

PD-ABC-483

100-70434

**Audit of Airport Equipment  
Procured under USAID/Egypt's  
Commodity Import Program**

**Audit Report No. 6-263-90-08  
July 30, 1990**

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During the first two years after passage of special legislation designed to enhance security at Cairo International Airport, the Department of State and Cairo airport officials inadequately managed A.I.D.-financed security equipment purchased for the Cairo Airport Authority. The purchase of this equipment has yet to enhance airport security.

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

July 30, 1990

MEMORANDUM FOR MS/OP/COMS/M, Steven M. Kinsley

FROM : RIG/A/C, F. A. Kalhammer 

SUBJECT: Audit of Airport Equipment Procured under USAID/Egypt's  
Commodity Import Program (Audit Report No. 6-263-90-08)

The Office of the Regional Inspector General for Audit/Cairo has made the above mentioned review and provided you and others (see list below) a copy of the draft report for review and comment. The comments we received are included as Appendix II to this report. Three copies of the report are being provided to you via commercial courier.

The report contains one recommendation for your action. The status of the recommendation, which is monetary in nature, is "unresolved" at report issuance because you have not provided this Office with a formal determination regarding the amount to be recovered, if any. The recommendation can be resolved upon receipt of your determination, and closed when collection, or a showing that no money is owed to A.I.D., has been made.

Please advise me by telegram or telefax within thirty days from the date of this report of any actions taken to address the recommendation.

Addressees should note that copies of this report will be made available to the Inspectors General at the Depts. of State and Transportation.

Allow me to express my appreciation for the courtesy and cooperation shown by your Office, USAID/Egypt, and the American Embassy in Cairo during the course of this audit.

cc: The Ambassador & DCM  
Director, USAID/Egypt  
EMB/ECON, RFord  
USAID/FM/FA, NWijesooriya

## EXECUTIVE SUMMARY

As early as 1976, A.I.D denied a request by the Government of Egypt (GOE) to finance airport security equipment referencing Section 660(a) of the Foreign Assistance Act (FAA) of 1961 which states that none of the funds made available to finance activities authorized by the FAA shall be used to provide any financial support for police, prisons or other law enforcement forces of any foreign government. Whether A.I.D. could fund airport security equipment continued to be an issue for almost ten years. It was not until special legislation was passed in August 1986, making available A.I.D. non-project assistance monies for this purpose, that this obstacle was removed.

Prior to the enactment of special legislation, a total of approximately \$5.2 million (later increased to \$7.3 million) was allocated by the Ministry of Planning and International Cooperation (MPIC) under USAID/Egypt's public sector Commodity Import Program (CIP) grants to the Cairo Airport Authority in order to procure equipment. Also just prior to passage of the same legislation, a 1986 assessment of Cairo airport safety and security equipment requirements by the U.S. Federal Aviation Administration confirmed many of the same needs identified in earlier studies of airport safety and security requirements.

Overall management of security upgrading at Cairo airport by the Department of State was inadequate during the first two years after passage of the special legislation. Although considerable work has been done by the GOE in enhancing physical security at the airport, what little A.I.D-financed "security" equipment has arrived has not yet been effectively put to use. Recent developments coinciding with this audit indicate that appropriate priority may now have been assigned to this activity by cognizant USG and GOE officials. However, appropriate coordination between two cognizant GOE agencies at Cairo airport still appears to be lacking.

Between January 29 and April 30, 1990 we audited the program in accordance with generally accepted government auditing standards (see page 3, and Appendix I) and found the following:

- Equipment managed by the Department of State and Cairo airport Authority and financed by A.I.D under its public sector Commodity Import Program (CIP) has not yet enhanced security at Cairo airport.

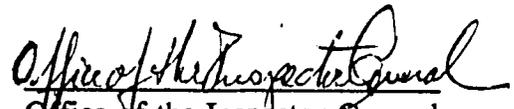
- One piece of equipment was not eligible for A.I.D. financing because it was made in the United Kingdom.

The report contains one recommendation. It also presents our assessment of internal controls (see page 10) and reports on USAID/Egypt's compliance with applicable laws and regulations (see page 13).

A draft of this report was provided to AID and Embassy officials for comment. In the only response we received to the draft report, USAID/Cairo noted that the report had had a beneficial effect on the operation of its Commodity Import Program (Appendix II).

