

Regional Inspector General for Audit
Cairo, Egypt

**Audit of Agricultural Cooperative Development
International Related to Local Expenditures Incurred
on Grant No.263-0102-G-00-0066-00, for the Farmer to
Farmer Project and the Pilot Rural Agribusiness
Educational Television Series Project**

Report No. 6-263-93-07-N
January 7, 1993



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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

January 7, 1993

MEMORANDUM FOR A/D/USAID/Egypt, Christopher Crowley

FROM : D/RIG/A/C, Reuben Hubbart

A handwritten signature in black ink, appearing to read "Reuben Hubbart", written over the printed name.

SUBJECT : Audit of Agricultural Cooperative Development International Related to Local Expenditures Incurred on Grant No. 263-0102-G-00-0066-00, for the Farmer to Farmer Project and the Pilot Rural Agribusiness Educational Television Series Project for the Periods from June 1, 1990 through February 29, 1992 and July 23, 1988 through July 15, 1991 respectively.

The attached final report dated July 1, 1992 by Price Waterhouse presents the results of a financial audit of Agricultural Cooperative Development International (ACDI) local expenditures incurred under a Grant Agreement relating to USAID/Egypt agribusiness projects. In 1987 ACDI established the Middle East Regional office in Cairo which was designed to supervise the operations in Egypt and explore program possibilities in other countries throughout the Middle East. Among the USAID/Egypt projects are the Rural Small Scale Enterprise, Farmer to Farmer, and the Rural Agribusiness Educational Television Series.

We engaged Price Waterhouse to perform a financial audit of ACDI's locally incurred expenditures in Egyptian Pounds of LE2,197,682 and LE1,427,744 for the Farmer to Farmer and Television Series projects, respectively for the period July 23, 1988 to February 29, 1992. The purpose of the audit was to evaluate the propriety of costs incurred during this period. In performing the audit, Price Waterhouse evaluated ACDI's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

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Price Waterhouse questioned \$64,484 in costs billed to A.I.D. by ACDI. The questioned costs include per diem for the Egyptian Ministry of Agriculture to perform their contractual contribution, expenses for an expatriate staff charged to the project although the contract expressly stated that no expatriate cost were envisioned due to the shortness of their participation and costs lacking adequate supporting documentation. Price Waterhouse noted material weaknesses in ACDI's internal controls such as inadequate controls to ensure that all costs are properly classified, weaknesses related to USAID-funded expenditures, segregation of duties and safeguarding of assets. Finally, Price Waterhouse reported that ACDI had not remitted unexpended funds to USAID within one year of the end of the contract period as required by USAID regulations.

Price Waterhouse has reviewed ACDI's response to the findings. Where applicable they have made adjustments in their reports or provided further clarification of their position. For those items not addressed, the response provided by ACDI did not change their understanding of the facts underlying the questioned costs of the consolidated fund accountability statements, reportable conditions in the Report on Internal Control Structure or finding in the Report on Compliance with Laws and Regulations.

Recommendation No. 1: We recommend that USAID/Egypt resolve questioned costs of \$64,484 consisting of ineligible costs of \$48,508 and unsupported costs of \$15,976 as detailed on pages 22 through 30 of the audit report.

This recommendation 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, Recommendation No. 1 is considered unresolved. This recommendation can be resolved when we receive the Mission's formal determination as to the amounts sustained or not sustained and can be closed when any amounts determined to be owed to A.I.D. are paid by ACDI.

Recommendation No. 2: We recommend that USAID/Egypt require ACDI to address the inadequate internal control procedures over their accounting system as detailed on pages 34 through 38 of 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 with a copy of its request that ACDI address its internal control weaknesses. The recommendation can be closed when we have assessed ACDI's response and USAID/Egypt's follow-up for adequacy.

Recommendation No. 3: We recommend that USAID/Egypt require ACDI to comply with the regulations and remit the unexpended funds of LE45,270 or approximately \$13,675 for the Television Series project to USAID as detailed on page 43 of the audit report.

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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 with a copy of its request that ACDI remit the unexpended funds and can be closed when the amount determined to be owed to A.I.D. is paid by ACDI.

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.

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**AGRICULTURAL COOPERATIVE DEVELOPMENT
INTERNATIONAL**

**FARMER TO FARMER AND PILOT RURAL
AGRIBUSINESS EDUCATIONAL TELEVISION
SERIES PROJECTS**

**CONSOLIDATED FUND ACCOUNTABILITY
STATEMENTS AND ADDITIONAL INFORMATION**

JULY 23, 1988 THROUGH FEBRUARY 29, 1992

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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT RURAL AGRIBUSINESS EDUCATIONAL
TELEVISION SERIES PROJECTS

CONSOLIDATED FUND ACCOUNTABILITY
STATEMENTS AND ADDITIONAL INFORMATION

JULY 23, 1988 THROUGH FEBRUARY 29, 1992

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Price Waterhouse



October 12, 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 cost-incurred audit of local disbursements by Agricultural Cooperative Development International, Egypt Office, (ACDI/Egypt) on Grant No. 263-0102-G-00-0066-00 (Farmer to Farmer) under USAID/Egypt's Technical Cooperation and Feasibility Studies Project No. 263-0102 and the Pilot Rural Agribusiness Educational Television Series (T.V.) Project funded by the USAID/CRS Special Account. The audit encompassed all disbursements in Egypt for the period from June 1, 1990 through February 29, 1992 for the Farmer to Farmer Project and from July 23, 1988 through July 15, 1991 for the T.V. Project.

Background

The mission of ACDI is to improve the economic well-being of farmers worldwide by assisting agricultural and member-owned organizations increase trade and achieve sustainable economic development. To accomplish this mission ACDI has organized projects throughout the world. In 1987, ACDI established the Middle East Regional office in Cairo which was designed to supervise the operations



in Egypt and explore program possibilities in other countries throughout the Middle East. Among the projects in Egypt are the Rural Small Scale Enterprise, Farmer to Farmer, and the Pilot Rural Agribusiness Educational Television Series (TV). Our audit covered the Farmer to Farmer and TV projects only.

ACDI operations in Egypt are headquartered in Cairo with various field locations operating throughout Egypt. The Cairo office reports to ACDI headquarters in Washington D.C. All operations of ACDI/Egypt are supervised by an expatriate chief of party. Recently a position to oversee the finance and administration functions was assigned to an expatriate program coordinator.

ACDI employs approximately 34 employees; 3 expatriates and 31 national staff.

The administration and accounting functions are centered in the ACDI office in Cairo. ACDI's accounting system operates on a cash basis. The Farmer to Farmer project operates on an advance system whereby requests for funding advances are submitted and amounts are funded quarterly. The TV project received three discrete advance fundings, during the term of the project.

Audit Objectives and Scope

The objective of this engagement was to perform a financial cost-incurred audit of USAID funds provided to ACDI/Egypt pursuant to the Farmer to Farmer Grant and the TV project. The audit encompassed all local expenditures



from June 1, 1990 through February 29, 1992 for the Farmer to Farmer project and from July 23, 1988 through July 15, 1991 for the TV project which was the complete term of the pilot program. Specific objectives were to determine whether:

1. The consolidated fund accountability statements for ACDI/Egypt present fairly, in all material respects, project revenues and costs incurred and reimbursed for the 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 and USAID regulations as well as OMB Circular No. A-122;
3. The internal controls, accounting systems and management practices of ACDI/Egypt are adequate for USAID/Egypt agreements; and
4. ACDI/Egypt is in compliance, in all material respects, with the agreement terms and applicable laws and regulations.

Preliminary planning and review procedures were started in May 1992 and consisted of discussions with RIG/A/C personnel, ACDI/Egypt officials and review of the applicable agreements. Fieldwork commenced in May 1992 and was completed in July 1992.

