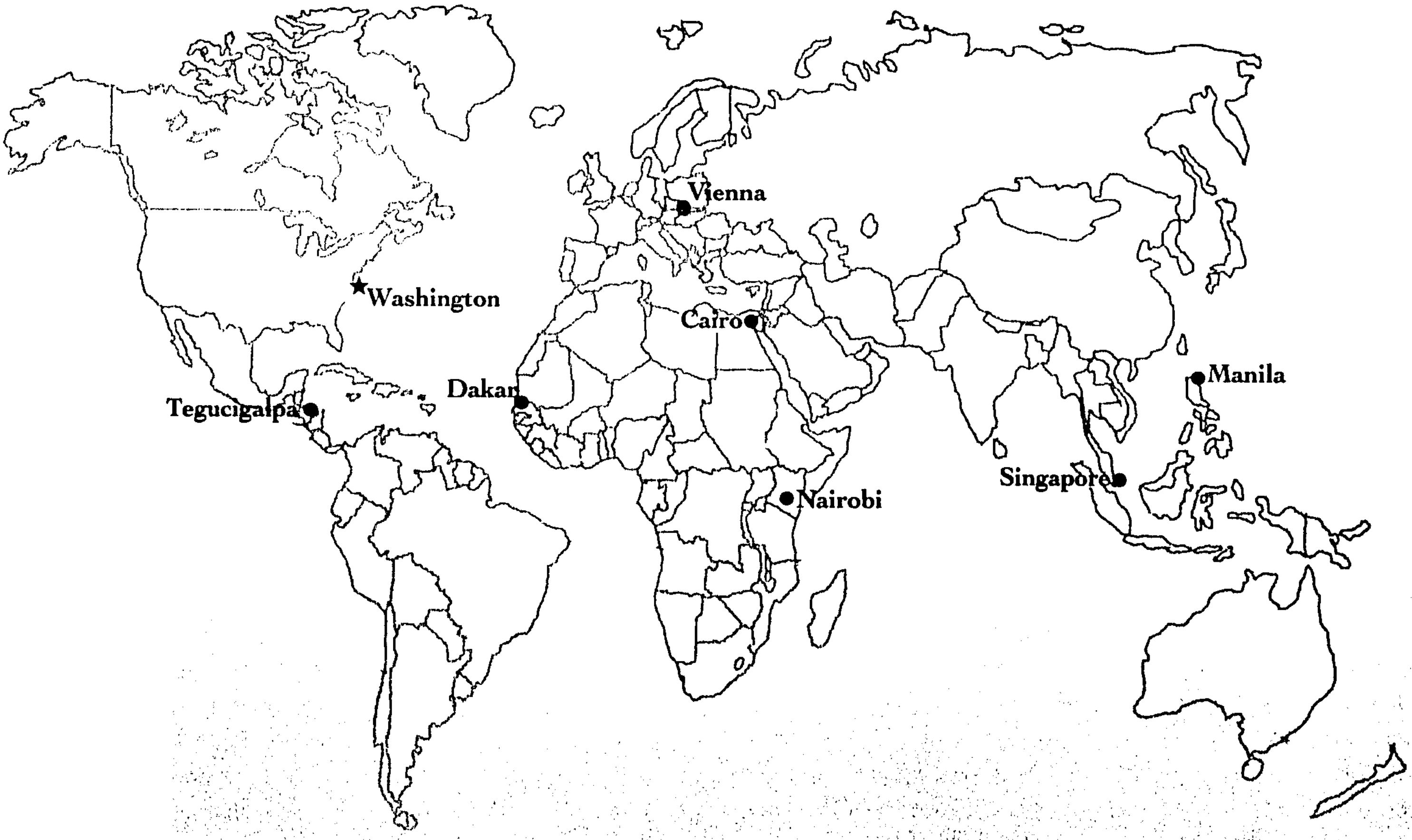
PD-ABE-019

Regional Inspector General for Audit
Cairo, Egypt

Audit of Integrated Development Consultant's Fiscal Year 1989 & 1990 Direct and Indirect Costs

Report No. 6-263-92-15-N
April 9, 1992



INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

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

April 9, 1992

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

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

SUBJECT: Audit of Integrated Development Consultant's Fiscal Year 1989 & 1990 Direct and Indirect Costs

The attached report dated February 6, 1992 by Price Waterhouse presents the results of a financial audit of Integrated Development Consultant's (IDC's) costs incurred on USAID/Egypt-financed flexibly priced agreements. IDC provides development planning and management consulting services including project design and organization, evaluations, financial economic planning and project implementation assistance.

We engaged Price Waterhouse to perform a financial audit of IDC's expenditures totaling $460,303 for the period January 1, 1989 to December 31, 1990. The purpose of the audit was to evaluate the propriety of costs incurred during this period. In performing the audit, Price Waterhouse evaluated IDC's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statements. The auditors also determined the actual indirect cost rates for fiscal years 1989 and 1990.

Price Waterhouse questioned $1,183 and $18,006 of IDC's claimed direct and indirect costs, respectively. Questioned direct costs include billings in excess of incurred costs and unsupported costs. Indirect questioned costs include direct labor charged as indirect, food and beverages and costs lacking adequate supporting documentation. Price Waterhouse also noted weaknesses in IDC's accounting system and internal controls such as the absence of cash receipt and disbursement journals and failure to perform cash reconciliations. Finally, Price Waterhouse noted no instances of material noncompliance with applicable laws, regulations or agreement terms.

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During subsequent discussions with IDC management, it came to our attention that IDC was renting its offices from an individual related to an IDC partner. This arrangement falls within the scope of FAR 31.205-36(b)(3) which defines allowable related party rental costs as incurred costs "...to the extent that they do not exceed the normal costs of ownership, such as depreciation, taxes, insurance..."

IDC management did not agree with the questioned costs or internal control findings. Management provided clarification and additional documentation, but did not furnish additional evidence which persuaded Price Waterhouse to change their findings.

> **Recommendation No. 1.1: We recommend that USAID/Egypt require IDC to analyze its office rental costs for compliance with FAR 31.205-36(b)(3) and that USAID/Egypt evaluate this analysis for adequacy.**

This recommendation will be included in the Inspector General's audit recommendation follow-up system. This recommendation can be resolved when the Mission provides our office a copy of its request that IDC analyze its office rental costs. The recommendation can be closed when we have assessed IDC's response and USAID/Egypt's follow-up for adequacy.