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Office of the Inspector General

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# INTRODUCTION

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## Background

As early as 1976 A.I.D. denied a request by the GOE to finance airport security equipment referencing Section 660(a) of the Foreign Assistance Act of 1961 which states that none of the funds made available under this Act should be used to provide any financial support for police, prisons, or other law enforcement forces of any foreign government. Again in December 1981, the GOE's Ministry of Tourism and Commercial Aviation requested an allocation of Commodity Import Program (CIP) funds to procure airport security equipment. The request appeared to be prompted in part by an October 13, 1981 bomb explosion at Cairo airport. The estimated cost of the requested equipment ranged from \$6 - 10 million. Discussions on this matter continued intermittently until, early in 1986, the U.S. Federal Aviation Administration made an assessment of Cairo airport in order to provide USAID/Egypt and Cairo Airport Authority (CAA) with recommendations for the procurement of equipment and training to enhance passenger safety and security. A thorough list of requirements was developed with specifications to be developed later by a private sector consultant.

At about the same time, a total of approximately \$5.2 million (later increased to \$7.3 million) was allocated by the then Ministry of Planning and International Cooperation (MPIC) in A.I.D.-financed public sector CIP grants to the Cairo Airport Authority for equipment purchases. In addition to items being funded by A.I.D., the Government of Egypt has funded a 40-kilometer security fence and road around the perimeter of the airport. The GOE has also funded construction of a security gate controlling access to the airport.

The issue as to whether A.I.D. could legally fund such equipment purchases was resolved with the enactment of special legislation in August 1986, which made available the use of A.I.D. non-project assistance funding for this purpose. Specifically, Section 508 of the Omnibus Diplomatic Security and Antiterrorism Act of 1986 (the Act) provided:

In addition to funds otherwise available for such purpose under Chapter 8 of part II of the Foreign Assistance Act of 1961, assistance authorized to carry out the purposes of Chapter 4 of part II of such Act for fiscal years 1986 and 1987 (as well as undisbursed balances of previously obligated funds under such Chapter) which are allocated for Egypt may be furnished, notwithstanding Section 660 of such Act, for the provision of nonlethal airport security equipment and commodities, and training in the use of such equipment and commodities.

For a variety of reasons little progress was made in the two years that followed. In late May 1988, the head of the State Department antiterrorist group, accompanied by the director of the FAA's Office of Aviation Security, visited Cairo to look into the status of security enhancement at the airport. As a result of that visit and the renewed interest it engendered, it was agreed that the Department of State, FAA, and A.I.D., working together, would go forward with "the project." FAA would provide a technical project director to expedite and track the project's future implementation; A.I.D. would provide CIP funds (as available) for equipment purchases; and the U.S. Embassy in Cairo would provide an in-country point-of-contact to liaise with the GOE and lead the U.S. Mission team.

In July 1988 an FAA survey team returned to Cairo to revalidate/update the recommendations of the 1986 report. Given the changes since the earlier report (a new terminal, increased familiarity with Egyptian processes/procedures, heightened threat levels/vulnerability, and reduced funding), the FAA team significantly revised the recommendations of its 1986 report. In total, the revised recommendations call for much less equipment than the prior report, but would still provide much more airport security capability than is currently available at Cairo airport. The revised recommendations called for baggage screening, closed-circuit television (CCTV) and radio/telephone communication equipment, the establishment of a command center, and extensive operational and technical training components.

In early 1989 A.I.D. funding was made available from the Technical Cooperation and Feasibility Studies Project to obtain technical services for the identification and procurement of security equipment required by the Cairo Airport Authority. Effective August 15, 1989, a contract was signed with Systems, Requirements and Services Associates, Inc. (SRSA) to identify the equipment most appropriate for CAA based on FAA's list of commodities, prepare bid specifications, and undertake the procurement of airport security equipment.

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## **Audit Objectives**

The office of the Regional Inspector General for Audit/Cairo audited certain aspects of airport equipment provided to the Cairo Airport Authority under the Commodity Import Program in order to answer the following audit objectives:

- Has the equipment financed by USAID/Egypt under its Commodity Import Program (CIP) been effectively managed and utilized in order to enhance security at Cairo airport?
- Was all equipment financed by A.I.D. of eligible source and origin?

In answering these audit objectives, we tested whether USAID/Egypt and other cognizant USG entities had followed applicable internal control procedures, and complied with certain provisions of laws, regulations, grants, and contracts. Our tests were sufficient to provide reasonable--but not absolute--assurance of detecting abuse or illegal acts that could significantly affect the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, USAID/Egypt (or the GOE) followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. When we found problem areas, we performed additional work:

- to conclusively determine that USAID/Egypt (or the GOE) was not following a procedure or not complying with a legal requirement,
- to identify the cause and effect of the problems, and
- to make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology for this audit.

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## **REPORT OF AUDIT FINDINGS**

**Has the equipment financed by USAID/Egypt under its Commodity Import Program (CIP) been effectively managed and utilized in order to enhance security at Cairo airport?**

Although Congress made A.I.D. non-project assistance funds available for improved security at Cairo airport, the equipment financed by A.I.D. for the Cairo Airport Authority has not effectively enhanced security because:

- most of the purchases made to date were contemplated before enabling legislation was passed, and were for safety--not security--equipment;
- procurement of most security equipment had to be aborted; and
- the security equipment that has arrived either does not work or has not been used effectively.