The scope of our work was all locally-incurred



expenditures for the Farmer to Farmer and TV project agreements between USAID and ACDI. Within each agreement, we selected disbursements for testing on a judgmental basis to test a majority of local expenditures. A brief description of the agreements and amounts tested are as follows:

The Pilot Rural Agribusiness Educational Television Series project funded by the USAID/CRS Special Account was initiated in 1988 with the goals to increase farmers' awareness and acceptance of new agricultural development programs and services; to demonstrate new technologies and improved production techniques; and to strengthen the linkages between government extension agents, farmers and private sector agribusiness. To achieve these goals, the TV project used five- to ten-minute programs shown on Egyptian television that utilized well-know Egyptian actors and actresses to dramatize problems and solve them through methods and assistance programs available to Egyptian farmers.

The Farmer to Farmer project, Grant No. 263-01020-G-00-0066-00 under USAID/Egypt's Technical Cooperation and Feasibility Studies project 263-0102, is comprised of two distinct but complementary training programs. First, in cooperation with two volunteer organizations, ACDI identifies technical assistance needs and facilitates the missions of U.S. agricultural experts in four to six week volunteer assignments in Egypt. Second, the Egyptian participant training program allows innovative Egyptian farmers and extension agents to participate in one-month home stays and field trips in the U.S. and work side-by-



side with American farmers to gain an understanding of the various technologies, products, services and farmer organizations in the U.S.

We tested local expenditures of LE 1,486,809 and LE 1,056,759 out of total expenditures of LE 2,197,682 and LE 1,427,744 for the Farmer to Farmer and Television Series projects, respectively. Tested costs were incurred from July 23, 1988 through February 29, 1992.

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

1. Reconciling ACDI/Egypt's accounting records to invoices issued to USAID, and testing of costs for allowability, allocability, reasonableness, and appropriate support;
2. Determining that personnel costs were appropriate and conformed with the terms of the agreements and relevant regulations;
3. Determining that travel and transportation charges are adequately supported and approved; and
4. Establishing the adequacy of ACDI/Egypt's control over project equipment.

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 consolidated fund accountability 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.

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

Results of Audit

Consolidated fund accountability statements:

Our audit identified LE 197,268 (converted to \$ 48,508 in ineligible costs and \$ 15,976 in unsupported costs at applicable exchange rates) in questionable costs.



Internal control structure:

We recommended that ACDI/Egypt adopt procedures to ensure the proper classification of all costs incurred, collect and verify all non-U.S. government counterpart contributions, address internal control weaknesses relating to non-cash vouchers, segregation of duties, approval of employees' timesheets, computer system access and checks drawn to bearer, and strengthen controls surrounding the safeguarding of assets.

Compliance with Agreement terms and applicable laws and regulations:

Our audit found one instance of noncompliance relating to the failure of ACDI/Egypt to remit unexpended fund advances on a timely basis.

Management Comments

We have reviewed ACDI's response to the findings which are included as Appendix B. Where applicable we have made adjustments in our reports or provided further clarification of our position in Appendix C. For those items not addressed in Appendix C, the responses provided by ACDI have not changed our understanding of the facts underlying the questioned costs of the consolidated fund accountability statements, reportable conditions in the Report on Internal Control Structure or findings in the Report on Compliance with Laws and Regulations.



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

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Price Waterhouse



REPORT OF INDEPENDENT ACCOUNTANTS

July 1, 1992

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

We have audited the accompanying consolidated fund accountability statements of Agricultural Cooperative Development International, Egypt Office, (ACDI/Egypt) relating to local disbursements in Egypt on Grant No. 263-0102-G-00-0066-00 for the Farmer to Farmer project and the Pilot Rural Agribusiness Educational Television Series (TV) project for the periods from July 23, 1988 through December 31, 1988; each year ended December 31, 1989, 1990 and 1991; and from January 1, 1992 through February 29, 1992. These financial statements are the responsibility of ACDI/Egypt's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and 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 consolidated fund accountability statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and



disclosures in the consolidated fund accountability 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 audits provide 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 consolidated fund accountability 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 consolidated fund accountability statements are not intended to present results in accordance with accounting principles generally accepted in the United States of America.

Included in the consolidated fund accountability statements are questioned costs of \$ 5,354 for the year ended December 31, 1989; \$ 18,838 for the year ended December 31, 1990; \$ 40,120 for the year ended December 31, 1991 and \$ 172 for the period from January 1, 1992



through February 29, 1992. The basis for questioning these costs is more fully described in the "Consolidated Fund Accountability Statements - Audit Findings" section of this report.

In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph, the consolidated fund accountability statements referred to above present fairly, in all material respects, ACDI/Egypt's locally disbursed expenditures for the Farmer to Farmer grant and the Pilot Rural Agribusiness Educational Television Series project for the periods from July 23, 1988 through December 31, 1988; for each year ended December 31, 1989, 1990 and 1991; and from January 1, 1992 to February 29, 1992 in conformity with the basis of accounting described in Note 3.

Our audit was conducted for the purpose of forming an opinion on the consolidated fund accountability statements taken as a whole. The supplemental information in Appendix A is presented for purposes of additional analysis of the consolidated fund accountability statements and is not a required part of the consolidated fund accountability statements of ACDI/Egypt. Such information has been subjected to the auditing procedures applied in the audit of the consolidated fund accountability statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated fund accountability statements taken as a whole.

Pricewaterhouse

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD FROM JULY 23, 1988 THROUGH DECEMBER 31, 1988

	Budget (NOTE 2)	Actual (NOTE 2)	Questioned Costs		Audit Findings Reference
			Ineligible (NOTE 4)	Unsupported (NOTE 4)	
PROJECT ADVANCE					
TV	\$ <u>171,674</u>	\$ <u>171,674</u>	-	-	
EXPENDITURES					
Salaries					
TV	6,305	-	-	-	
Payroll added costs					
TV	1,486	-	-	-	
Consultants					
TV	2,947	-	-	-	
Travel and per diem					
TV	5,562	-	-	-	
Equipment and commodities					
TV	2,382	2,702	-	-	
Other direct costs					
TV	<u>8,991</u>	<u>858</u>	-	-	
Subtotal direct cost	27,673	3,560	-	-	
Indirect costs					
TV	10,792	1,282	-	-	
Subcontractors					
TV	<u>63,662</u>	-	-	-	
Total expenditures	<u>102,127</u>	<u>4,842</u>	-	-	
Expenditures under advances	\$ <u>69,547</u>	\$ <u>166,832</u>	-	-	

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1989

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	<u>Findings</u> <u>Reference</u>
PROJECT ADVANCE					
TV	\$ <u>277,778</u>	\$ <u>277,778</u>	-	-	
EXPENDITURES					
Salaries					
TV	11,659	7,794	-	-	
Payroll added costs					
TV	2,748	-	-	-	
Consultants					
TV	5,450	2,611	-	-	
Travel and per diem					
TV	10,286	-	-	-	
Equipment and commodities					
TV	4,404	-	-	-	
Other direct costs					
TV	<u>16,626</u>	<u>10,688</u>	\$ <u>3,377</u>	\$ <u>561</u>	See Note A on page 22
Direct cost	51,173	21,093	3,377	561	
Indirect costs					
TV	19,957	7,593	1,215	201	See Note B on page 23
Subcontractors					
TV	<u>117,725</u>	-	-	-	
Total expenditures	<u>188,855</u>	<u>28,686</u>	\$ <u>4,592</u>	\$ <u>762</u>	
Expenditures under advances	\$ <u>88,923</u>	\$ <u>249,092</u>			

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

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CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1990

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u> <u>Findings</u> <u>Reference</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	
PROJECT ADVANCE					
Farmer to Farmer	\$ 205,959	\$ 205,959	-	-	
EXPENDITURES					
Salaries					
Farmer to Farmer	60,595	27,084	-	3,081	See Note L on page 27
TV	10,882	17,133	3,448	-	See Note C on page 23
Payroll added costs					
Farmer to Farmer	24,082	11,581	-	1,121	See Note M on page 27
TV	2,565	3,706	1,108	-	See Note D on page 23
Consultants					
TV	5,086	15,395	-	-	
Travel and per diem					
Farmer to Farmer	65,162	48,343	-	-	
TV	9,600	2,889	-	-	
Equipment and commodities					
Farmer to Farmer	27,376	60,087	502	-	See Note N on page 27
TV	4,110	6,908	-	-	
Participant Training					
Farmer to Farmer	82,821	157	125	-	See Note O on page 27