> **Recommendation No. 2.1: We recommend that USAID/Egypt resolve the reported ineligible and unsupported indirect costs, totaling $16,565 and $1,441 respectively.**

> **Recommendation No. 2.2: We recommend that USAID/Egypt determine IDC's final indirect rates for Fiscal Years 1989 and 1990 based on analysis of IDC's office rental costs and the resolution of indirect costs questioned in the audit report.**

> **Recommendation No. 2.3: We recommend that USAID/Egypt resolve ineligible costs and fee of $378 which were charged by IDC to the Industrial Estates Project.**

These recommendations will be included in the Inspector General's audit recommendation follow-up system. Until we are advised of USAID/Egypt's determination regarding the questioned costs and indirect rates, Recommendations No. 2.1, 2.2 and 2.3 are considered unresolved. Recommendations No. 2.1 and 2.2 can be resolved and closed when we receive the Mission's final determination as to the amounts sustained or not sustained and the final indirect rates so determined. Recommendation No. 3 can be closed when any amounts determined to be owed to A.I.D. are paid by IDC.

> **<u>Recommendation No. 3:</u> We recommend that USAID/Egypt require IDC's to address the internal control weaknesses noted in the audit report.**

This recommendation will be included in the Inspector General's audit recommendation follow-up system. This recommendation can be resolved when the Mission provides our office a copy of its request that IDC address its internal control weaknesses. The recommendation can be closed when we have assessed IDC's response and USAID/Egypt's follow-up for adequacy.

Please advise this office within 30 days of any actions planned or taken to close the recommendations. We appreciate the courtesies extended to the staff of Price Waterhouse and to our office.

INTEGRATED DEVELOPMENT CONSULTANTS

FUND ACCOUNTABILITY STATEMENT AND INDIRECT COST RATE SCHEDULES

FOR THE TWO-YEARS ENDING
DECEMBER 31, 1990

INTEGRATED DEVELOPMENT CONSULTANTS

FUND ACCOUNTABILITY STATEMENT AND
INDIRECT COST RATE SCHEDULES

FOR THE TWO-YEARS ENDING
DECEMBER 31, 1990

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Price Waterhouse

February 6, 1992

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development

Dear Mr. Darcy:

This report presents the results of our financial audit of direct and indirect expenditures of Integrated Development Consultants (IDC) for the two-years ending December 31, 1990. The audit covered all direct and indirect expenditures incurred in Egypt for flexibly-priced contracts with USAID and flexibly-priced subcontracts with USAID-financed contractors.

<u>Background</u>

IDC was established in 1986 and provides development planning and management consulting services in both private and public development activities technical assistance, financial and economic planning, evaluation, and project implementation.

IDC has one USAID-financed flexibly-priced contract and two flexibly-priced subcontracts with USAID-financed contractors.

AUDIT OBJECTIVES AND SCOPE

The objective of this engagement was to perform a direct and indirect financial cost-incurred audit of USAID funds provided to IDC pursuant to all flexibly-priced contracts with USAID and all flexibly-priced subcontracts with USAID-financed contractors.

The audit encompassed all local expenditures for the two-year period from January 1, 1989 through December 31, 1990. Specific objectives were to determine whether:

1. the fund accountability statement presents fairly, in all material respects, project revenues and costs incurred and reimbursed for these agreements in conformity with the applicable accounting principles;

2. the costs reported as incurred under the agreements are in fact allowable, allocable, and reasonable in accordance with the terms of the agreements, A.I.D. Handbook 14, and the Federal Acquisition Regulations (FAR) 31.2, where applicable;

3. the internal controls, accounting systems and management practices of IDC are adequate for USAID/Egypt agreements;

4. IDC is in compliance with the terms of the various agreements (including standard agreement provisions) which may have affected the costs incurred under these agreements; and

5. provisional rates have been used by IDC for the two-years ending December 31, 1990 and, if so, determine the actual indirect cost rates incurred for that period.

Preliminary planning and review procedures were started in November, 1991 and consisted of discussions with Regional Inspector General for Audit/Cairo (RIG/A/C) personnel, IDC officials and a review of the applicable flexibly-priced contracts. Fieldwork commenced in December, 1991 and was completed in February, 1992.

The scope of our work was all flexibly-priced contracts with USAID and all flexibly-priced subcontracts with USAID financed contractors. Within each contract/subcontract we selected disbursements for testing on a judgemental basis to test a majority of locally incurred costs. We tested local expenditures incurred in LE of 1,169,301 ($ 353,263 at applicable exchange rates) out of total expenditures of 1,523,602 ($ 460,303 at applicable exchange rates). The contracts/subcontracts tested were as follows.

Subcontracts

Chemonics International Consulting Division (Chemonics) Chemonics contracted with IDC for assistance in achieving the objectives of the Local Development II Provincial Project. IDC provides professional staff and technical assistance.

DAC International Inc. (DAC) DAC contracted with IDC to provide technical assistance to the Ministry of Local Government for the Local Development II Amana Project.

Direct Contract

The purpose of Contract Number 263-0101-C-00-9057 [Industrial Estates Project (IEP)] is to assist in developing a model industrial cluster which maximizes the use of private financial and technical resources (Project Number 263-0101).

Both subcontracts and the direct contract provide for reimbursement of direct and indirect costs. The indirect costs were reimbursed to IDC through use of a provisional overhead rate.

Our tests of expenditures included, but were not limited to, the following:

1. Reconciling IDC's accounting records to invoices issued to USAID, and testing of direct and indirect costs for allowability, allocability, reasonableness, and appropriate support;

2. Determining that personnel costs were appropriate and conformed with the terms of the contract/subcontracts and relevant regulations;

3. Determining that travel and transportation charges were adequately supported and approved;

4. Establishing the adequacy of IDC's control over funds including a review of bank accounts and controls on those accounts; and

5. Ascertaining that income and reimbursements were properly recorded.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement and indirect cost rate schedules are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

As part of our examination we made a study and evaluation of relevant internal controls and reviewed IDC's compliance with applicable laws and regulations.

Results of Audit

Fund accountability statement and indirect cost rate schedules:

Our examination identified $ 12,282 in additional costs that are available for recovery by IDC.