These topics are discussed in more detail in the following paragraphs.

### **Lack of Security Equipment**

Thus far, approximately \$5 million has been disbursed for airport equipment, but mainly for improved airport safety, not security. The following table shows the A.I.D.-financed equipment purchased to date:

<u>Quantity</u>	<u>Description of Commodity</u>	<u>Value</u>	<u>Date Received</u>
6	Runway Vacuum Sweepers	\$ 839,622	06/23/87
1	Emergency Rescue Vehicle	186,220	11/10/87.
4	Large & Small Fire-Fighting Vehicles	1,210,614	11/10/87
1	Crash Tender with Ladder	295,855	06/01/88
13	<u>Security Vans w/Radio, Ford</u>	368,751	10/13/88
2	<u>Explosives Handling Units</u>	58,621	12/25/88
2	3- & 5-Ton Forklifts	84,033	12/28/88
4	Wheel Dozers & Wheel Loaders	1,078,366	01/11/89
2	Platform, Truck Mounted for Electric Operations	289,675	04/30/89
	Runway Lighting System (PAPI)	<u>500,000</u>	05/22/89
	Total	<u>\$4,911,757</u>	

Federal Aviation Administration experts have advised us that most of this equipment (except the underlined items) is not "security-related" even though:

- Congress authorized the purchase of the security equipment for Cairo airport in the Omnibus Diplomatic Security and Antiterrorism Act of 1986, and
- the GOE Ministry of Planning and International Cooperation originally allocated \$5.2 million to CAA for equipment purchases which pertinent correspondence and documentation in USAID/Egypt's files identify as mainly security-related.

#### Incomplete Equipment Procurement

A.I.D. did not complete ordering certain security equipment because Cairo Airport Authority sought to restrict competition in several cases, restrictions to which USAID/Egypt could not agree. After a two-year procurement effort initiated in 1986, several security-related purchases were simply abandoned. Based upon a 1988 evaluation of the status of procurement actions, A.I.D. deemed it necessary to obtain technical services for the identification and procurement of security equipment required by Cairo

airport. In August, 1989 a contract was signed with SRSA to assess equipment needs, prepare bid specifications and undertake the procurement of security equipment.

To further complicate matters, both CAA (civil authority) and the Cairo Airport Police (law enforcement authority) play important security roles at Cairo airport. This has caused a problem as to which one will employ the security equipment because these two groups have yet to reach an agreement regarding the control, use and maintenance of the security items. If this somewhat delicate situation can be resolved, however, it would appear that actions taken since 1988 could eventually meet the intent of the 1986 legislation.

### **Ineffective Security Equipment**

In the preceding list of ordered equipment the only security-related items -- explosives handling units and security vans -- either do not work or have not been effectively utilized (Appendix III). This resulted primarily from its arrival in an inoperable condition (bomb trailers) and conflicts between the Cairo Airport Authority and the Ministry of Interior as to who would have responsibility for operating the equipment (vans). The legislative history relating to the Omnibus Diplomatic Security and Antiterrorism Act of 1986 places the responsibility to ensure effective utilization of the equipment with the Department of State's Anti-Terrorism Training Assistance Program Office in order to provide the highest level of security possible at the airport (Appendix IV).

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*As late as mid-June, observations made from points within and without the airport perimeter disclosed that the vans still had not been put into regular use . . . . it appeared that there was little interest in repairing the explosives handling units.*

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We found that only two of thirteen 4-WD security vans valued at \$368,751 had been put in service after they arrived in October 1988. As recently as February 1990, none of the vehicles had been utilized on a regular basis. Initially, CAA officials stated that the vans would be put in use after a (fairly smooth) dirt road inside the perimeter fence was surfaced. Although the road (about 40 kms. in circumference) was finished by the end of 1989, the vehicles were still not in use. CAA officials stated that they were trying to work out who would have responsibility for operation of the vehicles: they or the airport police. The vehicles more recently have reportedly been divided between the two responsible entities. As late as April 1990 we observed two of the vehicles being operated, but odometer readings of the others indicated they were still not being used nor had security accessories such as radios and cameras been installed. RIG/A/C audit staff have yet to observe these vans in regular use. As late as mid-June, observations made from points within and without the airport perimeter disclosed that the vans still had not

been placed into regular use. These observations were made by three different audit staff members at different times and for as long as two hours at a time.