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

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CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1990

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u> <u>Findings</u> <u>Reference</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	
Other direct costs					
Farmer to Farmer	44,323	25,324	1,790	-	
TV	<u>15,517</u>	<u>23,491</u>	<u>1,854</u>	<u>2,464</u>	See Note P on page 28 See Note E on page 23
Total direct cost	352,119	242,098	8,827	6,666	
Indirect costs					
TV	18,626	26,768	2,452	893	See Note F on page 24
Subcontractors -					
Farmer to Farmer	9,730	-	-	-	
TV	109,877	252,439	-	-	
Special project funds					
Farmer to Farmer	<u>26,089</u>	<u>12,341</u>	<u>-</u>	<u>-</u>	
Total expenditures	<u>516,441</u>	<u>533,646</u>	\$ <u>11,279</u>	\$ <u>7,559</u>	
Expenditures (over) advances		\$ (<u>310,482</u>)		\$ (<u>327,687</u>)	

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

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CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1991

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u> <u>Findings</u> <u>Reference</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	
PROJECT ADVANCE					
Farmer to Farmer	\$ 452,251	\$ 452,251	-	-	
TV	<u>99,618</u>	<u>99,618</u>	<u>14,515</u>	<u>-</u>	
	<u>551,869</u>	<u>551,869</u>	<u>14,515</u>	<u>-</u>	See Note K on page 26
EXPENDITURES					
Salaries					
Farmer to Farmer	85,248	76,857	-	6,908	
TV	4,465	10,713	3,106	-	See Note Q on page 28 See Note G on page 25
Payroll added costs					
Farmer to Farmer	33,880	38,127	691	747	
TV	1,052	7,338	1,702	-	See Note R on page 28 See Note H on page 25
Consultants					
TV	2,087	(1,368)	-	-	
Travel and per diem					
Farmer to Farmer	91,674	67,229	-	-	
TV	3,939	3,285	-	-	
Equipment and commodities					
Farmer to Farmer	38,514	16,578	-	-	
TV	1,687	403	-	-	

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

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CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1991

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u> <u>Findings</u> <u>Reference</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	
Participant Training Farmer to Farmer	116,519	106,407	346	-	See Note S on page 29
Other direct costs Farmer to Farmer	62,356	59,658	3,564	-	See Note T on page 29
TV	<u>6,367</u>	<u>16,198</u>	<u>4,796</u>	<u>-</u>	See Note I on page 25
Total direct cost	447,788	401,425	14,205	7,655	
Indirect costs TV	7,643	14,261	3,745	-	See Note J on page 26
Subcontractors Farmer to Farmer	13,689	17,512	-	-	
TV	45,086	56,939	-	-	
Special project funds Farmer to Farmer	<u>36,703</u>	<u>44,214</u>	<u>-</u>	<u>-</u>	
Total expenditures	<u>550,909</u>	<u>534,351</u>	\$ <u>32,465</u>	\$ <u>7,655</u>	
Expenditures under advances	\$ <u>960</u>	\$ <u>17,518</u>			

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

Page 1 of 2

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD FROM JANUARY 1, 1992 THROUGH FEBRUARY 29, 1992

	Budget (NOTE 2)	Actual (NOTE 2)	Questioned Costs		Audit Findings Reference
			Ineligible (NOTE 4)	Unsupported (NOTE 4)	
PROJECT ADVANCE					
Farmer to Farmer	\$ <u>125,687</u>	\$ <u>125,687</u>	-	-	
EXPENDITURES					
Salaries					
Farmer to Farmer	20,164	28,657	-	-	
Payroll added costs					
Farmer to Farmer	5,613	3,663	-	-	
Travel and per diem					
Farmer to Farmer	15,187	11,759	-	-	
Equipment and commodities					
Farmer to Farmer	6,380	738	-	-	
Participant Training					
Farmer to Farmer	19,304	22,628	-	-	
Other direct costs					
Farmer to Farmer	<u>10,330</u>	<u>9,935</u>	<u>172</u>	-	See Note U on page 30
Total direct cost	76,978	77,380	172	-	
Subcontractors -					
Farmer to Farmer	2,268	795	-	-	

The accompanying notes are an integral part of these financial statements.

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS**

**CONSOLIDATED FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM JANUARY 1, 1992 THROUGH FEBRUARY 29, 1992**

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Questioned Costs</u>		<u>Audit</u>
			<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	<u>Findings</u> <u>Reference</u>
Special project funds Farmer to Farmer	<u>6,091</u>	<u>10,773</u>	<u>-</u>	<u>-</u>	
Total expenditures	<u>85,337</u>	<u>88,948</u>	<u>172</u>	<u>-</u>	
Expenditures under advances	\$ <u>40,350</u>	\$ <u>36,739</u>			

The accompanying notes are an integral part of these financial statements.

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND PILOT TELEVISION
SERIES PROJECTS
NOTES TO CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - BASIS OF CONSOLIDATION:

The consolidated fund accountability statements of ACDI/Egypt include all locally disbursed direct cost expenditures for the Farmer to Farmer and TV projects with USAID and calculated indirect costs for the TV project. Indirect costs for the TV project are determined by ACDI headquarters in Washington, D.C. As such, these costs are included in the accompanying consolidated fund accountability statements at their contracted rate of 36% for the period July 23, 1988 through April 30, 1990 and 39% for the period May 1, 1990 through July 15, 1991.

NOTE 2 - SOURCE OF DATA:

The column, labeled "Actual," is the responsibility of ACDI/Egypt - and represents the cumulative charges billed and reimbursed from USAID for the periods from July 23, 1988 through December 31, 1988; the years ended December 31, 1989, 1990, and 1991; and from January 1, 1992 through February 29, 1992.

Budgeted amounts are determined in each agreement. In those cases where the contractual budgeted amounts relate to time periods differently than those in the consolidated fund accountability statements, budget amounts were imputed assuming equal expenditures over the life of the agreement.

NOTE 3 - BASIS OF PRESENTATION:

The consolidated fund accountability statements have been prepared on the basis of cash disbursements. Consequently, expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 4 - 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 agreement, and the cost principles set forth in OMB Circular No. A-122, which prescribe the nature and treatment of reimbursable costs not specifically defined in the agreements. 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 agreements 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. All questioned costs are detailed in the "Consolidated Fund Accountability Statements - Audit Findings" section of this report.

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

Questioned Costs
Ineligible Unsupported

A. Other direct costs:

A Fiat 128 was rented from an individual. No invoice was available to support cost, nor was a daily travel log available to document usage. Paid with Cks 27260 and 78059 (Note: This expenditure was also questioned in 1990, see Note E, page 23).

\$ - \$ 561

The travel per diems for the Egyptian Ministry of Agriculture to perform their contractual contribution should not be borne by the USAID.

1,035 -

The design for a new emblem for the Farmer to Farmer project was charged to the TV project.

119 -

Expenses for an expatriate staff were charged to the project although the contract expressly states that no expatriate costs were envisioned due to the shortness of their participation.