Internal control structure:

We recommended that IDC develop an accounting system which meets U.S. Government Standards, develop bank control procedures, maintain cash journals and improve time and attendance record keeping.

Compliance with contract terms and applicable laws and regulations:

No material items of noncompliance were noted.

Management Comments

IDC's comments further clarify the questioned costs as noted in our report. As an example, they offer internally generated documents as support for the questioned costs, but did not or were unable to provide third party documentation. Notwithstanding these comments our position on the questioned costs remains unchanged.

It should be noted that fringe benefits have been excluded from the direct cost base and included in the indirect cost pool. This change occurred based on discussions with RIG/A/C personnel and IDC management and has been reflected in our final report.

This report is intended solely for use by the United States Agency for International Development and may not be suitable for any other purpose.

Price Waterhouse

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Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

February 6, 1992

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development

We have audited the accompanying fund accountability statement and indirect cost rate schedules of Integrated Development Consultants (IDC) for the two-years ending December 31, 1990 relating to local direct and indirect expenditures incurred in Egypt for all flexibily-priced contracts with USAID and flexibly-priced subcontracts with USAID-financed contractors. These financial statements are the responsibility of IDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the next paragraph we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

As described in Note 3, the accompanying financial statements have been prepared on the basis of cash disbursements. Consequently, expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present results in accordance with accounting principles generally accepted in the United States of America.

Included in the 1989 and 1990 indirect cost rate schedules are questioned costs of $ 1,910 and $ 16,096, respectively. Additionally, the fund accountability statement is understated by $ 12,282 in additional costs that are available for recovery from USAID. The basis for these questioned costs is more fully described in the "Fund Accountability Statement - Audit Findings" and "Indirect Cost Rate Schedules - Audit Findings" section of this report.

In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, locally incurred expenditures for all flexibly-priced contracts with USAID and all flexibly-priced subcontracts with USAID-financed contractors for the two years ending December 31, 1990 in conformity with the basis of accounting described in Note 3.

Price Waterhouse

INTEGRATED DEVELOPMENT CONSULTANTS

FUND ACCOUNTABILITY STATEMENT

FOR THE TWO-YEARS ENDING

DECEMBER 31, 1990

Description	Fund Accountability Statement (NOTE 2)	ADJUSTMENTS (NOTE 4)	QUESTIONED COSTS INELIGIBLE (NOTE 5)	QUESTIONED COSTS UNSUPPORTED (NOTE 5)	AUDIT FINDINGS REFERENCE
REVENUE					
CHEMONICS	$330,633	$10,984	($8,339)		Finding A, Page 16
DAC	138,589	(16,497)	(4,517)	$196	Finding A, Page 16
IEP	19,481		378		Finding A, Page 16
TOTAL REVENUE	$488,703	($5,513)	($12,478)	$196	
EXPENDITURES					
*PAYROLL					
CHEMONICS	$222,893		$127		Finding B, Page 17
DAC	78,188				
IEP	10,018				
*FIELD COST					
DAC	26,503		860	$196	Finding C, Page 17
IEP	442				
*OTHER DIRECT COST					
IEP	768				
*OVERHEAD					
CHEMONICS	77,732		(7,107)		Finding D, Page 17
DAC	37,828		(6,428)		Finding D, Page 17
IEP	5,931		205		Finding D, Page 17
TOTAL EXPENDITURE	460,303		(12,343)	196	
NET INCOME	$28,400	($5,513)	($135)	-	

See accompanying notes to the financial statements.

INTEGRATED DEVELOPMENT CONSULTANTS

INDIRECT COST RATE SCHEDULE

FOR THE YEAR ENDED 1989

Description	Expenses (Note 2)	Questioned Costs Ineligible (Note 5)	Questioned Costs Unsupported (Note 5)	Direct Cost Base (Note 6)	Indirect Cost Pool (Note 7)	Audit Findings Reference
SALARIES	$ 162,114	$ 254		$ 125,922	$ 35,938	Finding 1, Page 18
FRINGE BENEFITS	23,399				23,399	
RENT	2,900				2,900	
STATIONARY	3,296				3,296	
MAINTENANCE & REPAIRS	932				932	
TELECOMMUNICATION	1,616				1,616	
OFFICE HOSPITALITY	1,656	1,656			0	Finding 2, Page 18
CLEANING UTILITIES	272				272	
TRANSPORTATION EXPENSE	1,223				1,223	
ELECTRICITY & GAS	503				503	
LIFE INSURANCE	158				158	
INTERNATIONAL TRAVEL	1,537				1,537	
COMPUTER SUPPLIES	716				716	
BANK CHARGES	296				296	
CONSULTING SERVICES	1,511				1,511	
DEPRECIATION	3,103				3,103	
T O T A L	$ 205,232	$ 1,910		$ 125,922	$ 77,400	
Adjustment to Direct Cost Base				254		Finding 1, Page 18
				$ 126,176		
Indirect cost rate calculation:				$ 77,400 / $ 126,176	61.34%	

See accompanying notes to the financial statements

INTEGRATED DEVELOPMENT CONSULTANTS

INDIRECT COST RATE SCHEDULE

For The Year Ended December 1990

Description	Expenses (Note 2)	Questioned Costs Ineligible (Note 5)	Questioned Costs Unsupported (Note 5)	Direct Cost Base (Note 6)	Indirect Cost Pool (Note 7)	Audit Findings Reference
RENT	$2,900				$2,900	
SALARIES	238,665	$13,219		$175,485	49,961	Finding 3, Page 18
FRINGE BENEFITS	28,211				28,211	
STATIONARY	4,468				4,468	
MAINTENANCE & REPAIRS	70				70	
TELEPHONE & TELEX	3,942				3,942	
OFFICE HOSPITALITY	1,436	1,436			0	Finding 4, Page 18
CLEANING EXPENSE	313				313	
TRANSPORTATION EXPENSE	2,422				2,422	
BANK CHARGES	445		9		436	Finding 5, Page 19
ELECTRICITY & GAS	745				745	
ELECTRIC UTILITIES	144				144	
INSURANCE DOCUMENTS	167				167	
TRAVEL EXPENSE	2,897		1,432		1,465	Finding 6, Page 19
COMPUTER SUPPLIES	1,064				1,064	
ACCOUNTING FEES	604				604	
TRANSLATION EXPENSE	98				98	
ADVERTISING & COMM.	809				809	
DEPRECIATION	4,074				4,074	
T O T A L	$293,474	$14,655	$1,441	$175,485	$101,893	
Adjustments to Direct Cost Base				$13,219		Finding 3, Page 18
				$188,704		

Indirect cost rate calculation:

$$\frac{101,893}{188,704} = 54.00\%$$

See accompanying notes to the financial statements.