As noted in the Mission's end-use report, dated March 7, 1990, two explosives handling units valued at \$58,621 were found in a deteriorating condition and it was doubtful that they could be used as intended. Parts of the units were located at numerous places within the airport perimeter, although most were found in the police compound in a large deteriorated wooden crate. While the parts still appeared to be in reasonably good condition, it was obvious that the storage conditions would not keep them in a satisfactory condition indefinitely. In summary, it appeared that there was little interest in repairing the explosives handling units. Subsequent follow-up by the Mission indicated that the winches on the units which reportedly did not work functioned when properly connected to a battery, as required. However, the units remain effectively inoperable because the bomb detonator is attached directly to the unit, and is not operable by remote control. Also the baskets which hold the bombs are considered too shallow for appropriate use, and the covers are missing.

Our inquiries at the American Embassy in Cairo were responded to by the then Deputy Chief of Mission (DCM) whose previous duties in Washington included managing passage of the Act on behalf of the Department of State. He readily acknowledged that programmatic responsibility for this activity lay with his office and asked that any recommendation on this aspect of Cairo airport security be addressed to the DCM. The Cairo Embassy official's statements coincide with the position taken by USAID/Egypt which holds that the Mission acted merely as a procurement agent in providing non-project assistance under this activity.

Because actions to upgrade Cairo airport security now appear to have been accorded appropriate priority by the Embassy with the Mission's and the FAA's help, we are not making a recommendation with respect to this audit objective. However, the Inspectors General of the Departments of State and of Transportation may wish to study this case further in order to ensure timely, effective, and efficient compliance with Congressional directives of this nature in the future.

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**Was all equipment financed by A.I.D. of eligible source and origin?**

A.I.D Handbook 15 requires that all commodities financed by A.I.D. must meet source and origin requirements. The grant agreement specifically stated that all eligible items would have their source and origin in the United States of America. Our audit disclosed that a 3-ton forklift procured with A.I.D. funds at a cost of \$31,886 was made in England. The supplier had certified that its source and origin was the United States. Accordingly, we believe A.I.D. should initiate action to obtain an appropriate refund from the supplier, possibly including interest from the time of payment by A.I.D.

**Recommendation No. 1:** We recommend that the cognizant AID/W procurement office (MS/OP/COMS/M) determine whether the purchase of the CATERPILLAR lift truck model V70E, serial No. 37W07019, purchased for Cairo Airport Authority with AID/CIP funding violated Agency source/origin requirements and, if so, take steps to effect appropriate recovery of funds disbursed by A.I.D. for that forklift.

In accordance with A.I.D. Handbook 15, all commodities financed by A.I.D. must meet source and origin requirements. "Source" means that the country from which a commodity is shipped must be designated as eligible in the grant agreement and implementing documents. "Origin" means the item must be manufactured in an eligible country. In this particular case, the grant agreement specified that all commodities were to have their source and origin in the United States of America.

In order to ensure that an item meets source and origin requirements the supplier is required to submit a Form AID-11 (Application for Approval of Commodity) to A.I.D./W's Office of Procurement. This document serves in part as certification of the commodities' source and origin. It is usually submitted after the supplier has received a Letter of Credit but before the commodity is shipped. The form provides space for the commodity description, code, and source.

Orascom of America, Inc., a supplier experienced with A.I.D. procurement for Egypt, supplied two new Caterpillar forklifts with spare parts under A.I.D. Grant No. 263-K-607 for commodity import at a total cost of \$84,033. The machines were purchased from an authorized manufacture's representative in Texas and shipped from Houston to Alexandria, arriving there in December 1988. Although the supplier had signed Form AID-11 certifying that the forklifts were made in the United States, we noted during a physical inspection of the items that one of the forklifts (model V70E, Serial No. 37W07019) was made in England, as attested by a plate to that effect affixed prominently to the machine (see Appendix V).

Under Sections 201.81 and 201.82 of Appendix A to A.I.D. Handbook 15, A.I.D. may require an appropriate refund by the borrower/grantee or supplier, whichever is determined responsible under any transaction which violates the requirements of this part, including source and origin. See Appendix VI for A.I.D./Washington's preliminary determination relative to this matter.

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## **REPORT ON INTERNAL CONTROLS**

We have audited certain aspects of the purchase of airport equipment by USAID/Egypt for Cairo Airport Authority under the Commodity Import Program covering the period October 1, 1983 through March 31, 1990.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit. Those standards also require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives; and
- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

In planning and performing our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer each of the two audit objectives, but not to provide assurance on the internal control structure itself.

The management of A.I.D., including USAID/Egypt, is responsible for establishing and maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes the heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget (OMB) has issued guidelines for the "evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus related costs of internal control policies and procedures. The objectives of internal control policies and procedures for federal foreign assistance programs are to provide management with reasonable--but not absolute--

-assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each of the audit objectives by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation--and we assessed control risk. In doing this work, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States.

