,950.00	2,468,710.14	1.26	1.10
Dec, Jan, Feb 85	2,334,950.00	2,121,558.32	1.10	1.10
JAN, Feb, March 85	1,817,000.00	2,715,381.21	0.67	1.14
Feb, Mar, Apr	1,774,950.00	2,186,111.07	0.81	1.05
Mar, APR, May	1,609,950.00	1,405,600.92	1.16	1.38
APR, May, June	1,744,950.00	2,830,036.12	0.62	1.51
May, June, July	1,264,950.00	2,924,255.21	0.43	1.57
June, July, Aug 85	1,152,002.33	2,866,703.17	0.40	1.32
July, Aug, Sept 85	1,018,867.13	2,812,709.93	0.36	1.32
Aug, Sept, Oct 85	1,140,594.71	2,276,600.61	0.50	1.23
Sept, Oct, Nov 85	1,085,598.61	2,292,531.45	0.47	3.03
Oct, Nov, Dec 85	1,081,087.75	2,836,161.24	0.38	3.04
Nov, Dec, Jan 86	938,744.07	2,522,357.22	0.37	2.27
Dec, Jan, Feb 86	868,066.11	2,61,132.59	0.33	1.47
Jan, Feb, Mar 86	513,113.51	262,701.57	1.95	1.71
Feb, Mar, APR 86	715,631.85	2,52,626.78	0.28	1.53
Mar, APR, May 86	613,526.97	2,742,028.01	0.22	1.37
Apr, May, June 86	1,222,760.23	651,104.14	1.88	1.33



RIG/A/C, NOTE:

Total ratio from Jan., 1985 to June, 1986. 27.39  
 Average ratio ( 27.39 / 16 ) 1.71

Contractor Name: C.T.D.

Contract Number: 263-0070, HCC

3/8/84

PERIOD OF PROJECTION	#1 AMOUNT	#2 AMOUNT	#3 RATIO	Average Last 3 Proj.
JUN, JUL & AUG 83	Projected	Spent	#1 / #2	
JUL, AUG & SEP 83	1,755,583.50	772,187.75	2.25	
AUG, SEP & OCT 83		755,394.04		
Sept, Oct & NOV 83	n.a.	727,483.50	n.a.	0.75
Oct, NOV & DEC 83	1,281,631.10	1,017,434.10	1.26	1.37
NOV, DEC 83 & JAN 84	1,063,746.50	712,770.10	1.49	1.34
Dec, Jan, Feb 84	1,063,746.50	831,171.20	1.28	
Jan, Feb, Mar 84	924,680.00	627,830.20	1.47	1.41
FEB, MAR, APR 84	1,082,583.50	647,676.80	1.67	1.47
MAR, APR, MAY 84	1,212,617.00	472,787.26	2.56	1.90
APR, MAY, JUNE 84	1,025,277.45	464,942.17	2.20	2.14
MAY, JUN, JULY 84	911,798.02	481,811.05	1.88	2.21
JUN, JULY, AUG 84	879,218.70	476,191.14	1.85	1.97
AUG, SEP, OCT 84	-	456,320.32	-	
AUG, SEP & OCT 84	764,456.97	505,221.38	1.51	
SEP, OCT & NOV 84	708,419.-	468,886.18	1.51	1.43
OCT, NOV & DEC 84	582,387 -	456,138.63	1.28	1.49
NOV, DEC 84, JAN 85	624,942.00	370,116.30	1.69	1.69
Dec 84, Jan, Feb 85	582,050.00	325,412.79	1.79	1.70
Jan, Feb, Mar 85	455,173.91	269,271.41	1.62	1.60
Feb, Mar, APR 85	391,847.70	286,675.41	1.37	1.39
MAY, APR, MAY 85	309,538.04	263,813.47	1.18	1.32
APR, May, Jun 85	311,041.57	218,670.72	1.42	
May, Jun & Jul 85	285,661.95	135,857.33	1.73	1.44
Jun, Jul & Aug 85	257,137.50	120,772.70	2.13	1.76
Jul, Aug & Sep 85	216,047.00	462,299.18	0.46	1.28
AUG, SEPT, Oct 85	753,978.00	605,122.00	1.24	1.24
SEPT, Oct, NOV 85	107,737.69	632,152.76	1.12	0.97
Oct, NOV, Dec 85	1,162,300.00	640,827.49	1.81	1.09
NOV, Dec, Jan 86	1,685,000.00	608,937.25	2.77	2.44
Dec, Jan, Feb 86	1,513,858.20	551,295.38	2.75	
Jan, Feb, Mar 86	1,217,883.72	415,217.22	2.93	2.84
Feb, Mar 86, APR 86	1,100,135.00	388,337.80	2.83	
MAY, APR & MAY 86	984,235.00	451,041.12	2.19	2.65
APR, May, Jun 86	826,328.75	537,458.81	1.54	2.19
MAY, Jun, July 86	711,777.20	538,072.20	1.32	2.26
Jun, July, Aug 86	781,568.99	844,680.66	0.93	
July, Aug 86	816,288.99	597,955.97	1.37	
Aug 84, Oct 86	103,113.33			
Sept Oct 86	944,000.00			