INTEGRATED DEVELOPMENT CONSULTANTS

FUND ACCOUNTABILITY STATEMENT AND
INDIRECT COST RATE SCHEDULES

DECEMBER 31, 1990
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The fund accountability statement and indirect cost rate schedules include all flexibly-priced contracts with USAID and flexibly-priced subcontracts with USAID-financed contractors and include both direct and indirect cost expenditures.

NOTE 2 - SOURCE OF DATA:

The column, labeled "Fund Accountability Statement" and "Expenses" are the responsibility of Integrated Development Consultants (IDC). The fund accountability statement column represents the cumulative charges billed and reimbursed by USAID for all flexibly-priced contracts and subcontracts for the two years ending December 31, 1990. The expense column represents cumulative amounts from IDC's cost proposal and general ledger.

NOTE 3 - BASIS OF ACCOUNTING:

The fund accountability statement and indirect cost rate schedules have been prepared on the basis of cash disbursements. Consequently, expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 4 - ADJUSTMENTS:

Adjustments represent differences between the fund accountability statement and IDC billings and reimbursements.

NOTE 5 - QUESTIONED COSTS:

Questioned costs are presented in two separate categories - ineligible and unsupported costs - and consist of audit findings proposed on the basis of the terms of the contract and subcontracts, the cost principles set forth in USAID Handbook 14 and Federal Acquisition Regulation 31.2 which prescribe the nature and treatment of reimbursable costs not specifically defined in the contracts and subcontracts. Costs in the column labeled "Ineligible" are supported by vouchers or other documentation but are ineligible for reimbursement because they are not program related, are unreasonable, or prohibited by the contract/subcontracts or applicable laws and regulations. Costs in the column labeled "Unsupported" are also formally included in the classification of "questioned costs" and relate to costs that are not supported with adequate documentation or did not have the required prior approvals or authorizations. Bracketed questioned costs represent additional amounts that are available for invoicing to USAID based on our audit. All questioned costs are detailed in the Fund Accountability Statement - Audit Findings" and "Indirect Cost Rate Schedule - Audit Findings" section of this report.

NOTE 6 - DIRECT COST BASE

The direct cost base consists of total IDC direct project payroll and represents the allocation base by which the indirect cost pool is divided by to arrive at the indirect cost rate.

NOTE 7 - INDIRECT COST POOL

The indirect cost pool consists of IDC company-wide indirect expenses including USAID and non-USAID work, expressed in the first column, net of questioned costs and the direct cost base.

INTEGRATED DEVELOPMENT CONSULTANTS

FUND ACCOUNTABILITY STATEMENT
AUDIT FINDINGS

FOR THE TWO-YEARS ENDING
DECEMBER 31, 1990

Our audit procedures identified the following invoiced costs that are ineligible or not supported:

	Questioned Costs	
	Ineligible (Note 5)	Unsupported (Note 5)
A. REVENUE		
Recalculation of revenue and fixed fee due to the effect of questioned costs:		
Chemonics	$ (8,339)	-
DAC	(4,517)	$ 196
IEP	378	-
	$ (12,478)	$ 196

Revenue and fixed fee was recalculated in accordance with the contract and subcontracts including the effects of the questioned costs as discussed in findings B through D below. Using the audited 1989 and 1990 questioned costs, we compared IDC's previously invoiced fixed fees to reimbursable amounts net of the questioned costs. The difference between these amounts by contract and subcontract are detailed in Appendix C.

	Questioned Costs	
	Ineligible (Note 5)	Unsupported (Note 5)
B. PAYROLL		
Chemonics short-term staff were paid in excess of time worked.	$ 127	-
C. FIELD COST		
Field cost expenditures which do not comply with regulations or were not adequately supported. They are in detail:		
Per diems incurred in 1991, but charged prior thereto	860	-
Unsupported per diem comprised of $ 149 incurred in Fayoum and $ 47 billed in excess of support.	-	$ 196

D. **OVERHEAD**

Overhead is recalculated in accordance with the contract and subcontracts including the effects of questioned costs as detailed above. Using the 1989 and 1990 audited overhead rates, we compared the results to the amounts previously reimbursed to IDC by use of the provisional subcontract and contract overhead rates. The difference between applying the actual and provisional rates by contract and subcontract resulted in the questioned costs appearing on the fund accountability statement. The calculation to arrive at these questioned costs are detailed in Appendix D.

INTEGRATED DEVELOPMENT CONSULTANTS

INDIRECT COST RATE SCHEDULES
AUDIT FINDINGS

FOR THE TWO-YEARS ENDING
DECEMBER 31, 1990

Our audit procedures identified the following costs included in the 1989 indirect cost pool that are ineligible or not supported:

	Questioned Costs	
	Ineligible	Unsupported
1. Direct project salaries should be reallocated from the indirect cost pool to the direct cost base.	$254	-
2. Food and beverage costs are not allowable per FAR 31.205-13.	1,656	-
Total questioned costs included in 1989 indirect cost pool.	$1,910	-

Our audit procedures identified the following costs included in the 1990 indirect cost pool that are ineligible or not supported:

	Questioned Costs	
	Ineligible	Unsupported
3. Direct project salaries should be reallocated from the indirect cost pool to the direct cost base.	$ 13,219	-
4. Food and beverage costs are not allowable costs per FAR 31.205-13.	1,436	-

		Questioned Costs	
		Ineligible	Unsupported
5.	Bank charges.	-	$ 9
6.	Accommodation charges for business trips to Greece and France	-	1,432
	Total questioned costs included in 1990 indirect cost pool	$14,655	$1,441

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Price Waterhouse

REPORT ON INTERNAL CONTROL STRUCTURE
REPORT OF INDEPENDENT ACCOUNTANTS

February 6, 1992

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development

We have audited the fund accountability statement and indirect cost rate schedules of Integrated Development Consultants (IDC) for the two-years ending December 31, 1990 relating to direct and indirect expenditures incurred in Eygpt for all flexibly-priced contracts with USAID and flexibly-priced subcontracts with USAID - financed contractors, and have issued our report thereon dated February 6, 1992.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo Office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

In planning and performing our audit of IDC we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and indirect cost rate schedules and not to provide assurance on the internal control structure.