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### **Audit Objective One**

The first audit objective was to determine whether equipment procured by A.I.D. under its public sector Commodity Import Program allocation to the Cairo Airport Authority effectively enhanced security at the Cairo airport. Since the State Department had overall responsibility for implementation of the program to enhance security at the airport, no attempt was made to assess all internal controls related to this objective. However, as a result of our inquiries, it seems clear that few controls, if any, were placed into effect by the lead agency (State Department) during the first two years, approximately, after passage of authorizing legislation. Information gathered under this objective is being provided to the Inspectors General of the Departments of State and Transportation for their possible use.

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### **Audit Objective Two**

This objective relates to the procurement of equipment funded under the Commodity Import Program. In planning and performing our audit of the commodities, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 15, Mission Order 15-3 and A.I.D. Grant Agreement No. 263-K-607. For the purposes of this report we have classified the relevant policies and procedures into the following categories: the eligibility process and the utilization process.

Under the eligibility process our review of internal controls included examining the following relevant documents: A.I.D. Form 11, Application for Approval of Commodity Eligibility; A.I.D. Form 282, Invoice and Contract Abstract; A.I.D. "No Objection" Letter; and the Invitation for Bid (CAA/17-88/ARE). We also examined USAID/Egypt's end-use report on equipment procurements financed by A.I.D. under the Commodity

Import Program for Cairo airport. Under the utilization process, our review of internal controls was limited to analyzing the results of the end-use report issued by the USAID/Egypt Financial Management office.

We noted one reportable condition:

- the end-use check identified problems with the eligibility and utilization but did not bring it to management's attention in a timely manner for correction until we caused such action. Since we do not consider this a significant problem area requiring corrective action, we are reporting it separately in a Management Letter.

A material weakness is a reportable condition in which the design or operation of the specified internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial reports on projects funds being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In our opinion, the reportable condition identified in audit objective two is not a material weakness.

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## **REPORT ON COMPLIANCE**

We have audited certain aspects of airport security equipment provided by USAID/Egypt to the Cairo Airport Authority under the Commodity Import Program covering the period of October 1, 1983 through March 31, 1990.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively, and reliably answer the objectives of the audit. Those standards also require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives) and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement not followed or prohibition violated is a statute or implementing regulation. Noncompliance with internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is furnishing excessive services to beneficiaries or performing what may be considered improper practices, which do not involve compliance with laws and regulations.

Compliance with laws, regulations, contracts, and grants applicable to the Project is the overall responsibility of USAID/Egypt's management. As part of fairly, objectively, and reliably answering the audit objectives, we performed tests of USAID/Egypt, contractor, and host-government compliance with certain provisions of Federal laws and regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests of compliance disclosed the following significant instance of noncompliance:

- Audit Objective No. 2 - USAID/Egypt paid for equipment manufactured in an ineligible country (United Kingdom).

Except as described, the results of our tests of compliance indicate that, with respect to the items tested, USAID/Egypt, contractors, suppliers and the Government of Egypt complied, in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/Egypt, contractors, suppliers and the Government of Egypt had not complied, in all significant respects, with those provisions.

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## SCOPE AND METHODOLOGY

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### Scope

We audited certain aspects of airport security equipment provided by USAID/Egypt to the Cairo Airport Authority under the Commodity Import Program covering the period October 1, 1983 through March 31, 1990. We conducted our field work between January 29 and April 30, 1990 at the offices of USAID/Egypt, the American Embassy in Cairo, and at various sites within Cairo airport where the commodities were located and at AID/Washington.

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### Methodology

The methodology for each audit objective follows.

#### Audit Objective One

The first objective consisted of gathering and verifying information relative to procurement actions taken by A.I.D. to purchase equipment for Cairo airport. This included reviewing the legislative history which made A.I.D. non-project assistance funds available for security equipment as well as all files at USAID/Egypt and at the U.S. Embassy in Cairo relating to efforts to procure such equipment. We also made several visits to the airport to physically inspect the condition of the equipment and determine its utilization. In addition, appropriate officials of the U.S. Embassy/Cairo, A.I.D., the Federal Aviation Administration, the Cairo Airport Authority, and Interior Ministry were interviewed in order to determine the roles they played in the procurement process.

## **Audit Objective Two**

To accomplish the second objective we determined whether the equipment purchased met source and origin requirements. To accomplish this end, we examined A.I.D Handbook 15, Mission Order 15-3, the grant agreement, procurement records, and end-use reports. We also visited the airport to physically inspect the equipment. In addition, we interviewed responsible Cairo Airport Authority, Ministry of Interior, Federal Aviation Administration, American Embassy and A.I.D. officials. With respect to the latter Agency, cognizant officials in Cairo and Washington, D.C. were contacted and interviewed.