RIG/A/C NOTE: Total ratio from June, 85 to Aug, 86 25.24  
Average ratio (25.24 / 14) 1.80

Source: USAID/Egypt Office of Financial Management

The Egyptian Major Cereals Improvement Project  
(Project No. 263-0070)  
Review Of Cash Needs Projection

(1) Advance of L/Com-263-0070-01 (\$)

<u>Document Reference</u>		<u>Advance Period</u>		<u>Advance</u>	<u>Actual</u>	<u>Ratio</u>
<u>Advance</u>	<u>Expenses</u>	<u>Month</u>	<u>Year</u>	<u>Paid</u> 1/ (A)	<u>Expenses</u> 2/ (B)	(A) / (B)
BV5100755, 5-3830	T/L 773287-INV No. 70	January	1985	\$627,000	\$553,233	1.13
BV5100755, 5-3830	T/L 773429, 5-4640	February	1985	770,000	493,157	1.56
BV5100755, 5-3830	T/L 773759, 5-5443	March	1985	420,000	668,999	.63
BV5100882, 5-4431	T/L 773417, 5-7142	April	1985	584,950	623,954	.94
BV5100951, 5-4639	T/L 773598, 5-7474	May	1985	605,000	112,647	5.37
BV5101158 5-5442	T/L 773187, 6-247	June	1985	555,000	133,435	4.16
BV5101467, 5-7141	T/L 773390, 6-844	July	1985	104,950	678,273	.15
BV6100273, 6-849	T/L 773390, 6-848	August	1985	492,303	54,995	8.95
BV6100273, 6-849	T/L 773723, 6-1618	September	1985	421,565	79,512	5.30
BV6100273, 6-849	T/L 773177, 6-2681	October	1985	226,727	142,094	1.60
BV6100476, 6-1604	T/L 773177, 6-2678	November	1985	437,307	70,928	6.16
BV100476, 6-1604	T/L 773319, 6-3003	December	1985	417,053	623,446	.67
DN6100763, 6-3004	T/L 773613, 6-4261	January	1986	84,633	172,015	.49

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DN6100763, 6-3004	T/L 773816, 6-4883	February	1986	366,379	209,701	1.75
DN6100763, 6-3004 and BV6101243, 6-4886	T/L 773816, 6-4887	March	1986	231,223	231,223	1.00
BV6101243, 6-4886	T/L 773979, 6-5575	April	1986	209,968	121,702	1.73
BV6101243, 6-4886 and 6-4885	T/L 773302, 6-6678	May	1986	209,968	389,103	.54
Total Ratio						<u>42.13</u>
Average Ratio (42.13 / 17)						<u>2.48</u>
						====

1/ Represents cash advance amounts projected for related month, which included cash that was available plus actual cash advance paid.

2/ Represents actual disbursements related to the advance period.