The management of IDC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial reports and to maintain accountability over the entity's assets. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we determined the significant internal control structure policies and procedures to be in the categories of cash management, billing, general ledger operations, and payroll operations. For these internal control structure categories, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement and indirect cost rate schedules.

REPORTABLE CONDITIONS

The IDC accounting system contains weaknesses related to the processing of cash receipts and disbursements.

IDC employs a cash basis accounting system but does not utilize a cash receipts or disbursements journal or any formal cash bookeeping system. Consequently, we encountered numerous difficulties in tracing from general ledger entries to the supporting documentation.

As a result, auditing and accounting for IDC activity required a labor-intensive manual exercise to account for IDC's transaction activity and to reconcile the differences noted among bank statements, the general ledger and billings to USAID.

Recommendation 1

IDC should maintain a cash receipts and disbursements journal in which entries are sufficiently documented to facilitate tracing to and from the general ledger revenue and expense accounts.

* * * * * * *

Inadequate and incomplete bank reconciliations were performed.

Incomplete and irregular bank reconciliations were performed by IDC. During the period of January 1989 to July 1990, IDC reconciled bank statement information against the list of outstanding checks; no other reconciliation procedures were performed. Subsequently, a regular bank reconciliation was not performed.

Bank reconciliations, even when done by persons independent of other cash functions, will not necessarily disclose irregular transactions, but should limit the opportunity to conceal them.

Recommendation 2:

Bank statement balances should be reconciled on a monthly basis with general ledger balances.

Bank statements and canceled checks should be delivered unopened directly to the employee responsible for preparing reconciliations. Bank reconciliation procedures may constitute a test or review of cash transactions if they include the following procedures:

- Comparison of deposit amounts and dates with cash receipt entries.

- Comparison of payee name, date and amount in canceled checks with cash disbursement records.

- Comparison of endorsements on canceled checks to payees as shown on the face of the check. (This may be done on a test basis).

- Comparison of book balances used in reconciliation with general ledger balances.

- Footing the cash books.

A responsible IDC official, who is independent of all cash processing and recording activities, should review and approve all completed reconciliations.

* * * * * * *

The IDC accounting system contains weaknesses related to USAID-funded expenditures.

IDC does not utilize an appropriate accounting system to track revenues and expenditures related to USAID projects. In particular, we noted the following:

- An accounting procedures manual is not maintained that would provide instruction on company policy and procedures.

- A chart of accounts is not utilized to assist in identification and classification of revenues and expenses.

- Journal entries and account numbers are not utilized.

- General ledger account totals are not maintained.

- A fixed asset register is not maintained to provide accountability of assets and to provide a basis for recording depreciation expense.

- An accountant is not employed in-house to supervise the accounting system.

As a result, auditing and accounting for IDC activity required a labor-intensive manual exercise to compile and analyze the transaction activity.

Recommendation 3

IDC should adopt an accounting system which meets U.S. government accounting standards.

Specifically the following goals or objectives should be achieved:

- Proper segregation of duties

- Proper supervision of accounting personnel.

- A general ledger system should be developed or purchased to ensure that all transactions are properly accumulated, classified and summarized in the accounts.

- A chart of accounts should be developed in sufficient detail to allow accounting personnel to properly record accounting data.

- Accounting transactions should be properly accumulated and classified among account types and budget line items.

- A complete and detailed accounting manual should be developed detailing how to record, allocate, and obtain approval for costs.

- An fixed asset register should be purchased or developed in order to provide a detailed asset inventory listing including asset location and cost.

* * * * * * *

Weak controls exist in accounting for employee time and attendance data.

Although time and attendance data are prepared on a regular basis, we noted many instances where the data were either not approved or could not be located.

Recommendation 4

IDC should adopt an employee time keeping system whereby time and attendance data are properly reviewed and approved.

Hours worked, overtime hours and other special benefits (sick or annual leave) should be reviewed and approved by the employee's supervisor. Additionally, review and approval of hours worked, overtime hours and other special benefits should be performed by an individual who has knowledge of the authority of the hours or other basis for computing the employee's compensation. Such approval should be documented on the employee's time sheet before the pay is processed. The original time sheet should be filed to provide support for billing to USAID.

* * * * * *

A material weakness is a condition in which the design or operation of the specific internal control structure 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 fund accountability statement and indirect cost rate schedules 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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. However, we believe that the reportable conditions described above are not material weaknesses.

This report is intended for the information of IDC's management and others within the organization and the United States Agency for International Development. The restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

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New Maadi,
Cairo, Egypt.

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Price Waterhouse

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
REPORT OF INDEPENDENT ACCOUNTANTS

February 6, 1992

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development

We have audited the fund accountability statement and the indirect cost rate schedules of Integrated Development Consultants (IDC) for the two-year period ending December 31, 1990 relating to direct and indirect expenditures incurred in Egypt for all flexibly-priced contracts with USAID and flexibly-priced subcontracts with USAID-financed contractors, and have issued our report thereon dated February 6, 1992.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph

46 of Chapter 3 of <u>Government Auditing Standards</u> since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of <u>Government Auditing Standards</u> is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices.

Compliance with laws, regulations, contracts, subcontracts and binding policies and procedures applicable to IDC is the responsibility of IDC's management. As part of our audit we performed tests of IDC's compliance with certain provisions of laws, regulations, contracts, subcontracts and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The result of our tests indicate that with respect to the items tested IDC complied, in all material 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 IDC had not complied, in all material respects, with those provisions.