2,223 -

\$ 3,377 \$ 561

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
B.	<u>Indirect costs:</u>		
	Indirect costs of 36% related to the questioned items, in Note A above.	\$ <u>1,215</u>	\$ <u>201</u>
C.	<u>Salaries:</u>		
	Salaries for an office girl and secretary who served the entire office were charged to direct salaries. These costs should be indirect costs. Amounts were charged from June - December 1990.	<u>3,448</u>	-
D.	<u>Payroll added costs:</u>		
	The payroll added costs for the two persons identified in Note C were charged as direct expense. These items should be indirect costs.	<u>1,108</u>	-
E.	<u>Other direct costs:</u>		
	As in Note A above, the Fiat 128 was rented from an individual. No invoice was available to support cost, nor was a travel log available to document usage	-	1,150

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. <u>Other direct costs: (cont.)</u>		
As in Note A above, travel allowance for Ministry of Agriculture Staff should not be borne by USAID.	\$ 703	\$ -
Expenses for an expatriate staff were charged to the project although the contract expressly states that no expatriate costs were envisioned. See also Note A above.	1,151	-
Legal fees were incurred with no signed contract or USAID approval for such expenses.	-	1,111
A printer was rented during August 1990 without proper approval from project manager. Amount is considered unsupported.	-	203
	<u>1,854</u>	<u>2,464</u>
F. <u>Indirect costs:</u>		
Indirect costs of 36% from January 1, 1990 through April 30, 1990 and 39% from May 1, 1990 through December 31, 1990 related to the Questioned Costs in Notes C, D and E.	<u>2,452</u>	<u>893</u>

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
G.	<u>Salaries:</u>		
	Costs for secretary and office girl as in Note C above. Amounts should be an indirect costs.	\$ <u>3,106</u>	\$ <u>-</u>
H.	<u>Payroll added costs:</u>		
	Payroll added costs associated with indirect salaries described in Note G above.	<u>1,702</u>	<u>-</u>
I.	<u>Other direct costs:</u>		
	Medical insurance charged to project relating to indirect personnel described in Note G above.	569	-
	Rental of a flat in Manial after July 15, 1991, the end of the contract.	889	-
	Maintenance provided for six computers. Only one computer is authorized for the TV project. Therefore the costs relating to the other five computers is considered ineligible.	360	-

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
I.	<u>Other direct costs: (cont.)</u>		
	A laser printer was purchased in the last month of the project. Amount is therefore not considered a reasonable item for the project.	\$ 2,583	\$ -
	Amounts represent computer maintenance and supplies received in September 1991, well after the end of the contract period.	<u>395</u>	<u>-</u>
		<u>4,796</u>	<u>-</u>
J.	<u>Indirect costs:</u>		
	Indirect costs of 39% relating to the questioned costs in Notes G, H and I.	<u>3,745</u>	<u>-</u>
K.	<u>Project advances:</u>		
	Amounts advanced to the TV project in excess of expenses incurred and reported.	<u>14,515</u>	<u>-</u>

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
L.	<u>Salaries:</u>		
	Amounts charged to project for CSS administrative staff was based upon percentages and not on actual time spent on the project. Timesheets present no detail as to time spent working on each project.	\$ <u> -</u>	\$ <u>3,081</u>
M.	<u>Payroll added costs:</u>		
	The social insurance and income tax amounts related to the CSS administrative staff in Note L	<u> -</u>	<u>1,121</u>
N.	<u>Equipment and commodities:</u>		
	Furniture purchased in September was removed from the Farmer to Farmer project in a correcting voucher in ACDI's ledgers, but was not adjusted in USAID billings.	<u> 502</u>	<u> -</u>
O.	<u>Participant training:</u>		
	Amounts relating to English courses for ACDI staff were charged to project although only participant education amount are budgeted in agreement. Amounts are considered ineligible.	<u> 125</u>	<u> -</u>

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

		<u>Questioned Costs</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
R.	<u>Payroll added costs: (cont.)</u>		
	Due to a miscalculation of payroll added costs in June 1991 LE 10,996 was charged to the project when amount should have been LE 8,726. The difference billed to USAID is considered ineligible.	\$ <u>691</u> <u>691</u>	\$ <u>-</u> <u>747</u>
S.	<u>Participant training:</u>		
	Amounts related to courses taken by ACDI staff although agreement only provides for participant training.	<u>346</u>	<u>-</u>
T.	<u>Other direct costs:</u>		
	Check No. 695838 was billed in January and February 1991. Amount charged in February is considered double billed and is ineligible.	1,711	-
	Amounts include penalties and excess storage fees relating to customs clearing for ACDI vehicles. These amounts are considered ineligible according to FAR 31.205-15.	1,338	-

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
CONSOLIDATED FUND ACCOUNTABILITY STATEMENTS
AUDIT FINDINGS

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
<p>T. <u>Other direct costs: (cont.)</u></p> <p>Greeting cards and envelopes were purchased. This item is considered a cost of promotional material and per FAR 31.205-1(f) is ineligible. \$ 303 \$ -</p> <p>Papyrus certificates were purchased for U.S. volunteers and host families. This amount is used to present ACDI in a favorable image, an activity which is considered ineligible for reimbursement under FAR 31.205-14</p>	<p style="margin-left: 40px;"><u>212</u></p> <p style="margin-left: 40px;"><u>3,564</u></p>	<p style="margin-left: 40px;"><u>-</u></p> <p style="margin-left: 40px;"><u> </u></p>
<p>U. <u>Other direct costs:</u></p> <p>Costs incurred for the RSSE project were misallocated to the Farmer to Farmer project. Amounts are considered ineligible.</p>	<p style="margin-left: 40px;"><u>172</u></p>	<p style="margin-left: 40px;"><u>-</u></p>
<p>Total questioned costs</p>	<p>\$ <u>48,508</u></p>	<p>\$ <u>15,976</u></p>

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Price Waterhouse



REPORT ON INTERNAL CONTROL STRUCTURE
REPORT OF INDEPENDENT ACCOUNTANTS

July 1, 1992

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

We have audited the consolidated fund accountability statements of Agricultural Cooperative Development International, Egypt Office, (ACDI/Egypt) relating to local disbursements in Egypt on Grant No. 263-0102-G-00-0066-00 for the Farmer to Farmer project and the Pilot Rural Agribusiness Educational Television Series (TV) project, for the periods from July 23, 1988 through December 31, 1988; each year ended December 31, 1989, 1990 and 1991; and from January 1, 1992 through February 29, 1992, and have issued our report thereon dated July 1, 1992.

Except as discussed in the next paragraph, we conducted our audits in accordance with generally accepted auditing standards and 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 consolidated fund accountability 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 audits of ACIDI/Egypt we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated fund accountability statements and not to provide assurance on the internal control structure.

The management of ACIDI/Egypt 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 fund



accountability statements 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 and fund custody, expenditure disbursements, general and project accounting, and equipment and fixed assets procurement. For these internal control structure categories cited, 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 certain 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 judgment, 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 statements. Our audit disclosed the following reportable conditions:



REPORTABLE CONDITIONS

Costs of the Farmer to Farmer and TV projects were occasionally misclassified between budget line items in the accounting records.

During the course of our audit we noted numerous costs which were misclassified among payroll costs, payroll added costs, travel and per diem costs and other direct costs. Often this misclassification occurred in cases where the proper allocation of costs to their budget line items would have resulted in the line items exceeding budgeted amounts.

We recognize that the agreements between USAID and ACDI were in the form of grants, which by their nature allowed ACDI to reallocate budget line items as reasonably necessary to carry out the project objectives. Because of this, amounts should have been recorded to their proper classification and the budget modified accordingly. Additionally, we acknowledge that all of our proposed reclassifications were recorded by ACDI during our audit.

Proper classification of costs is a basic assertion in any financial statement and would become critical in situations where ACDI had entered in to a direct contract or cooperative agreement with USAID.

RECOMMENDATION 1

ACDI should implement controls to ensure that all costs are properly classified and utilize a chart of accounts



detailing which costs are included in each budget line item or account and proper approval by management.

*** * * * ***

ACDI/Egypt's accounting system does not contain a formal procedure to report and verify the non-U.S. government contributions to projects.

During the course of our audit we noted that ACDI does not have procedures established to collect and record the counterpart contributions to its various projects. All such documentation is maintained by each project's manager. In addition, no formal procedures are in place to verify the value and performance of such contributions and compare these amounts to the stipulations of the agreements.

RECOMMENDATION 2

ACDI/Egypt should initiate procedures to have the finance department collect and verify that all non-U.S. government counterpart contributions have been received in accordance with the USAID agreements.

*** * * * ***

The ACDI/Egypt accounting system contains weaknesses related to USAID-funded expenditures.

ACDI/Egypt utilizes an accounting system containing a number of weaknesses related to certain policies and procedures included in the system of internal controls.



