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

**Follow-up Review of Recommendation Nos. 1 & 3,
Audit Report No. 6-263-91-02, "Audit of Consultants'
Use of Project Vehicles Under USAID/Egypt's Alexandria
Wastewater System Expansion Project No. 263-0100"
dated November 29, 1990**

**Report No. 6-263-93-09
May 20, 1993**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

May 20, 1993

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

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

SUBJECT: Follow-up Review of Recommendation Nos. 1 & 3, Audit Report No. 6-263-91-02, "Audit of Consultants' Use of Project Vehicles Under USAID/Egypt's Alexandria Wastewater System Expansion Project No. 263-0100" dated November 29, 1990

This memorandum presents the results of the subject review. The report reopens part one of Recommendation No. 1 and part two of Recommendation No. 3 as of November 29, 1990. Please advise my office within 30 days of the actions taken to close the reopened recommendations. Office of Inspector General policy requires that reopened recommendations be referred to the Agency Follow-Up Official if actions to close them have not been taken within 30 days. I appreciate the cooperation and courtesies extended to my staff during the audit work.

As part of our fiscal year 1993 audit plan to follow up on closed audit recommendations, we reviewed closed audit recommendation Nos. 1 and 3 from Audit Report No. 6-263-91-02, "Audit of Consultants' Use of Project Vehicles under USAID/Egypt's Alexandria Wastewater System Expansion Project No. 263-0100" dated November 29, 1990.

We found that USAID/Egypt had taken actions necessary to close the two recommendations. However, the contractor, Wastewater Consultants Group (WWCG), had not taken all of the actions it agreed with the Mission to take regarding the recommendations. As a result, we are reopening parts of both audit recommendations.

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Follow-Up Review of Recommendation No. 1

The first of the two closed audit recommendations we reviewed was:

We recommend that USAID/Egypt:

- 1.1 modify Wastewater Consultant Group's contract to change the basis upon which it reimburses the project for personal use of project vehicles to more accurately reflect actual rates of personal usage and the prevailing effective U.S. government rate for personal use, and
- 1.2 direct the Wastewater Consultant Group to keep such records for all project vehicles as the contracting officer deems necessary to enforce the Mission's policy on vehicle usage.

Recommendation No. 1 was closed when the report was issued on November 29, 1990. The basis for closure was a signed copy of modification No. 6 to the Mission's contract with WWCG. This modification required WWCG to establish a record-keeping system that would reflect and distinguish between official and personal use of project vehicles. Also, it required WWCG to reimburse the project for personal use of project vehicles at the rates in effect under U.S. Government travel regulations.

Results of Review

WWCG had established a record-keeping system to distinguish between personal and official use and, in fact, most vehicle use was being properly recorded at the time of our follow-up review. However, WWCG was not reimbursing the project, as required by USAID/Egypt, for daily commuting from home to office by contractor local staff. Further, the rates WWCG used to reimburse the project for personal use were lower than those specified by U.S. Government travel regulations. The following sections discuss the results of our review.

Record-Keeping Improved - We reviewed vehicle logs for two periods: March 1 to 31, 1991, and May 21 to June 20, 1992. The review showed that WWCG had redesigned its vehicle records system so that it distinguished between personal and official use. Furthermore, compliance with the system had improved since its redesign. For example, WWCG had reduced unrecorded personal vehicle use from 1,425 kilometers in the earlier month that we sampled, March 1991, to only 65 kilometers during the later sample period, May 21 to June 20, 1992. We concluded that the vehicle control procedures established and operated by WWCG were accomplishing their purpose.

Commuting by Local Staff Not Reimbursed - While WWCG reimbursed the project for home-to-office commuting by its expatriates, it did not reimburse the project for 15,901 kilometers of home-to-office commuting by its local staff during the two-month period sampled. WWCG was not fully reimbursing the project for personal use of project vehicles because it considered home-to-office commuting by its local employees to be official use. Therefore, project vehicles were used for such commuting for the 25-

month period since closure of the recommendation in 1990 and the conduct of this audit. Home-to-office commuting is considered to be personal use of project vehicles by USAID/Egypt.

If the frequency of personal use that occurred during the sample period were applied to the 25 months under audit, the contractor may have underpaid the project the equivalent of about \$30,000 (about 100,000 Egyptian pounds, abbreviated as LE100,000) given the rate of \$.15 per kilometer specified in U.S. Government travel regulations and the Mission's Contractor Notice No. 16-91. WWCG should have reimbursed the project for such personal use in accordance with USAID/Egypt's response to our November 1990 audit report which stated that WWCG was to "reimburse USAID monthly for all personal use, including commuting...."