This report is intended for the information of IDC's management and others within the organization and the United States Agency for International Development. The restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

INTEGRATED DEVELOPMENT CONSULTANTS
QUESTIONED COSTS DETAIL OF AMOUNTS INCURRED
IN EGYPTIAN POUNDS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Fund Accountability Statement	Amount in LE	Converted to US $
Revenue and fixed fee as recomputed due to the effect of questioned costs:		
Chemonics	LE (27,603)	$ (8,339)
DAC	(14,304)	(4,321)
IEP	1,252	378
	LE (40,655)	$(12,282)
Chemonics short-term staff were paid in excess of time worked.	420	127
DAC field cost expenditures which do not comply with regulations or are not adequately supported. They are in detail:		
Per diems incurred in 1991, but charged prior thereto	2,848	860
Unsupported per diem incurred in Fayoum	491	149
billed in excess of support	157	47

	Amount in LE	Converted to US $
Overhead differences due to the effect of questioned costs and recomputed indirect cost rates, for:		
- Chemonics	(23,525)	(7,107)
- DAC	(21,276)	(6,428)
- IEP	678	205
	LE(40,207)	$ (12,147)
Indirect Cost Rate Schedules		
1989		
Direct project salaries should be reallocated from the indirect cost pool to the direct cost base	840	254
Food and beverage costs not allow-allowable per FAR 31.205-13	5,481	1,656
Total questioned costs in 1989 indirect Cost Pool	LE 6,321	$ 1,910
1990		
Direct project salaries included in the indirect cost pool. They are detailed by project as follows:		
Labor study	LE 13,120	
Corn study	5,034	
Otsuka (Non-USAID project)	10,000	
Price liberalization study	14,000	
EIP	1,600	
	43,754	13,219

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	Amount in LE	Converted to US $
Food and beverage costs not allowable per FAR 31.205-13	4,753	1,436
Bank charges	30	9
Accommodation charges for business trips to Greece and France	4,740	1,432
Total questioned costs included in 1990 indirect cost pool	LE 53,277	$ 16,096

Note:

All conversions between US dollars and Egyptian pounds were made using a rate of LE 3.31 to 1 US dollar (LE 3.31 = $ 1.00).

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

IDC

March 25th, 1992

Rec'd @ PW
3.25.92
by fax.

Mr. Jeffery Hentges, CPA
Audit Manager
Price Waterhouse
Cairo, Egypt

Dear Mr. Hentges

Please find attached IDC's response to the audit report submitted by your team on February 24th, 1992. The response includes IDC clarifications and comments on the report issues.

Awaiting for the final audit report, we would like to thank you and your team for the coordination and cooperation during the audit.

Please feel free to contact me for any further information you might need for your records.

Best personal regards,

Sincerely,

INTEGRATED
DEVELOPMENT
CONSULTANTS
3 ABUL MAWAHIB GIZA EGYPT

Mahmoud Hussein
Managing Partner

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

IDC Response to the Audit Findings

IDC's response to the audit findings for the two years period ending December 1990 is structured in the form of clarifications and comments for the following:

1. The fund accountability statement.
2. The schedules for computation of the indirect cost rates.
3. Reportable conditions and its associated recommendations.

1. The fund accountability statement.

IDC clarifications and comments on the fund accountability statement presented in the audit report focuses on the reported questioned costs (note 3) identified as audit findings 1 through 3 (pp 13 - 16)

A) Clarifications:

	Questioned Costs	
	Ineligible	Unsupported
1. This payment was made to Dr. Mohammed Nasser Farid a short-term consultant to Chemonics sub-contract. This payment was made in excess to his December'90. Payment but has been deducted from his first payment in 1991.	400	
2. IDC procedure for field trips expenditure allows an advance payment equal to 50% of the field trip costs. Upon submittal of receipts the balance is calculated, and the total cost of the field trip is invoiced to the main contractor. This amount identified as questioned cost relates to a field trip that took place in December 1990. 50% of this amount i.e LE 1185 was actually incurred in 1990 and covered by receipts, hence the amount charged in excess was only LE 1,663 which was actually disbursed in January 1991.	2,848	

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

	Questioned Costs Ineligible	Questioned Costs Unsupported
3. This payment was supported by the perdiem summary sheet approved by the main contractor designated officer in addition to the receipt signed by the consultant confirming his receival of the payment.		491
4. The amount considered as perdiems not billed and the amount considered as unsupported perdiems are as follows.		137

Sept.'90,	supported perdiem	8,048.01
	perdiem billed in inv. no.308	7,771.70
	not billed	276.31
Oct.'90,	supported perdiem	6,974.77
	perdiem billed in inv. no.313	7,447.80
	not supported	-473.03

Actual perdiem which is not supported

not supported	473.03
not billed	276.31
actual not supported	196.80

This figure LE 196.80, is the cost of three missing one-way air-tickets for the consulting Team back from the new valley.

B) Comments:

b.1. The reported overhead questioned costs for the three projects Chemonics, DAC and IEP were calculated using the revised audited overhead rates. Both the audited overhead rates and the IDC calculated

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INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

rate for 1989 as presented in table (1) are almost equal, however, both rates differ by 9% in 1990 as shown in table (2), mainly due to the reallocation of large cost items from the indirect cost pool to the direct base. This difference in allocating direct and indirect costs will be discussed in detail in the next section. However, it is worth noting here that IDC recomputation of the overhead questioned costs using its calculated rates for both years revealed that these should be equal to LE 10.541 ,LE 15,958 and LE 6,735 for the three projects Chemonics, DAC and IEP respectively as shown in table (3).

b.2. It is our understanding that according to the terms and conditions of cost plus fixed fee contracts that the fixed fees are an undisputed claim to the consulting firm regardless of the final settlement of the actual direct and indirect costs. On this ground, the alleged questioned cost of fixed fee LE 9,114 reported under net income should be reconsidered.

2. The schedules for computation of the indirect cost rates.

IDC clarifications and comments on the schedules for computation of the indirect cost rates for the two years 1989 and 1990 presented in the audit report focuses on the reported questioned costs (Note 5) identified as audit findings 6,8 and 11 in addition to the direct cost base together with its adjustments (note 8).