In particular, we noted the following:

- The limited accounting staff provided no segregation of duties relating to preparing, recording and reporting transactions.
- The subledgers did not contain all vouchers processed, especially non-cash vouchers. These non-cash vouchers were prepared and approved by the same finance personnel.
- There was no approval by management of employees' timesheets.
- Full access to all functions of the computerized accounting system is granted to all of its four users.
- Checks are sometimes issued to bearer which could cause checks to be improperly cashed.

As a result, transactions may be entered without proper authorization, funds may be misspent or allocated to the wrong project, and improper access to the system may take place.

RECOMMENDATION 3

ACDI/Egypt should adopt additional controls to address these weaknesses. Specifically the following controls should be established:

- Proper segregation of duties for the preparing,



recording and reporting through the utilization of existing administrative employees.

- The subledgers should contain all vouchers entered into the main ACDI ledger to provide for a complete reconciliation of amounts between the two sources.
- Management should review and approve non-cash vouchers before they are entered into the accounting records.
- Approval by the project manager or chief of party should be documented on each employees timesheet to ensure proper reporting of time for each project. This would include the timesheets of all administration and support staff.
- Security programs within the accounting software should restrict access of each user to only those functions deemed proper for that individual.
- Checks should no longer be made payable to "bearer" or to "individual or bearer."

* * * * *

Weaknesses exist over the safeguarding of assets.

During the course of our audit we noted that certain equipment maintained by ACDI/Egypt with values under \$1,000 is not tagged with an identifying number so that each project's assets may be easily identified. We also noted that the listing of fixed assets is not always



current such that some items are not included on this list. This list is used as the basis for performing periodic inventories of assets, which may lead to inaccurate counts for equipment and other assets.

Because ACDI/Egypt's grant agreements state that equipment for the TV project should be transferred to the Ministry of Agriculture if no extension is granted to the project, it becomes critical to be able to identify all such equipment purchased with USAID funds.

RECOMMENDATION 4

ACDI/Egypt should tag each major asset with an identification number that corresponds to a current detailed asset inventory listing. In addition, blind asset counts should be performed periodically and then compared to the asset inventory listing.

* * * * *

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 statements 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.

We also noted other matters involving the internal control structure and its operation that we reported to the management of ACDI/Egypt in a separate communication dated July 1, 1992.

This report is intended for the information of ACDI/Egypt'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.

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Price Waterhouse



REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
REPORT OF INDEPENDENT ACCOUNTANTS

July 1, 1992

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

We have audited the consolidated fund accountability statements of Agricultural Cooperative Development International, Egypt Office, (ACDI/Egypt) relating to local disbursements in Egypt on Grant No. 263-0102-G-00-0066-00 for the Farmer to Farmer project and the Pilot Rural Agribusiness Educational Television Series (TV) project, for the period from July 23, 1988 through December 31, 1988; each year ended December 31, 1989, 1990 and 1991; and from January 1, 1992 through February 29, 1992, and have issued our report thereon dated July 1, 1992.

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and 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 consolidated fund accountability 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.

Compliance with laws, regulations, grants, agreements, and binding policies and procedures applicable to ACDI/Egypt is the responsibility of ACDI/Egypt's management. As part of our audit we performed tests of ACDI/Egypt's compliance with certain provisions of laws, regulations, grants, agreements, 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 consolidated fund accountability statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Our testing of transactions and records disclosed one instance of noncompliance with those laws and regulations, which is identified in the accompanying "Report On Compliance-Audit Findings" section of this report.



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

This report is intended for the information of ACDI/Egypt'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

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL

REPORT ON COMPLIANCE

AUDIT FINDINGS

The following instance of noncompliance with laws and regulations and the agreements and grants came to our attention during the audit:

ACDI/Egypt has not remitted unexpended funds to USAID within one year of the end of the contract period.

During the course of our audit we noted that ACDI/Egypt transferred all amounts relating to the TV project from the TV project's savings account to the ACDI current account. As of the date of this report, LE 45,270 remains in the ACDI current bank account where it receives no interest. USAID rules state that settlement should be made within one year of the end of the contract.

Recommendation 1

We recommend that ACDI/Egypt comply with the regulations and remit the unexpended funds for the TV project to USAID.

*** * * * ***

Recommendation 2

Based on a review of the auditee's response and other information subsequent to the draft report, this recommendation has been removed.

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>TV Project:</u> <u>Year ended December 31, 1989</u>	<u>Amount</u> <u>in LE</u>	<u>Amount in U.S. \$</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
1. A Fiat 128 was rented from an individual. No invoice was available to support cost, nor was a daily travel log available to document usage. Paid with Cks 27260 and 78059 (Note: questioned in 1989 and 1990).	1,414		561
2. The travel per diems for the Egyptian Ministry of Agriculture to perform their contractual contribution should not be borne by the USAID. Paid by Cks 255578, 265256, 272562 and 27263.	2,610	1,035	
3. The design for a new emblem for the Farmer to Farmer project was charged to the TV project. Ck no. 251502.	300	119	
4. Expenses for an expatriate staff were charged to the project although the contract expressly states that no expatriate costs were envisioned due to shortness of their participation. Amounts paid in Cks 255551, 255553, 255588, 265285, 272588 and 272608.	<u>5,604</u>	<u>2,223</u>	—
1989 Questioned Costs	9,928	3,377	561

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>TV Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>Year ended December 31, 1989</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
5. Indirect costs of 36% related to the questioned items.	<u>3,574</u>	<u>1,215</u>	<u>201</u>
Total 1989 Questioned Costs	<u>13,502</u>	<u>4,592</u>	<u>762</u>
 <u>Year ended December 31, 1990</u>			
6. Salaries for an office girl and secretary who served the entire office were charged to direct salaries. These costs should be indirect costs. Amounts were charged from June - December 1990.	9,312	3,448	
7. The payroll added costs for the two persons identified above were charged as direct expense. These items should be indirect costs. See item 6.	2,992	1,108	
8. As in item one, the Fiat 128 was rented from an individual. Paid with Cks: 78122, 78144, 86150, 86179 and 28141.	3,105		1,150

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

TV Project:	Amount	Amount in U.S. \$	
<u>Year ended December 31, 1990</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
9. As in item 2 above, travel allowance for Ministry of Agriculture Staff should not be borne by USAID. Amount was paid with Cks: 78087, 78121, 78137 and 86154.	1,900	703	
10. Expatriate costs charged to contract as in 4. above paid with Cks: 78092, 78110, 78120, 86101, 86149.	3,110	1,151	
11. Legal fees were incurred with no signed contract or USAID approval for such expenses. Paid with Cks: 78113 and 86124.	3,000		1,111
12. A printer was rented during August with out proper approval from project manager. Amount is considered unsupported paid by Ck 285325.	<u>550</u>	_____	<u>203</u>
1990 Questioned Costs	23,969	6,410	2,464
13. Indirect costs of 36% from January 1, 1990 through April 30, 1990 and 39% from May 1, 1990 through December 31, 1990 related to the Questioned Costs.	<u>9,034</u>	<u>2,452</u>	<u>893</u>
Total 1990 Questioned Costs	<u>33,003</u>	<u>8,862</u>	<u>3,357</u>

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>TV Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>For period from January 1, 1991</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
<u>through July 15, 1991</u>			
14. Costs for secretary and office girl as in item 6. above. Amounts were charged from January through July 1, 1991. Amounts should be an indirect costs.	10,220	3,106	
15. Payroll added costs associated with indirect salaries described in item 14.	5,601	1,702	
16. Medical insurance charged to project relating to indirect personnel described in item 14. (LE 1089 charged during contract and 785 charged for period subsequent to contract)	1,874	569	
17. Rental of a flat in Manial after July 15, 1991, the end of the contract. Paid by Ck 715964.	2,925	889	
18. Maintenance provided for 6 computers. Only one computer is authorized for the TV project. Therefore 5/6 of total cost is considered ineligible. Amount paid by Ck. 711684.	1,187	360	

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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