(2) Advance of CO-263-0070-HC-01 (LE)

<u>Document Reference</u> <u>Advance</u>	<u>Reference</u> <u>Expenses</u>	<u>Advance</u> <u>Period</u>	<u>Advance Projected at</u> <u>Different Exchange Rate</u>			<u>Total</u> <u>U.S. \$</u> <u>A</u>	<u>Actual</u> <u>Expenses</u>		<u>Ratio</u> <u>A/B</u>
			<u>At Rate</u> <u>U.S.\$</u>	<u>1.35</u> <u>U.S.\$</u>	<u>1.36</u> <u>U.S.\$</u>		<u>Exchange</u> <u>Rate</u>	<u>Total</u> <u>U.S.\$</u> <u>B</u>	
T/L773628, 5-6186	T/L773634, CID INV.68	June 1985	126,706	-0-	-0-	126,706	.83168	55,421	2.29
T/L773628, 5-6186	T/L773724, CID INV.69	July 1985	95,444	-0-	-0-	95,444	.83168	37,081	2.57
T/L773628, 5-6186 and T/L773723 5-7928	T/L773154, CID INV. 70	Ausust 1985	184,974	-0-	-0-	184,974	.83168	52,979	3.49

T/L773723, T/L773389, Sept. 5-7928 CID INV.71 1985	306,207	-0-	-0-	306,207	.83168	465,802	.66
T/L773723, T/L773724, Oct. 5-7928 and 6-1619 1985 T/L773389, 6-845	363,755	-0-	-0-	363,755	.83168	208,870	1.74
T/L773389, T/L773174, Nov. 6-845 and 6-2685 1985 T/L773724, 6-1615	518,605	-0-	-0-	518,605	.83168	205,777	2.52
T/L773389, T/L773323, Dec. 6-845 and 6-3005 1985 T/L773724, 6-1615	595,181	-0-	-0-	595,181	.83168	355,876	1.67
T/L773724, T/L773445, Jan. 6-1615 6-3666 1986	655,300	-0-	-0-	655,300	.83168	170,523	3.84
T/L773445, T/L773619, Feb. 6-3665 6-4331 1986	431,819	-0-	-0-	431,819	.83168	136,470	3.16
T/L773445, T/L773700, March 6-3665 6-4571 1986	448,490	-0-	-0-	448,490	.83168	192,751	2.33
T/L773445, T/L773837, April 6-3665 6-4983 1986 <u>5/</u>	448,490	-0-	-0-	448,490	.83168	137,711	3.26
T/L773270, T/L773306, June 6-5574 6-6447 1986	214,663	-0-	-0-	214,663	.83168	296,658	.72
T/L773270, T/L773525, July 6-5574 6-7503 1986	214,663	182,203	-0-	396,866	.83168	138,449	2.87
T/L773270, T/L773550, August 6-5574 and 6-7695 1986 T/L773397, 6-6814	214,665	209,959	-0-	424,624	1.35	357,637	1.19

Total Ratio 32.31

Average Ratio (32.31 / 14) 2.31  
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EXHIBIT 9

Agricultural Mechanization Project  
(Project No. 263-0031) PIL No. 14  
Review Of Cash Needs Justification

Comparison of Cash Needs Requested by Recipient With Cash on Hand at Time of Request and With Cash Advance Projected by USAID/Egypt (\$1=LE.83168 Up to July 1, 1986)

<u>Advance Voucher No.</u>	<u>Advance Period</u>	<u>Cash Needs Requested</u>	<u>Advance Balance 1/ Unliquidated</u>	<u>Cash Advance Paid by 2/ USAID/E</u>	<u>Total Advance Projected</u>	<u>Ratio %</u>	
		A	B	C	B+C=D	B/A	D/A
5-7093 T/L 773406	April, May and June 1985	\$1,196,756	\$613,326	\$568,299	\$1,181,625	51	99
6-1654 T/L 773814	Oct., Nov., and Dec. 1985	1,271,716	491,812	762,461	1,254,273	39	99
6-2263 T/L 773951	Jan., Feb., and March 1986	1,303,648	847,630	440,886	1,288,516	65	99
6-3995 T/L 773551	April, May, and June 1986	1,260,362	863,816	381,415	1,245,231	69	99
6-6042 T/L 773284	July, August, and Sept. 1986	531,412 (\$1=LE1.35)	660,816 (\$1=LE.83168)	114,989 (\$1=LE1.35)	775,805	124	146
Total Ratio						<u>348%</u>	<u>542%</u>
Average Ration B/A (348%/5) and D/A (542%/5)						70%	108%
						==	===

1/ Represents unliquidated advance balance per USAID/Egypt records of prior advance period.

2/ Represents the amount was paid by USAID/Egypt payment voucher to replenish the advance.