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UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

RECEIVED  
22 JUL 1990

MEMORANDUM

July 19, 1990

To: Frederick Kalhammer, RIG/A/C  
From: Marshall Brown, DIR/USAID/Egypt  
Subject: Draft Audit of Airport Equipment Procured under  
USAID/Egypt's Commodity Import Program

The Mission appreciates the outstanding work performed on this audit. You are to be commended for sorting out the different authorities and responsibilities of various US Government and GOE agencies in purchasing the airport equipment and furthering project and/or program objectives.

You will be pleased to know that our Commodity Management Office is now including a statement in the "no objection letter" to importers that they, the importers, may be considered liable if they accept goods that do not meet AID's source and origin requirements. The Commodity Management Office reports that since it started inserting this language, at least one importer has requested further information on goods that appear to be of non-US source or origin.

RIG/A/C Comments

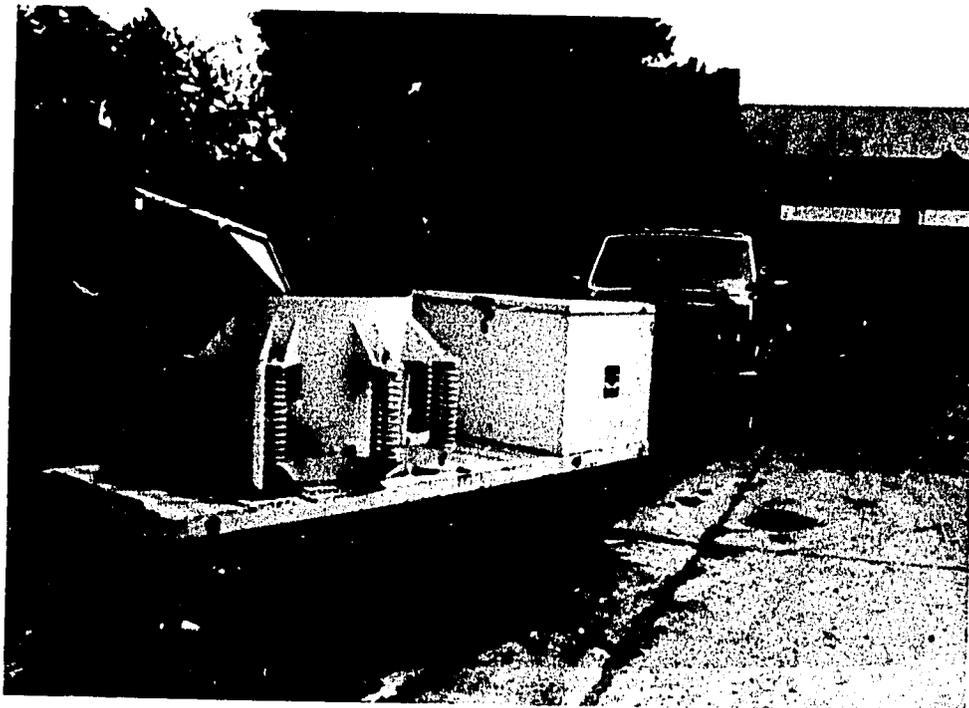
We appreciate the foregoing positive remarks by USAID/Egypt.

The person representing the Embassy in Cairo in this matter stated that the Embassy would have no comments to make.

The Director of the AID/Washington procurement office to whom this report is principally directed stated that the supplier intended to contest the preliminary determination found in Appendix VI following, and that it would probably be some time before the matter was finally settled.



1. Three of the 13 security vans provided by A.I.D. to CAA



2. Explosives Handling Unit ("Bomb Trailer")

99TH CONGRESS  
2d Session

HOUSE OF REPRESENTATIVES

REPORT  
99-783

107-399

OMNIBUS DIPLOMATIC SECURITY AND ANTITERRORISM  
ACT OF 1986

August 12, 1986 — Ordered to be printed

Mr. MICA, from the committee of conference,  
submitted the following

CONFERENCE REPORT

[To accompany H. R. 4151]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 4151) to provide enhanced diplomatic security and combat international terrorism, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**SECTION 1. SHORT TITLE.**

*This Act may be cited as the "Omnibus Diplomatic Security and Antiterrorism Act of 1986".*

**SEC. 2. TABLE OF CONTENTS.**

*The table of contents of this Act is as follows:*

*Sec. 1. Short title.*

*Sec. 2. Table of contents.*

**TITLE I—DIPLOMATIC SECURITY**

*Sec. 101. Short title.*

*Sec. 102. Findings and purposes.*

*Sec. 103. Responsibility of the Secretary of State.*

*Sec. 104. Bureau of Diplomatic Security.*

*Sec. 105. Responsibilities of the Assistant Secretary for Diplomatic Security.*

*Sec. 106. Cooperation of other Federal agencies.*

*Sec. 107. Protection of foreign consulates.*

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the funds made available to carry out this chapter for that fiscal year.