TV Project:	Amount	Amount in U.S. \$	
<u>For period from January 1, 1991</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
<u>through July 15, 1991</u>			
19. A laser printer was purchased in the last month of the project. Amount is therefore not considered a reasonable item for the project. Amount paid by Ck 715984.	8,500	2,583	
20. Amounts represent computer maintenance and supplies received in September 1991, well after the end of the contract period.	<u>1,300</u>	<u>395</u>	_____
1991 Questioned Costs	31,607	9,604	
21. Indirect costs of 39% relating to the questioned costs.	<u>12,326</u>	<u>3,745</u>	_____
Total 1991 Questioned costs	<u>43,933</u>	<u>13,349</u>	_____
22. Amounts advanced to the TV project in excess of expenses incurred and reported.	<u>48,044</u>	<u>14,515</u>	_____

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
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QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>Farmer to Farmer Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>For the period June 1, 1990 through</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
<u>December 31, 1990</u>			
23. Amounts charged to project for CSS administrative staff was based upon percentages and not on actual time spent on the project. Timesheets present no detail as to projects worked. These amounts were charged in June, July and October, 1990.	8,319		3,081
24. The social insurance and income tax amounts related to the CSS administrative staff in item 23.	3,029		1,121
25. Furniture purchased in Vos. 9-18 and 9-21 (Cks 291715 and 191718 respectively) were credited out of the Farmer to Farmer project in Vo 11-06 which was not included in financial report to USAID.	1,356	502	
26. Amounts relating to English courses for ACDI staff were charged to project although only participant education amounts are budgeted in agreement. Amounts are considered ineligible. Amounts appeared in Vo 11-17, Ck 687369.	340	125	

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QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>Farmer to Farmer Project:</u> <u>For period June 1 through</u> <u>December 31, 1990</u>	<u>Amount</u> <u>in LE</u>	<u>Amount in U.S. \$</u>	
		<u>Ineligible</u>	<u>Unsupported</u>
27. Amount of a deposit for a flat in Alexandria was charged to the project. Amount is not billable until it is forfeited. Amount appears in Vo 10-9 Ck. 291744.	835	309	
28. A portion of a four month lease for a second flat in Cairo was charged on Vo 12-58, Ck 690301 for use of home office committee, even though committee used this space for only 20 days. Amount considered ineligible.	<u>4,000</u>	<u>1,481</u>	_____
1990 Questioned Costs	<u>17,879</u>	<u>2,417</u>	<u>4,202</u>

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FARMER TO FARMER AND TV PROJECTS
ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>Farmer to Farmer Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>For year ended December 31, 1991</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
29. Amount represents salary paid to Administration manger for eight months from January through August 1991 and bonus paid in January 1991 as 100% of these expenses were charged to project, yet no detailed timesheet exists to support amounts.	22,730		6,908
30. Amount represents group insurance of LE 525 for administrative manager noted in item 30, included in Ck. 695841 and a Ramadan bonus of LE 1,933 paid in Ck 703893 to the administration manager.	2,458		747
31. Due to a miscalculation of payroll added costs in June 1991, LE 10,996 was charged to the project when amount should have been LE 8,726. The difference, billed to USAID, is considered ineligible.	2,275	691	
32. Amounts relate to courses taken by ACDI staff although agreement only provides for participant training. Amounts paid in Cks 703931, 095796 and 715978.	1,140	346	

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
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AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>Farmer to Farmer Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>For year ended December 31, 1991</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
33. Check No. 695838 was billed in January and again in February 1991. Amount charged in February is considered double billed and is ineligible.	5,630	1,711	
34. Amounts include penalties and excess storage fees relating to customs clearing for ACDI vehicles. Amounts are paid by Cks 695832, 711680, 715940 and 745793. These amounts considered ineligible according to FAR 31.205-15.	4,404	1,338	
35. Greeting cards and envelopes were purchased with Ck 711972. This item is considered costs of promotional material and per FAR 31.205-1 (f) is ineligible.	1,000	303	
36. Papyrus certificates were purchased for U.S. volunteers and host families. This amount is used to present ACDI is a favorable image, an activity which is ineligible for reimbursement per FAR 31.205-14.	<u>700</u>	<u>212</u>	<u> </u>
1991 Questioned Costs	<u>40,337</u>	<u>4,601</u>	<u>7,655</u>

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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
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ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF
AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

<u>Farmer to Farmer Project:</u>	<u>Amount</u>	<u>Amount in U.S. \$</u>	
<u>For period January 1 through</u>	<u>in LE</u>	<u>Ineligible</u>	<u>Unsupported</u>
<u>February 29, 1992</u>			
37. Costs incurred for the RSSE project were misallocated to the Farmer to Farmer project. Amounts considered ineligible. Paid by Vo 01-45, Ck 798395.	<u>570</u>	<u>172</u>	<u>-</u>
1992 Questioned Cost	<u>570</u>	<u>172</u>	<u>-</u>

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FARMER TO FARMER AND TV PROJECTS
AUDITEE'S COMMENTS
JULY 23, 1988 THROUGH FEBRUARY 29, 1992



Agricultural Cooperative Development International

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September 9, 1992

Mr. Jeffrey Hentges
Audit Manager
Price Waterhouse
4, Road 261
New Maadi
Cairo, Egypt

Subject: Audit of ACDI's Farmer to Farmer Project and Pilot Rural
Agribusiness Educational Television Series.

Dear Mr. Hentges:

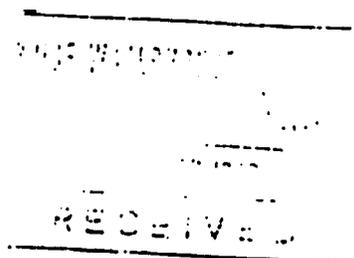
Enclosed please find ACDI's response to your draft report submitted
to us on August 11, 1992.

Sincerely,


Jeffrey G. Sole
Vice President
Middle East & North Africa

cc: Herbert D. Hamby, Office of the Regional Inspector General,
USAID.

SJ/m:



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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
AUDITEE'S COMMENTS
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**ACDI RESPONSE TO
DRAFT AUDIT REPORT BY PRICE WATERHOUSE
CONCERNING THE FARMER TO FARMER PROJECT AND
THE PILOT RURAL AGRIBUSINESS EDUCATIONAL TELEVISION SERIES**

(Report Submitted to ACDI on August 11, 1992)

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INTERNAL CONTROL STRUCTURES

Recommendation 1: Classification and Approval of Costs

ACDI's accounting system in Egypt was computerized in January 1992. This computerization included a more detailed standardized chart of accounts for all projects. ACDI management reviews the monthly financial reports, including adjusting entries.

Recommendation 2: Non-USG Contributions

ACDI will ensure that Project Directors provide the Finance Officer with statements regarding the time contributed by GOE employees to the TV or FtF projects, and that the air time contributed for the TV broadcasts is monitored on a monthly basis as well.

Recommendation 3: Accounting System Controls

Segregation of Duties: ACDI will explore the possibilities -- within limitations of budgetary and staff resources -- for segregating accounting duties.

Use of Sub-Ledger: The Finance Officer uses journal vouchers instead of a cost ledger, according to accepted accounting practices, and reconciles ACDI project activities at the end of each month.

Approval of Timesheets: Approval of timesheets by the Project Manager or Chief of Party is standard ACDI practice. If the auditors found one or two timesheets that were not approved, they were anomalies.

Computer Security: ACDI's current system already includes three levels of security: 1) each of the four employees with access to the accounting has a separate password to enter the system; 2) only two of those people have data entry capability; and 3) a tape back-up system provides historical records.

Issuance of Checks: ACDI will explore the possibility of revising its check cashing procedures, within the limitations of staff resources and operating logistics.

Recommendation 4: Safeguarding Assets

ACDI already tags vehicles, and will tag other assets as well. Inventories are updated regularly, and periodic spot checks are conducted to ensure their accuracy.

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QUESTIONED COSTS

Price Waterhouse identifies questioned and ineligible costs which are more in line with specific deliverables under a "contract". This project is a grant, which calls for substantive mission oversight. The project office supervised the grant and project operations on a regular basis and approved the action taken, including approving expense vouchers and reviewing expense reports.

ACDI's reponse corresponds to the detailed information presented in Appendix A of the draft report. Supporting documentation is available upon request.