Control Of Diarrheal Diseases Project  
(Project No. 263-0137) - PIL No. 15  
Review Of Cash Needs Justification

Comparison of Cash Needs Requested by Recipient With Cash on Hand at Time of Request and With Cash Advance Projected by USAID/Egypt (\$1=LE.83168 Up to July 1, 1986)

Advance Voucher No.	Advance Period	Cash Needs Requested A	Advance Balance <u>1/</u> Unliquidated B	Cash Advance Paid by <u>2/</u> USAID/E C	Total Advance Projected B+C=D	Ratio %	
						B/A	D/A
5-5502 T/L 773749	May, June and July 1985	\$1,428,145	\$1,155,000	\$272,241	\$1,428,145	81	100
5-7151 T/L 773439	August, Sept., and Oct. 1985	1,345,890	756,911	588,979	1,345,890	56	100
6-1274 T/L 773632	Nov., Dec., 1985 and Jan. 1986	1,006,156	766,830	239,326	1,006,156	76	100
6-3008 T/L 773360 and 6-3524 T/L 773410	Feb., March and April 1986	1,302,063	410,682	237,610 and 653,771	1,302,063	32	100
6-5205 T/L 773916	May and June 1986	833,674	759,240	74,434	833,674	91	100
6-7002 T/L 773405	August 1986	335,847 <u>3/</u> (\$1=LE1.35)	245,472 <u>4/</u>	184,621 (\$1=LE1.35)	430,093	73	128
Total Ratio						409%	628%
Average Ratio B/A (409%/6) and D/A (628%/6)						68%	104%
						===	===

- 1/ Represents unliquidated advance balance per USAID/Egypt records of prior advance period.
- 2/ Represents the amount was paid by USAID/Egypt payment voucher to replenish the advance.
- 3/ Cash requested for August 1986 was converted to U.S. dollars by using new exchange rate of \$1 = LE1.35
- 4/ Unliquidated advance balance at the time of advance of August 1986 was requested is calculated as follows:

- Unliquidated Balance of May and June 1986	\$322,231
- Less: Expenses of July 1986	<u>76,759</u>
Unliquidated balance for Advances of August 1986	<u>\$245,472</u> =====

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The Control Of Diarrheal Diseases Project  
(Project No. 263-0137) - PIL No. 16  
Review Of Cash Needs Justification

Comparison of Cash Needs Requested by Recipient With Cash on Hand at Time of Request and With Cash Advance Projected by USAID/Egypt (\$1=LE.83168 Up to July 1, 1986)

<u>Advance Voucher No.</u>	<u>Advance Period</u>	<u>Cash Needs Requested</u> A	<u>Advance Balance <u>1/</u> Unliquidated</u> B	<u>Cash Advance Paid by <u>2/</u> USAID/E</u> C	<u>Total Advance Projected</u> B+C=D	<u>Ratio %</u> B/A D/A	
5-5514 T/L 773757	May, June and July 1985	\$1,082,140	\$747,448	\$ 334,692	\$1,082,140	69	100
5-7152 T/L 773445	Aug., Sept., and Oct. 1985	1,442,863	411,030	1,031,83	1,442,863	28	100
6-1275 T/L 773631	Nov., and Dec. 1985 and Jan. 1986	1,713,399	977,699 <u>3/</u>	735,700	1,713,399	57	100
6-3007 T/L 773345	Feb., March and April 1986	1,166,314	1,038,545 <u>4/</u>	127,769	1,166,314	89	100
6-7269 T/L 773439	Sept., Oct., and Nov. 1986	813,704 <u>5/</u>	563,981 <u>6/</u>	813,704 (\$1=LE1.35)	1,377,685	69	169
Total Ratio						<u>312%</u>	<u>569%</u>
Average Ratio B/A (312%/5) and D/A (569%/5)						62%	114%
						==	===

1/ Represents cash available unliquidated per USAID/Egypt records.

2/ Represents the amounts paid by USAID/Egypt to replenish the advance.

3/ Represents the accurate unliquidated balance of prior advance of August, September and October 1985 as follows:

- Balance as per MACS A07 on 11/21/85	\$1,312,391
Less: Double entry wrongly posted in MACS A07 for advance of May, June and July 1985	<u>334,692</u>
An Accurate Unliquidated Balance of August, September and October 1985	977,699 =====

4/ Represents the accurate unliquidated balance of prior advance of November and December 1985 and January 1986 (see Exhibit 11-5/).