The House bill contains no comparable provision.

The conference substitute (sec. 507) is similar to the Senate amendment but retains the current prohibitions contained in the Arms Export Control Act and the Foreign Assistance Act.

The Antiterrorism Training Assistance Program as originally enacted had as its focus training, not equipment transfers. Congress only recently allowed limited equipment transfers, but only as it was related to a training component. It is the explicit intention of the committee of conference that the program's emphasis remain on training in humane antiterrorism techniques. This limited expansion of the types of equipment which may be provided to friendly foreign governments and the replacement of the \$325,000 worldwide ceiling on equipment and commodities transferred under this program reflects the congressional support for this program.

Further, the committee of conference wishes to express its clear desire that the program continue to place a high priority on training and equipment as they relate to the requirements of the Foreign Airport Security Act and the newly enacted requirements of the maritime security provisions in this act.

#### NONLETHAL AIRPORT SECURITY EQUIPMENT AND COMMODITIES FOR EGYPT

The Senate amendment (sec. 705) provides that assistance authorized to carry out chapter 4 of part II of the Foreign Assistance Act for fiscal years 1986 and 1987 which is obligated for Egypt may be furnished, notwithstanding section 660 of such act, for the provision of nonlethal airport security equipment and commodities, and training in the use of such equipment or commodities.

The House bill contains no comparable provision.

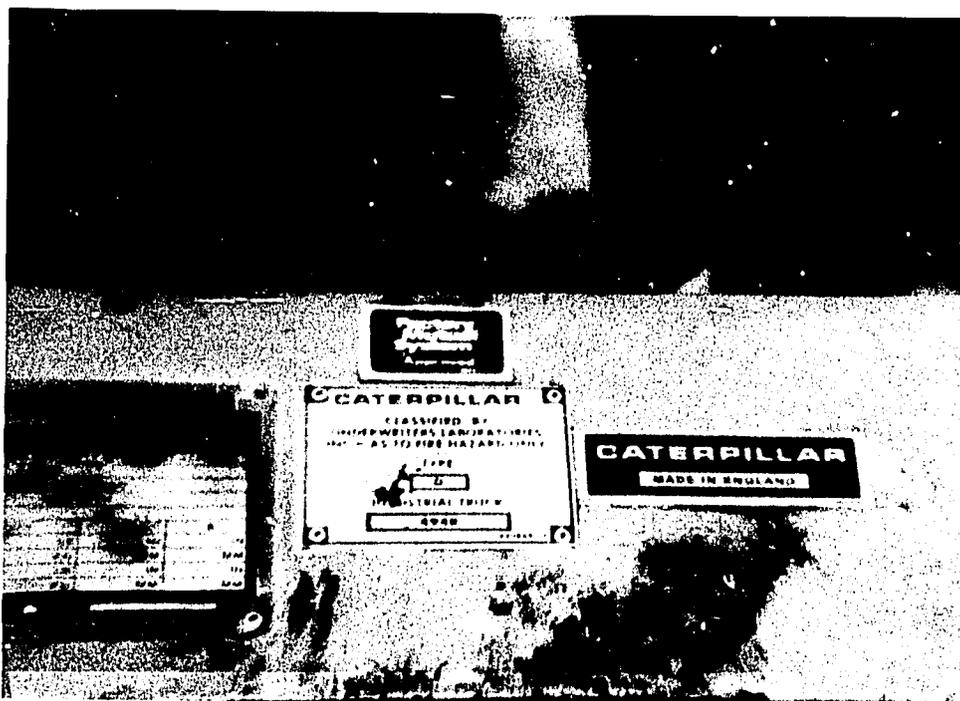
The conference substitute (sec. 508) is similar to the Senate amendment with a clarification that it is the Department of State which is intended to be the lead agency, and that the Agency for International Development (AID) should coordinate its procurement and related activities with the Department of State.

It is the specific intent of the committee of conference that the use of economic support funds for the provision of nonlethal airport security equipment and commodities is a one-time transfer and is not intended to set a precedent. The committee of conference also intends to make it clear that AID should be responsible for the procurement of such equipment, but that all equipment and commodity transfers be administered through the Department of State's Anti-Terrorism Training Assistance (ATA) Program Office. Further, none of this equipment may be provided without an adequate and well designed training program to complement such transfers.

The Cairo International Airport does have pressing equipment needs, but the committee of conference strongly believes that all ATA assistance should be conducted by the Department of State's ATA program office in order to insure that the training and equipment will be most effectively utilized in order to provide the highest level of security possible at that airport.