A) Clarifications:

	Questioned Costs	
	Ineligible	Unsupported
1. This amount is paid for the services rendered by an editor not billed directly to the study and not contributing a direct input as stated in the RFP. Therefore it should be considered as indirect expense.	340	

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

	Questioned Costs Ineligible	Questioned Costs Unsupported
2. This payment was made to Mr.Sherif El Diwany to cover the accommodation costs of his two business trips during 1990. The flat-rate perdiem used to cover the accommodation costs for Greece and France trips were LE 286/day and LE 305/day respectively, the duration of the trips were 7 days in Greece and 9 days in France. IDC considers that the perdiem rate applied is quite reasonable. There is a memorandum attached with each air-tickets as a supporting document authorizing the payment of the accommodation costs.		4,740
3. This amount is considered by IDC as salaries included in the indirect cost pool. The following table shows the breakdown of this figure by project and name of person followed by a clarification.	43,754	

ITEM	Mahmoud Hussein Partner	Sherif Eldiwany Partner	Others Editors
Labor study	5,000	2,800	4,320
Corn study	4,300		134
Otsuka (Non-USAID project)	9,000		2,000
Price liberalization study		14,000	
EIP	1,600		
TOTAL	20,400	16,800	6,554

It is clear from this break down that both partners were responsible for LE 37,200 i.e. 85% of the total questioned cost of LE 43,750. The duties performed by both partners for which they received these payment were by definition indirect such as locating consultants, interviews, review work progress and top level management meetings. We believe that the main reason for identifying these cost as questioned by the audit team and there after reclassify them as direct costs were the project cost sheets that IDC maintain for each project and the time sheets for both partners. In fact, the projects cost sheets are mainly used by IDC as a cost control and monitoring tool and could not be used as a mean to identify direct and indirect costs. On the other hand, the time sheets

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**INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990**

of both partners in which their indirect time was allocated to projects were based on the advice of the previous audit carried out for 1988 under DAC sub-contract in order to justify their indirect time.

The other short-termers were mainly editors not billed directly to the study and were providing extra back stopping to the projects.

B) Comments:

1. The definition of ineligible costs as stated in the audit report (page 13) is not applicable to the questioned costs identified under audit findings 6&8. We understand that the concern about these costs, which were incurred under various fixed price contracts (purchase orders), was whether they should be treated as direct or indirect rather than being eligible or ineligible. So we believe it is an adjustment issue.

2. IDC management believes that the reallocation of the questioned costs, identified under audit findings 6&8, from the indirect cost pool to the direct cost base ought to be reconsidered based on the clarifications provided above.

3. The adjustments to the direct cost base as it stands in the audit report is in fact penalizing IDC, since it assumes that these cost have been billed directly to USAID by adding it to the denominator which consist of direct billings.

4. IDC management believes that fringe benefits should not be part of the direct cost base and it should be added to the indirect cost pool. This adjustment conforms with the definition of fringe benefits as an indirect expense. The effect of this adjustment on the overhead rate is presented in table 4 & 5.

3. Reportable conditions and its associated recommendations.

A) Clarifications:

IDC clarifications and comments on the reportable conditions and its associated recommendations presented in the audit report (page 23 through page 27) are as follows:

a.1. Points 1,2 and 3.

IDC is a growing company established in 1986. The actual consulting services contracts started in 1988 with the LDII Activities. IDC's

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

policy was to maintain minimum indirect costs in order to sustain a highly competitive overhead rate .

The start up accounting system considered the following:

a) To comply with the Egyptian laws and procedures.
b) Simple and workable.
c) Minimum staff to implement.
d) Could be modified to produce more financial reports as needed.

a.2. Point 4.
Original time sheets and leave requests for the home office staff are approved and filed at IDC. As for the projects staff (Chemonics and DAL) time sheets and leave requests are approved by designated persons in the main contractor office as stated in the sub contracts. The originals are filed at IDC. Payrolls are calculated upon the approved time sheets.

a.2.1. Fringe benefits are separately accounted for. It is stated separately in the invoice. Fringe benefits line item in the payroll sheet is to present cost per individual.

B) Comments:

IDC accounting system has been regularly modified to cope with its rapid growth. In the meantime, IDC management is carefully reviewing the recommendations provided in the audit report and required steps will be taken towards their implementations especially recommendation 3.

4. Other issues for consideration

In this section IDC management is pointing out two main issues which were not mentioned in the audit report despite their effect on company's indirect cost rate and financial position during 1989 and 1990; these are:

1. During both years both partners were charging combined only 8.75day/month i.e. LE 3,500/month to the indirect cost pool. This was due mainly to the fact that all time devoted by both partners for bidding and proposal writing was not accounted for. It is clear that the partners time allocated to run the company was heavily underestimated and hence their payments. In fact both partners were actually subsidizing the company.

2. IDC in 1989 actually was underpaid by an amount equal to LE 56,265 due to the ceiling rate imposed on Chemonics sub-contract.

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Table (I)

SCHEDULE OF COMPUTATION OF
INDIRECT COST RATE
FOR THE YEAR ENDED 1989

Description	Expenses	Ineligible Cost	Unsupported Cost	Direct Cost Base	Indirect Cost Pool
SALARIES	536,596			416,803	119,793
FRINGE BENEFITS	77,450			72,897	4,553
RENT	9,600				9,600
STATIONARY	10,911				10,911
MAINTENANCE	3,084				3,084
TLECOMMUNICATION	5,349				5,349
OFFICE HOSPITALITY	5,481	5,481			5,481
CLEANING UTILITIES	901				901
TRANSPORTATION	4,048				4,048
ELECTRICITY & GAZ	1,665				1,665
LIFE INSURANCE	523				523
INTERNATIONAL TRAVEL	5,088				5,088
COMPUTER SUPPLIES	2,371				2,371
BANK SHARGES	979				979
CONSULTANTS	5,000				5,000
DEPRECIATION	10,271				10,271
TOTAL	679,317	5,481	0	489,700	189,617

Indirect Pool	184,136
Direct Base ·	489,700
Overhead Rate	37.60%

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INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Table (2)

SCHEDULE OF COMPUTATION OF
INDIRECT COST RATE
FOR THE YEAR ENDED 1990

Description	Expenses	Ineligible Cost	Unsupported Cost	Direct Cost Base	Indirect Cost Pool
SALARIES	789,980			580,857	209,123
FRINGE BENEFITS	93,379			86,918	6,461
RENT	9,600				9,600
STATIONARY	14,789				14,789
MAINTENANCE	233				233
TLECOMMUNICATION	13,049				13,049
OFFICE HOSPITALITY	4,753	4,753			4,753
CLEANING UTILITIES	1,037				1,037
TRANSPORTATION	8,018				8,018
ELECTRICITY & GAZ	2,467				2,467
ELECTRIC UTILITIES	477				477
LIFE INSURANCE	552				552
INTERNATIONAL TRAVEL	9,589				9,589
COMPUTER SUPPLIES	3,521				3,521
BANK SHARGES	1,474	30			1,444
TRANSLATION EXPENSE	323				323
ADVERTISING & COMM	2,677				2,677
ACCOUNITIG FEES	2,000				2,000
DEPRECIATION	13,485				13,485
TOTAL	971,403	4,783	0	567,775	303,538