TV Project: Year ended December 31, 1989

1. Rental Car: LE 1,414 (\$561) Unsupported

Since the type of vehicle rental was not specified by the grant, and since rental from an agency would have exceeded the budget, the project car was rented from an individual. Supporting documentation for this transaction included a lease, specifying the period of the lease and the terms of payment. Invoices were not required, since the lease required that ACDI pay the owner each month.

With respect to daily travel reports, USAID Contractor Notices state that vehicle utilization reports are required for vehicles purchased with USAID funds. They do not address rental vehicles. While ACDI now uses DTR's for all vehicles, the system at the time (1989) did not include DTR's for rental cars.

2. MOA Per Diems: LE 2,610 (\$1,035) Ineligible

This amount was not paid as per diem, but to cover the transportation expenses of the Ministry of Agriculture (MOA) employees on the Coordinating Committee. These employees contribute their time, but their transportation costs are reimbursed, as allowed by USAID regulations. An estimate of these costs was included in the project budget, which was approved by USAID.

3. FtF Emblem Design: LE 300 (\$119) Ineligible

ACDI has requested clarification from Price Waterhouse on this item, but -- as of September 8, 1992 -- has not received a response.

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4. Expatriate Staff Expenses: LE 5,604 (\$2,223) Ineligible

These expenses were for a short-term media consultant hired to assist with the start-up of the project. There is nothing in the grant that states that expatriate staff will not be used. A Mass Media Specialist -- with no reference to the consultant's nationality -- was included in the budget approved by USAID. Upon identifying an appropriate candidate, ACDI informed the USAID Project Officer in writing of the terms of the contract for the locally-hired consultant, and proceeded accordingly.

5. Indirect Costs: LE 3,871 (\$1,316 Ineligible and \$218 Questioned)

The indirect cost rate at the time was 36%, rather than the 39% cited in the audit report. Based on the explanations provided above, the indirect costs -- applied at the rate of 36% to the expenses discussed in items #1-4 -- were justified and supportable.

TV Project: Year ended December 31, 1990

6. Salaries: LE 9,312 (\$3,448) Ineligible

Funds from the Indirect Cost Allowance are for expenditures related to ACDI's US headquarters staff and operations, as is evident by the process (an independent audit of ACDI/Washington accounts) used to calculate the indirect cost rate (NICRA). It would not be appropriate to charge Cairo project expenses to Indirect Costs. Moreover, both the secretary and the office girl contributed to the advancement of the project by providing secretarial, clerical, and janitorial services.

7. Payroll Added Costs: LE 2,992 (\$1,108) Ineligible

Please see #6.

8. Car Rental: LE 3,105 (\$1,150) Unsupported

Please see #1.

9. MOA Per Diems: LE 1,900 (\$703) Ineligible

Please see #2.

10. Expatriate Costs: LE 3,110 (\$1,151) Ineligible

Please see #4.

11. Legal Fees: LE 3,000 (\$1,111) Unsupported

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These fees were related to the subcontract with the production firm. Although the copy of the contract attached to the payment record was not signed, the original contract was signed and is kept in the Administration Officer's contracts file.

12. Printer Rental: LE 550 (\$203) Unsupported

Based on the division of responsibilities in operation at the time, the Administration Officer was charged with identifying and addressing equipment needs for all projects. As per ACDI's standard operating procedures, it was he who signed the paperwork concerning the printer rental.

13. Indirect Costs: LE 9,347 (\$2,499 Ineligible and \$960 Unsupported)

Based on the explanations provided above, these indirect costs were justified and supportable.

TV Project: January 1, 1991 - July 15, 1991

14. Salaries: LE 10,220 (\$3,106) Ineligible

Please see #6.

15. Payroll Added Costs: LE 5,601 (\$1,702) Ineligible

Please see #6.

16. Medical Insurance: LE 1,874 (\$569) Ineligible

Please see #6.

17. Flat Rental: LE 2,925 (\$889) Ineligible

An adjusting entry for this charge was made in 1991 and shown to the audit team.

18. Computer maintenance: LE 1,187 (\$360) Ineligible

The item in question was for 40 hours of technical support on computer hardware and software that included maintenance work on the TV computer system plus software training for TV staff. Of the 40 hours spent at the ACDI office, approximately 20-30 minutes was devoted to installing a virus scan/clean mechanism on the TV project computer and 5 other computers connected by the network.

19. Laser Printer: LE 8,500 (\$2,583) Ineligible

The printer was purchased as part of the upgrading of the computer system and allowed the TV computer system to be connected with the

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
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ACDI office network. An estimate of this expense was included in the budget approved by USAID.

20. Computer Maintenance & Supplies: LE 1,300 (\$395) Ineligible

This cost related to the upgrading of the network system (described in #19), which was completed prior to the closing of the project and included in the approved budget for the grant.

21. Indirect Costs: LE 12,326 (\$3,745) Ineligible

Based on the explanations provided above, these indirect costs were justified and supportable.

22. Project Advance: LE 45,270 (\$13,676) Ineligible

The Finance Officer estimated that the expenditures for the completion of the project would total approximately LE 40,000, and transferred funds accordingly to ACDI's current account. Grantees are allowed one year to reimburse USAID for any unspent grant funds.

Farmer to Farmer Project: June 1, 1990 - December 31, 1990

23. CSS Salaries: LE 8,319 (\$3,081) Unsupported

Time sheets for Common Support Services (CSS) staff were introduced in November 1990, as soon as they had been designed and printed, and within five months after the project began. Up until that time, CSS salaries were charged to the FtF project based on a study by ACDI management regarding the department's allocation of time. The findings of this assessment were used to calculate the appropriate percentage to be charged to the FtF project, which was included in the budget approved by USAID.

24. Payroll Added Costs: LE 3,029 (\$1,121) Unsupported

See #23.

25. Furniture Purchase: LE 1,356 (\$502) Ineligible

The Finance Officer made an adjusting entry for this item, and the amount was credited to the project in the August 1992 billing.

26. English Course: LE 340 (\$125) Ineligible

Although the payment cited by the auditors here was for LE 340, the amount charged to the FtF project was actually LE 170. The remaining LE 170 was charged to ACDI, as it covered English lessons for a non-FtF staff person. For the LE 170 in question, the FtF Facilitator was asked to attend an English course to achieve the

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minimum proficiency necessary for him to carry out part of his job: meeting US volunteers at the airport and assisting them throughout their assignments in Egypt. The expenditure was justified because it contributed to the smooth operation of the project.

27. Rental Deposit: LE 835 (\$309) Ineligible

The Finance Officer has made an adjusting entry, which will be reflected in the September 1992 billing.

28. Rent: LE 4,000 (\$1,481) Ineligible

This payment was made to reimburse ACDI for FtF rent paid during June - August 1990. As presented in the USAID-approved budget, the FtF portion of office rent totaled LE 2,000/month. During the period June - August, however, only LE 2,000 was charged to FtF for the entire three months, with ACDI covering the remaining FtF portion of LE 4,000. As a result, a correction was made, charging the FtF project for the LE 4,000, and crediting ACDI for the same amount. ACDI then used these funds for additional space needed at the time for the FtF project (Selection Committee meetings, orientations and debriefings for participants and volunteers, etc.).

Farmer to Farmer Project: January 1990 - December 1991

29. Salary: LE 22,730 (\$6,908) Unsupported

Detailed time sheets (including allocation of CSS time among projects) and accompanying calculation notes do exist for this payment, and were shown to the auditors. For the period in question, the total value of CSS hours devoted to the FtF Project (six employees working part-time on FtF) equaled the total salary of the Administration Officer (part of the CSS staff). Thus, rather than charging a portion of each of the six employees' salaries to FtF, it made more sense to charge one salary -- in the equivalent amount -- to the project. Once this equivalence no longer existed, portions of each CSS salary were charged to the project.

30. Payroll Added Costs: LE 2,458 (\$747) Unsupported

Please see #29.

31. Miscalculation: LE 2,275 (\$691) Ineligible

The Finance Officer has made an adjusting entry to correct this.