5/ Represents cash needs requested by the advancee for September, October and November 1986 converted to U.S. \$ on a rate of (\$1=LE1.35).

6/ Represents the accurate unliquidated balance of advance of February, March and April 1986 as follows:

- Incorrect balance of February, March and April 1986 as per MACS A07, 6/11/86 (Unliquidated balance as of June 30, 1986 - cut off date)	\$747,866
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<u>Add:</u> - Wrong entry of cash refunded to the advancee for expenses for December 1985, posted to the Advance Account as an expenses	290,678
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- Accurate entry of the refund mentioned above which should be posted to the account	290,678
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<u>Less:</u> - Wrong double entry posted to the advance account for advance of May, June and July 1985	<u>334,692</u>
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Accurate Unliquidated Balance as of June 30, 1986 for advance of February, March and April 1986	<u>994,530</u>
--	----------------

<u>Less:</u> - Actual expenses of May, June and July 1986, (See Exhibit 6 - 6/)	458,429
--	---------

<u>Add:</u> - Unnecessary excess direct reimbursement issued to the advancee for part of the expenses of July 1986 on rate of \$1=LE1.35, which should be recorded in the account of the advance as an excess advance (payment voucher no. 6-7280)	<u>27,880</u>
--	---------------

Corrected Balance as of September 9, 1986 (No advance was requested and paid for May, June, July, and August 1986)	563,981 =====
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EXHIBIT 12

Aging Analysis Of Unliquidated Cash Advances

<u>Aging Limits</u> <u>Month/Year</u> 1/	<u>Aging Limits Dates</u> 2/		<u>Cut-off Date</u>	<u>Total Unliquidated Balances</u> 3/	
	<u>From</u>	<u>To</u>			<u>%</u>
Over 2 years	10/20/78	06/30/84	06/30/86	\$ 151,226.94	1
Over 1 year	06/30/84	06/30/84	06/30/86	3,404,741.17	18
Over 6 months	06/30/85	12/31/85	06/30/86	958,073.71	5
Over 3 months	01/01/86	03/31/86	06/30/86	1,252,027.72	7
Over 1 month	04/01/86	05/31/86	06/30/86	5,447,848.18	29
Under 1 month	06/01/86	06/30/86	06/30/86	<u>5,018,183.57</u>	<u>27</u>
Total balances should be liquidated up to June 30, 1986				<u>\$16,232,101.29</u>	<u>87</u>
Total balances should be liquidated after June 30, 1986				<u>2,398,848.96</u>	<u>13</u>
Total Unliquidated Cash Advance Balances				<u>\$18,630,950.25</u>	<u>100%</u>
				=====	===

- 1/ Represents outstanding period of cash advance balances from the date when the advance should have been liquidated to the cut-off date 6/30/86.
- 2/ Represents the accountability dates of cash advance balances. These dates were obtained from the MACS A08 report dated 6/30/86.
- 3/ Represents the total unliquidated cash advance balances related to accountability dates. These advance balances were taken from the MACS A08 report dated 6/30/86.