Indirect Pool	298,845
Direct Base	567,775
Overhead Rate	44.75%

Table (8)

Overhead Recalculation Schedule
For the period from January 1, 1989 through December 31, 1990

ITEMS	Total Direct Base		Overhead Using Actual Rate			Actual Overhead Received			Difference		
	1989	1990	1989	1990	Total	1989	1990	Total	1989	1990	Total
	LE	LE	37.60%	44.75%	LE	LE	LE	LE	LE	LE	LE
Chemonics	366,682	371,159	137,872	166,094	332,187	80,654 (*)	176,635	257,289	0.00	10,541	10,541
DAC	91,753	167,050	34,499	74,755	149,510	45,713	79,499	125,212	11,214	4,744	15,958
IEP	13,280	17,657	4,993	7,902	15,803	8,368	11,262	19,630	3,375	3,360	6,735
Total	471,715	555,866	177,365	248,750	497,500	134,735	267,396	402,131	14,589	18,646	33,234

(*) Chemonics contract ceiling rates for 1989 were 34.3% and 14.29%
Chemonics ceiling rate difference for the year 1989 is LE 56,265

INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Table (4)

SCHDULE OF COMPUTATION OF
INDIRECT COST RATE
FOR THE YEAR ENDED 1989

Description	Expenses	Ineligible Cost	Unsupported Cost	Direct Cost Base	Indirect Cost Pool
SALARIES	536,596			416,803	119,793
FRINGE BENEFITS	77,450			0.00	77,450
RENT	9,600				9,600
STATIONARY	10,911				10,911
MAINTENANCE	3,084				3,084
TLECOMMUNICATION	5,349				5,349
OFFICE HOSPITALITY	5,481	5,481			5,481
CLEANING UTILITIES	901				901
TRANSPORTATION	4,048				4,048
ELECTRICITY & GAZ	1,665				1,665
LIFE INSURANCE	523				523
INTERNATIONAL TRAVEL	5,088				5,088
COMPUTER SUPPLIES	2,371				2,371
BANK SHARGES	979				979
CONSULTANTS	5,000				5,000
DEPRECIATION	10,271				10,271
TOTAL	679,317	5,481	0	416,803	262,514

Indirect Pool / Direct Salaries	257,033 / 416,803
Overhead Rate	61.67%

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INTEGRATED DEVELOPMENT CONSULTANTS
AUDITEE'S COMMENTS
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Table (5)

SCHEDULE OF COMPUTATION OF
INDIRECT COST RATE
FOR THE YEAR ENDED 1990

Description	Expenses	Inligible Cost	Unsupported Cost	Direct Cost Base	Indirect Cost Pool
SALARIES	789,980			580,857	209,123
FRINGE BENEFITS	93,379			0	93,379
RENT	9,600				9,600
STATIONARY	14,789				14,789
MAINTENANCE	233				233
TLECOMMUNICATION	13,049				13,049
OFFICE HOSPITALITY	4,753	4,753			4,753
CLEANING UTILITIES	1,037				1,037
TRANSPORTATION	8,018				8,018
ELECTRICITY & GAZ	2,467				2,467
ELECTRIC UTILITIES	477				477
LIFE INSURANCE	552				552
INTERNATIONAL TRAVEL	9,589				9,589
COMPUTER SUPPLIES	3,521				3,521
BANK SHARGES	1,474	30			1,444
TRANSLATION EXPENSE	323				323
ADVERTISING & COMM	2,677				2,677
ACCOUNITIG FEES	2,000				2,000
DEPRECIATION	13,485				13,485
TOTAL	371,403	4,783	0	580,857	390,516

Indirect Pool	385,763
Direct Base	580,857
Overhead Rate	66.41%

INTEGRATED DEVELOPMENT CONSULTANTS
QUESTION REVENUE/(UNDERSTATEMENT)
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Contract and Subcontract	Total Direct Costs Net of Questioned Costs			Fixed Fee Rate %		Previously Invoiced	Audited Fixed Fee Amount	Questioned Revenue/(Understatement)		
	1989	1990	Total	1989	1990			Fixed Fee	Revenues (Note A)	Total
	$	$	$			$	$	$	$	$
Chemonics	135,147	172,458	307,605	6	7.16	19,098	20,457	(1,359)	(6,980)	(8,339)
DAC	53,791	94,249	148,040	8	8	12,894	11,843	1,051	(5,372)	(4,321)
IEP	7,948	8,795	16,743	8	8	1,512	1,339	173	205	378

Note A:

- For the Chemonics subcontract the net revenue understatement ($6,980) consists of $ 127 of payroll questioned costs (Finding B, Page 17) and understated overhead of ($7,107) [Finding D, Page 17].
- For the DAC subcontract the net revenue understatement of ($5,372) consists of $1,056 of field cost questioned costs and understated overhead of (6,428) [Finding D, Page 17].
- For the IEP direct contract the $205 relates to overhead questioned costs (Finding D, Page 17).

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INTEGRATED DEVELOPMENT CONSULTANTS
OVERHEAD QUESTIONED COSTS/(UNDERSTATEMENT)
FOR THE TWO YEARS ENDING
DECEMBER 31, 1990

Contract and Subcontract	Direct Project Payroll net of Questioned Costs 1989 $	1990 $	Total $	Audited Overhead Rate % 1989	1990	IDC Invoiced $	Audited Overhead Amount $	Overhead Questioned Costs/ (Understatement) $
Chemonics	110,781	111,985	222,766	61.34	54.00	77,732	84,839*	(7,107)
DAC	27,720	50,468	78,188	61.34	54.00	37,828	44,256	(6,428)
IEP	4,307	5,711	10,018	61.34	54.00	5,931	5,726	205

* Note that the Chemonics contract in 1989 had ceiling rates of 34.3% and 14.29%.

Appendix E

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

RECEIVED
15 MAR 1992

MEMORANDUM

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

FROM: Beth S. Paige, DIR/CS Beth S. Paige

DATE: March 15, 1992

SUBJ: Draft Audit of Integrated Development Consultant's Fiscal Year 1989 & 1990 Direct and Indirect Costs

I have completed my review of the subject draft audit; I have no comments at this time. DIR/CS does not require an exit conference.

cc: Nimi Wijesooriya, A/AD/FM

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