32. Staff Training: LE 1,140 (\$346) Ineligible

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This expenditure represents normal computer training for clerical staff, which was essential when computer programs were upgraded, and for the efficient production of reports required by USAID.

33. Double Billing: LE 5,360 (\$1,711) Ineligible

The Finance Officer has made an adjusting entry to correct this.

34. Penalties and Storage Fees: LE 4,404 (\$1,338) Ineligible

The delay in collection of the vehicles was beyond ACDI's control, resulting from the usual delays experienced in Egypt on the part of the Customs Authority, which disputed the letter issued for the release of the goods. As soon as the GOE authorities completed the necessary paperwork, ACDI picked up the vehicles accordingly and without delay.

35. Greeting Cards: LE 1,000 (\$303) Ineligible

The greeting cards are considered normal office supplies, and were used as part of a standard holiday practice of recognition for people involved with the FtF project.

36. Papyrus Certificates: LE 700 (\$212) Ineligible

This cost is part of the orientation/debriefing associated with volunteer assignments, certifying the completion of their work for ACDI/VOCA. Such certificates are a standard component of most USG training or volunteer programs. The FAR cited by the audit team deals with entertainment. This is not an entertainment expense, nor is it intended to present ACDI in a favorable light.

FtF Project: January 1, 1992 - February 29, 1992

37. Project Costs: LE 570 (\$172) Ineligible

The expenditure in question -- RSSE temporary services -- was not charged to FtF, as the auditors state. Paperwork accompanying the payment, clearly indicating that the expenditure was charged to RSSE, was shown to the auditors. It is not clear why this item is in the audit report.

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COMPLIANCE

Recommendation 1: Remittance of Unexpended TV Project Funds

The deadline for the financial report and remittance of unexpended project funds did not fall within the period audited. ACDI is taking care of both issues.

Recommendation 2: Non-US Flag Carriers

The FtF Project's LE budget is funded by the 0102 Monetization Fund, which requires use of Egypt Air, rather than US Flag carriers. However, when flights on Egypt Air are not possible (because of scheduling problems, booked flights, etc.), ACDI uses US Flag carriers.

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
AUDITOR'S COMMENTS ON APPENDIX B
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This appendix presents our comments on ACDI's response to the draft audit report submitted to ACDI on August 11, 1992. Where applicable we have noted where adjustments were made in the final report or provided further clarification of our position relating to items discussed in Appendix B. Please note that the numbering of this appendix follows the numbering of the findings as presented in Appendices A and B.

Questioned Costs

We understand that the grant nature of the Farmer to Farmer and TV agreements gives the auditee greater latitude in how the funds are spent than would a direct contract agreement. However, we also believe that these agreements should follow the budgets proposed to USAID as to specific personnel, equipment and other costs. Only by doing so can USAID be assured that program objectives are being met efficiently, effectively and as expected. We have presented questioned costs that we considered to be ineligible or unsupported based upon the agreements, budgets, USAID rules and regulations and the concepts of allowability, allocability and reasonableness. Below are additional comments that should further clarify our position.

1. We reviewed the lease for the car in question. However, because of the relationship between ACDI personnel and the lessor, we did not consider the lease to be sufficient documentation of the transaction.
2. The budget estimates submitted to USAID do not specifically contain any reference to Ministry of Agriculture (MOA) travel expenses. This budget specifies per diems for the project manager and project assistant only. The budget also specifies an amount for local transportation. However, nowhere do these amounts state or imply that they are related to MOA expenses.

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2. (cont.) Therefore, we affirm our position that such costs should be borne by the MOA and not USAID.
3. Simply stated, the costs associated with designing and producing a new logo for the Farmer to Farmer project were charged to the TV project. Proper segregation of each project's costs is essential. We questioned this cost because it was not related to the TV project to which it was charged.
4. Our understanding was based upon the "explanation of Budget Detail" section of the TV project agreement which states in the allowances section, "None of the usual personnel allowances have been charged to this project, given the shortness of the commitment of expatriate staff time." The budget detail also states under the consultants caption, "ACDI intends to hire all project consultants locally in Egypt...." Based upon this information our position is unchanged.
5. We agree that the rate of 36% is applicable until April 30, 1990, after which a 39% indirect rate applies. We have adjusted the finding accordingly. In addition, we noted that ACDI themselves used the 39% rate on the fund accountability statement for July 1988 through April 1990. As a result, we have increased the questioned costs relating to the unexpended funds of the TV project that appear in item 22. See also item 13.
8. See comments for item 1.
12. ACDI's comments imply that the costs were incurred more for an administrative need than for project advancement. Because the project manager did not authorize or review this rental, our position is unchanged.

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13. We have adjusted the period from January 1 through April 30, 1990. See also items 5 and 22.

17. The entry we reviewed related to the reversing of car rental expenses charged to the TV project after the agreement term. No entry relating to the flat rental was provided.

18. ACDI's comments support our position of questioning five-sixths of the cost of computer maintenance. We did not question the one-sixth of the charge associated directly with the project's only computer which we believe was justified. Our position remains unchanged.

- 19-20. The costs included in our audit report were actually incurred at the end of the TV project. As the TV project was a three year project we questioned this major computer spending on the basis of allocability and reasonableness. We believe the budget amounts were approved to be incurred in pursuit of program objectives. Because the items were not purchased until the end of the project, our position that these items did not advance the project and are ineligible for the TV project has not changed.

22. Both PW's and ACDI's original indirect rate calculation in the fund accountability statements used a 39% indirect cost in the period July 1988 through April 30, 1990. As pointed out by ACDI's response to item 5 the correct rate is 36% for this period. Therefore, we have adjusted the indirect calculation by using the 36% indirect cost rate for the period from inception through April 30, 1990 which increased the unexpended funds as shown:

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22. (cont.)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>Total</u>
Indirect costs				
at 39%	LE 3,235	LE 20,730	LE 12,106	LE 36,071
Indirect costs				
at 36%	<u>2,987</u>	<u>19,135</u>	<u>11,175</u>	<u>33,297</u>
Amount				
overcharged	LE <u>248</u>	LE <u>1,595</u>	LE <u>931</u>	LE <u>2,774</u>

Due to this change the questioned costs will increase LE 2,774 to LE 48,044, or \$ 14,515 at the applicable exchange rate.

23. Salary charges to USAID should be based on actual hours worked on the project as supported by detailed timesheets. We questioned the CSS staff charges because they were not supported by such timesheets, but were based on allocations. As such, our position remains unchanged.
28. As discussed with ACDI finance personnel, this rent was paid to cover three months when the project only used the space for 20 days. As a result, we questioned two months of the amount charged. Our position has not changed on this item.
29. See comments for item 23 above.
37. This item was reported to ACDI during the course of our audit and in a letter dated July 29, 1992 ACDI explained the nature of this charge as, "The charge in question was not for RSSE; it was for FtF." Because of the conflicting representations from ACDI we were able to make a final judgement about this items. Thus, our position that the item is a questioned cost remains unchanged.

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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
FARMER TO FARMER AND TV PROJECTS
AUDITOR'S COMMENTS ON APPENDIX B
JULY 23, 1988 THROUGH FEBRUARY 29, 1992

Compliance

Recommendation 2:

In response to ACDI's comments and our review of this finding, we agree with the auditee that ACDI is in compliance with the 0102 Monetization Fund requirements to use Egyptian air carriers and obtain the proper documentation when such carriers are not available. As a result, we have removed this finding from the final report.

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UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

January 5, 1993

MEMORANDUM

RECEIVED
6 JAN 1993

TO: Reuben Hubbart, A/RIG/A/C

FROM: Douglas Franklin, AD/FM *DF*

SUBJECT: NFA Report on Agricultural Cooperative Development
International Relating to Local Expenditures Incurred
under USAID/Egypt Grant Agreement No. 263-0102-G-00-
0066-00 - Draft Report

Mission has completed its review of the subject draft audit report, and has no comments at this time. No exit conference is required. Please issue the final report.

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APPENDIX E

REPORT DISTRIBUTION

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