Interest Cost To U.S. Government

Unliquidated Cash Advance Balances		Amounts of US\$ 3/ (A)	Period Outstanding in Years 4/ (B)	Average Interest Rate of Period Outstanding 5/ (C)	Accumulated Interest Cost US\$ (A)X(B)X(C)
Period of Due Dates 1/	Cut-Off-Date 2/				
10/20/78	6/30/86	3,465.00	7.58	13.00 %	3,414.41
10/01-12/31/80	6/30/86	2,475.28	5.50	14.40 %	1,960.42
01/01-03/31/81	6/30/86	6,152.87	5.25	14.40 %	4,651.57
04/01-06/30/81	6/30/86	5,842.00	5.00	14.40 %	4,206.24
07/01-09/30/81	6/30/86	3,868.88	4.75	14.40 %	2,646.31
01/01-03/31/82	6/30/86	2,775.00	4.25	15.00 %	1,769.06
07/01-09/30/82	6/30/86	208.42	4.00	15.00 %	125.05
10/01-12/31/82	6/30/86	859.25	3.50	13.33 %	400.88
01/01-03/31/83	6/30/86	29,815.80	3.25	13.33 %	12,916.95
09/30-12/31/83	6/30/86	55,189.24	2.50	12.00 %	16,556.77
01/01-03/31/84	6/30/86	40,575.20	2.25	12.00 %	10,955.30
07/01-09/30/84	6/30/86	440,987.23	1.75	12.00 %	92,607.32
10/01-03/31/84	6/30/86	228,126.17	1.50	12.00 %	41,062.71
01/01-31/31/85	6/30/86	2,580,456.51	1.25	13.00 %	419,324.18
04/01-06/30/85	6/30/86	155,171.41	1.00	13.00 %	20,172.28
07/01-09/30/85	6/30/86	683,002.22	.75	13.00 %	66,592.72
10/01-12/31/85	6/30/86	275,071.34	.50	13.00 %	17,879.64
01/01-01/31/86	6/30/86	395,027.16	.42	13.00 %	21,568.48
02/01-02/28/86	6/30/86	54,043.58	.33	13.00 %	2,318.47
03/01-03/31/86	6/30/86	802,956.98	.25	13.00 %	26,096.10
04/01-04/30/86	6/30/86	1,715,588.93	.17	13.00 %	37,914.50
05/01-05/31/86	6/30/86	3,732,259.25	.10	13.00 %	48,519.37
06/01-06/30/86	6/30/86	5,018,183.57	-0-	13.00 %	-0-
Total		\$16,232,101.29			\$853,658.73
		=====			=====

1/ Represents the accountability dates stated for each outstanding cash advance balance through every three months of each year as per MACS A08 dated 6/30/86. Office of Financial Management advised that these Accountability Dates are the dates that related cash advance outstanding balances should be liquidated or refunded if not used.

2/ Represents the accountability date used as cut-off-date to be compared with last date of period of due dates as on 1/.

3/ Represents the total of unliquidated balances related to the period of due dates as on 1/. These balances represent either 90-day or 30-day advances.

4/ Represents the period of unliquidated cash advance balances between last date of the period of due date as on 1/ and the cut-off-date as on 2/ by years.

- 5/ Represents the average of interest rates by taking those interest rates applicable to the period of due dates of unliquidated cash advance balances as on 1/ and dividing by the number of interest rates involved. Interest rates were provided by U.S. Treasury in accordance with the Internal Revenue Code as per AID Handbook 19 Trans Memo No. 19:101 page No. 7E-11 on June 21, 1985.

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EXHIBIT 14

List Of Unliquidated Cash Advance Balances  
for Advancees Whose Addresses  
Are Unknown To USAID/Egypt

<u>Advance Reference</u>	<u>Project No.</u>	<u>Advancee Name</u> <u>1/</u>	<u>Accountability Date</u> <u>2/</u>	<u>Unliquidated Balance as of 6/30/86</u>
- POA3500039, PS-EGY-0016-P-CE-1069	263-0016	Unknown	10/30/83	\$1,115
- P051101124, TA-263-81-152	263-0026	Ramses Mina Fittian	07/31/82	1
		Sayed Mostafa Hassan	07/31/82	5
		Ahmed H. Gaber	07/31/82	202
- P00270059A, TA-263-80-297	263-0026	Unknown	11/30/80	1,440
- P956301237, TA-263-81-162	263-0026	Ismail Mahmoud	05/31/81	800
- P037700889, TA-263-81-104	263-0026	Unknown	02/28/81	1,350
- P841901395, TA-263-77-168	263-0026	Mohamed Asaad Ashery	10/20/78	3,465
		Total		<u>\$8,378</u> =====

1/ Represented the name of the advancee who should have liquidated these outstanding cash advances balances.

2/ Represented the date which these balances should be liquidated.