1. Caterpillar Forklift Model V70E, Serial No 37W07019



2. Plate attached to above forklift indicating it was made in England

ACTION AID3 INFO DCM ECON CNT5

VZCZCCRO369  
RR RUEHFC  
DE RUEHC #4364 1510129  
ZNR UUUUU ZZP  
R 310131Z MAY 90  
FM SECSTATE WASHDC  
TO AMEMBASSY CAIRO 8642  
BT  
UNCLAS STATE 174364

31-MAY-90

TOR: 04:27  
CHRG: AID  
DIST: AIDA

ACTISE TO	TI
ACTISE TAKEN	DATE 5/17
DATE	INITIALS

AIDAC FOR ART LAEMMERZAHN

E.O. 12356: N/A

TAGS:

SUBJECT: A.I.D. CIP GRANT 263-E-607, TRANSACTION  
CAA/17-88/ARE, DIRECT L/COM 263-K-607-L4

REF: LAEMMERZAHN 4/9/90 FAX TO S. KINSLEY--U.K. SOURCE  
CATERPILLAR LIFT TRUCK V70E.

1. WE VERIFIED THE U.K. ORIGIN OF THE V70E CATERPILLAR  
LIFT TRUCK UNDER SUBJECT TRANSACTION. ACCORDING TO  
CATERPILLAR, THE V70E TRUCK IS MADE IN ENGLAND WITH 17  
CATERPILLAR U.S. COMPONENTS, AND SHIPPED BACK TO PEORIA  
FOR DOMESTIC DISTRIBUTION AND SELECTED REEXPORT.

2. ORASCOM IS A WASH. D.C. BASED TRADING FIRM WHOSE  
PRIMARY FOCUS IS CIP BUSINESS. ORASCOM PURCHASED THE  
V70E FROM DARR LIFT TRUCKS OF DALLAS, AN AUTHORIZED  
CATERPILLAR DEALER, WHO SHIPPED THE PRODUCT DIRECT TO  
EGYPT FROM TEXAS. ORASCOM IS AWARE OF A.I.D.  
SOURCE/ORIGIN RULES BUT DID NOT SPECIFY ON THEIR 5/20/88  
PURCHASE ORDER NO. 1011 TO DARR THAT THE LIFT TRUCKS  
MUST BE OF U.S. ORIGIN.

3. A.I.D.'S RIGHT TO SECURE REFUNDS FOR SOURCE/ORIGIN

VIOLATIONS IS BASED ON NONCOMPLIANCE WITH CLAUSE 8(B) OF  
THE SUPPLIER'S CERTIFICATE, WHICH REQUIRES THE SUPPLIER  
TO CERTIFY ELIGIBILITY QUOTE ON THE BASIS OF INFORMATION  
FROM SUCH SOURCES AS ARE AVAILABLE TO THE SUPPLIER AND  
TO THE BEST OF HIS INFORMATION AND BELIEF UNQUOTE.  
ACCORDINGLY, AS A GENERAL RULE OF/COMS/M DOES NOT ASSERT  
REFUND CLAIMS FOR SOURCE/ORIGIN VIOLATIONS IF THE  
SUPPLIER WAS UNAWARE THAT AN ITEM DID NOT COMPLY WITH  
OUR REGULATIONS AND IF THE SUPPLIER HAD A REASONABLE  
BASIS FOR CERTIFYING THAT IT DID.

4. APPARENTLY, ORASCOM BELIEVED THE V70E WAS MADE IN  
THE U.S. SIMPLY BECAUSE THEY WERE PURCHASING A  
CATERPILLAR PRODUCT IN THE UNITED STATES FROM AN  
AUTHORIZED CATERPILLAR DEALER. WHILE NOT THE BEST OF  
REASONS, CAT PRODUCTS ARE GENERALLY THOUGHT OF AS U.S.  
PRODUCED. WE SEE NO REASON TO DOUBT ORASCOM'S  
CONTENTION THAT THEY WERE UNAWARE THAT THE MACHINE WAS  
MADE IN ENGLAND. HOWEVER, WE FAULT ORASCOM FOR NOT

FRS

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Appendix VI

Page 2 of 2

TAKING RESPONSIBLE STEPS TO ASCERTAIN THE ORIGIN OF THE  
V70E. DARR COULD HAVE DETERMINED THIS AND DARR WAS  
CERTAINLY A SOURCE OF INFORMATION QUOTE AVAILABLE TO THE  
SUPPLIER UNQUOTE. WE ALSO FAULT ORASCOM FOR NOT  
INDICATING THAT THE ITEM HAD TO BE U.S. MADE ON THEIR  
PURCHASE ORDER TO DARR. ACCORDINGLY, WE INTEND TO  
INITIATE A REFUND CLAIM. BAKER

BT

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APPENDIX VII

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U.S. Ambassador to Egypt and DCM	2
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