Incorrect Rates Used - Our review showed that, between May and October 1991, WWCG used a rate of LE.32 per kilometer instead of the LE.50 to .52 rate required by U.S. Government travel regulations and the Mission's Contractor Notice No. 16-91 dated April 22, 1991. WWCG's use of the lower rate resulted in an underpayment to the project of about \$4,500 (about LE15,000).

Conclusion - As a result of these findings, we are reopening Recommendation No. 1.1. We are classifying the recommendation as unresolved because the Mission and we have not agreed on a firm plan of action for closing the recommendation. We will close the recommendation when the Mission has determined and recovered the amounts underpaid to the project.

Follow-Up Review of Recommendation No. 3

The second of the two closed audit recommendations we reviewed was:

We recommend that USAID/Egypt:

- 3.1 finance no additional vehicles directly or indirectly, for the Wastewater Consultant Group under the Alexandria Wastewater System Expansion Project until the Wastewater Consultant Group's legitimate needs for vehicles are assessed and justified in conformance with Mission policy, which specifies that no less than 75 percent of project vehicle usage shall be for project purposes, and
- 3.2 based on this assessment and justification, adjust the size of the Wastewater Consultant Group's vehicular fleet and notify the Wastewater Consultant Group that A.I.D. will not pay the cost of operating and maintaining any vehicles deemed to be in excess of its justifiable needs, or which have been turned over to the project's implementing agency, the Alexandria General Organization for Sanitary Drainage, after a date to be specified by the contracting officer.

Recommendation No. 3 was closed on May 12, 1991. The basis for closure was WWCG's agreement with the Mission to reduce its fleet of vehicles to 47 by the end of 1991 and to 43 by the end of 1992.

Results of Review

While WWCG materially complied with its agreement to reduce its fleet of vehicles to 47 by the end of 1991, it had taken no action to reduce the fleet to 43 by the end of 1992.

1991 Fleet Reduction Was Made - WWCG turned over 7 vehicles to the Government of Egypt's customs administration in November 1991 and 12 more in February 1992, thus reducing its fleet to 48 vehicles. One of the 48 vehicles was damaged beyond repair and consequently was not turned over to customs. Although the 1991 fleet reduction was not completed until two months after the end of 1991, and the reduction was to 48 instead of 47 vehicles, we believe WWCG materially complied with the 1991 portion of its agreement on reductions.

1992 Fleet Reduction Was Not Made - WWCG did not comply with its agreement with the Mission to reduce its vehicle fleet to 43 by the end of 1992. At the time of our review in December 1992, the vehicle fleet was at 48 vehicles and WWCG had undertaken no action to achieve a reduction to 43 vehicles. WWCG officials said that the 1992 reduction was not made because they believed they needed all 48 vehicles. During the exit conference, the Mission confirmed that the contractor—without a formal justification—should not retain the extra vehicles.

Conclusion - Because the contractor did not reduce the number of vehicles in 1992, as agreed with the Mission, we are reopening Recommendation No. 3.2. This recommendation is unresolved because the Mission and we have not yet agreed on a firm plan of action for closing the recommendation. We will close the recommendation when WWCG reduces its fleet to the 43 vehicles or presents an acceptable justification showing that more than 43 vehicles are needed.

Management Comments and Our Evaluation

The Mission response, which is included as Appendix I, offered no comments on our draft report.

We discussed our findings with Mission representatives at an exit conference, and have considered their comments in preparing the final report.

Scope and Methodology

We visited WWCG's Alexandria office during the week of December 13, 1992, and reviewed WWCG's record-keeping system to determine if it was responsive to our recommendation concerning records on vehicle use. To determine if WWCG fully reimbursed the project for personal use of vehicles, we reviewed the daily vehicle logs kept during March 1991 and May 21 to June 20, 1992. These months were judgementally selected from the period from November 1990 thru December 1992 to provide information on vehicle usage during the early months after closure of the recommendations as well as the later months. During the same period, we also compared the rate that WWCG used to reimburse the project for personal use of vehicles with the rate allowed by U.S. Government travel regulations and Mission Contractor Notice 16-91. To determine the rate used by WWCG, we analyzed WWCG's transportation claims on file at USAID/Egypt's Office of Financial Management. To assess whether WWCG complied with the vehicle reduction plan, we reviewed WWCG's monthly vehicle inventory lists to determine the size of WWCG's fleet at the end of 1991 and 1992.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

May 13, 1993

MEMORANDUM

RECEIVED
13 MAY 1993

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

FROM : Douglas S. Franklin, AD/FM *Allen Jensen*
GM

SUBJECT : Follow-Up Review of Recommendation Nos. 1 & 3, Audit Report No. 6-263-91-02, "Audit of Consultants' Use of Project Vehicles Under USAID/Egypt's Alexandria Wastewater System Expansion Project No. 263-0100" Dated November 29, 1990 - Draft Memorandum Report

Mission has no comments to offer at this time on the subject Draft Memorandum Report. Please issue the final report.

6

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