EXHIBIT 15

Schedule Of  
Unused Cash Advances Refunded To  
USAID/Egypt As A Result Of Audit

<u>Advance No.</u>	<u>Advance Document No.</u>	<u>Project No.</u>	<u>Refund Reference</u>	<u>Accountability Date</u>	<u>Refund Date</u>	<u>Amounts Refunded</u>
P938306524	PIL No. 38	263-0079	A723013	1/31/85	9/17/86	\$1,807,693
P014206626	PIL No. 13	263-0118	A723018	11/30/84	10/14/86	53,983
P040204568	PIL No. 91	263-0065	A723011	7/31/85	9/09/86	30,060
P974601637	SA-263-80-G-12	263-0026	A723020	8/01/81	10/14/86	656
P026585449	TA-263-84-131	263-0105	A723008	8/28/85	9/02/86	107
P026485449	TA-263-84-132	263-0105	A723010	8/28/85	9/02/86	107
		Sub-Total				<u>\$1,892,606</u>

Amounts Refunded Due to Confirmation Letters:

P93101252W	L/Com-263-004101	263-0041	A723019	8/25/85	10/13/86	\$ 2,490
P322909527	PIL No. 15	263-0041	A723007	11/30/84	8/25/86	9,959
P02357050W	TA-2000653	263-0090-01	A723005	11/23/82	7/16/86	309
P051902288	TA-263-85-133	263-0116	A723016	2/14/84	10/01/86	156
P361602464	FA-263-85-012	263-0144	A723003	2/21/85	7/08/86	<u>974</u>

Total Refunded from July to October 14, 1986 \$1,906,494  
=====

1/ Represents the dates these advances were to be liquidated.

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EXHIBIT 16Schedule Of  
Advances Liquidated As A Result Of  
RIG/A/C Confirmation Letters

<u>Advance No.</u>	<u>Advance Document No.</u>	<u>Project No.</u>	<u>Advancee Name</u>	<u>Unliquidated Balance</u>	<u>(Liquidation Amounts)</u>
P126386139	L/Com-263- 0137-01	263-0137	John Snow Public Health Inc.	\$34,838	\$(34,838)
P173804535	TA-263-86-250	263-0137	Mahmoud El Mougri	770	( 961)
P147501085	TA-263-86-062	263-0137	Ibrahim Fayyad	360	( 578)
P163504380	TA-263-86-280	263-0026	Ahmed Dewidar	315	( 701)
P163504379	TA-263-86-281	263-0026	Ahmed Shoukry	315	( 701)
P148801108	TA-263-86-117	263-0026	Mohamed Nabil Nassar	320	( 848)
P414106475	TA-263-85-407	263-0123- 02	Anhar Hegazi	<u>1,900</u>	<u>( 2,317)</u>
			Total Advances Liquidated	\$38,818 =====	\$(40,944) =====

Schedule Of  
Confirmation Letter Replies Indicating Disagreement  
With USAID/Egypt Advance Records As Of  
June 30, 1986

<u>Advance No.</u>	<u>Unliquidated Balances</u>			<u>Notes on the Differences</u>
	<u>Per MACS A08</u>	<u>Per Advancee Replies</u>	<u>Differences</u>	
P343708685 P859704193	\$16,990 75,594 <u>\$92,584</u>	<u>\$39,358</u>	\$53,226	Expenses not recorded in USAID records.
P014409254	\$36,237	-0-	36,237	Expenses of September 1983, October 1983, July 1984, and March 1985 not recorded in USAID records.
P088723119	112,367	96,102	16,265	Expenses of April, May and June 1986 not recorded in USAID records.
POA0801987	12,105	10,301	1,804	Expenses not submitted to USAID/Egypt.
P033000769	102	-0-	102	Expenses disallowed by USAID/Egypt. The advancee did not accept disallowance.
P133604834	42,204	-0-	42,204	Advance for PIL No. 23 to purchase American trucks. Advancee recorded proposed expenditure as expenses, but trucks were never purchased.
P826382304	19,500	-0-	19,500	Advancee records did not show this advance amount.
P222600033	81,029	81,029	Not Applicable	Date of Advancee Balance was March 31, 1986 not June 30, 1986.
P033601892	10,167	3,139	7,028	Expenses not recorded in USAID records from November 1984 to June 30, 1986.

P360307486	240,477	131,643	108,834	Expenses for March, April and May 1986. Balance per advancee records was stated as May 31, 1986 not June 30, 1986.
P240701973	200,865	40,883	159,982	Advancee did not explain the difference, balance date was 7/31/86 not 6/30/86.
P121703685	24,807	35,317	( 10,510)	Advancee did explain the excess funds. Date of Balance was 7/31/86 not 6/30/86.
P151502251	7,073	24	7,049	Advancee not advised of disapproved expenses by USAID/Egypt.
P451804897	288,579	144,491	144,088	Expenses recorded in USAID records and advance recorded in the advancee records after June 30, 1986.
P040204568	89,388	93,603	( 4,215)	The advancee did not explain the excess balance. The balance reported was as stated in the advancee's bank statement which was the only record kept by the advancee for these advances.
P324400789	72,144	79,406	( 7,262)	
P390503142	675	685	( 10)	The advancee did not confirm the balance as of June 30, 1986, and did not explain the excess funds. Date of the advancee balance was May 31, 1986.
P15100487W	606,447	606,447	Not	The balance per reply was dated March 31, 1986 not June 30, 1986.
P55101395W	91,551	91,551	Available	
P089301940	49,300	29,099	20,201	Represented expenses submitted to USAID on 9/18/86.
P080601349	797			Expenses submitted to USAID on 9/18/86.
P107906345	<u>107,415</u>			
	<u>108,212</u>	<u>39,810</u>	<u>68,402</u>	

P014206626	159,450	132,106	27,344	Advancee reconciled this advance and refunded the unused balance to USAID/Egypt.
P343905626	433	N/A	Not Available	The advancee did not keep any record for this advance. It asked the Renewable Energy Agency to confirm this balance, but received no other reply.
P54883713	261,519	236,967	24,552	Expenses of April, May and June 1986 were not submitted to USAID/Egypt upto 6/30/86.
P411100573 P555104038	73,583 <u>31,401</u> <u>104,984</u>	58,193	<u>46,791</u>	The advancee did not provide any further information related to this difference.
P176102765	759,240	322,232	437,008	This difference related to an advance for May, June and July 1986, and expenses of May and June 1986 which were recorded in USAID/Egypt records after June 30, 1986.
P176102766	747,865	651,666	96,199	This difference related to errors of a duplicate entry and an inaccurate entry of refund of December 1985 expenses which were posted in USAID/Egypt records. Expenses of May and June 1986 were recorded after June 30, 1986 in USAID/ Egypt records.
P372301652	40,000	34,942	5,058	This difference related to an advance for April, May and June 1986, expenses of January through March 1986 and expenses of April through June 1986 which were recorded after June 30, 1986 in USAID/Egypt records.
Total	<u>\$4,259,304</u> =====			

List Of Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	1
We recommend that the USAID/Egypt Associate Director of Financial Management implement the 30-day and 90-day approval limits in establishing AID advances, as set forth in the AID regulations.	
<u>Recommendation No. 2</u>	5
We recommend that the USAID/Egypt Associate Director of Financial Management, in coordination with project officers, adopt procedures and set standards for recurring advances to reduce amounts requested based on analyses of cash available, prior advances, and reported amounts of monthly expenditures.	
<u>Recommendation No. 3</u>	6
We recommend that the USAID/Egypt Associate Director of Financial Management comply with the maximum advance period of 90 days permitted by AID regulations, and cancel the 120-day advance for construction activity under the Basic Education Project (Project No. 263-0139).	
<u>Recommendation No. 4</u>	6
We recommend that the USAID/Egypt Associate Director of Financial Management ensure that an appropriate authorized official reviews and approves: (a) cash transfers between advances; (b) adjustments that increase or decrease unliquidated cash-advance balances; and (c) analyses of projected cash needs comparing prior advances with actual disbursements.	

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Recommendation No. 5

17

We recommend that the USAID/Egypt Associate Director of Financial Management establish follow-up procedures over project cash advances to ensure that balances are liquidated by due dates and that unused cash balances are promptly returned to AID.

Recommendation No. 6

17

We recommend that the USAID/Egypt Associate Director of Financial Management routinely send out collection follow-up notices to all advancees who have not liquidated outstanding advances within 45 days after the due dates.

Recommendation No. 7

17

We recommend that the USAID/Egypt Associate Director of Financial Management establish separate financial reporting for uncollectible cash advances pending appropriate decision to write off these balances.

Recommendation No. 8

17

We recommend that the USAID/Egypt Associate Director of Financial Management revise the Standard Financial Monthly Report( MACS A08) which provides the status of outstanding advances in order to provide a basis for taking proper action on excessive and/or unexpended balances, and to provide an aging analysis, by project, of each unliquidated cash advance balance, according to realistic accountability dates.

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