

Regional Inspector General for Audit
Cairo, Egypt

**Audit of National Population Council (NPC) Local
Expenditures Incurred For Project Implementation
Letter (PIL) No. 18 Related to the Institutional
Development Project (IDP) under USAID/Egypt
Population Project No. 263-0144**

Report No. 6-263-94-01-N
October 19, 1993



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INFORMATION IS RELEASED TO THE PUBLIC.**



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

October 18, 1993

MEMORANDUM FOR D/USAID/Egypt, Henry H. Bassford
FROM : RIG/A/Cairo, *Philippe L. Darcy*
SUBJECT : Audit of National Population Council (NPC) Local Expenditures Incurred For Project Implementation Letter (PIL) No. 18 Related to the Institutional Development Project (IDP), a Sub-Project under USAID/Egypt Population Project No. 263-0144

The attached report dated April 12, 1993 by Price Waterhouse presents the results of a financial audit of National Population Council/Institutional Development Project (NPC/IDP) locally incurred costs under Project No. 263-0144 funded by USAID/Egypt. IDP's purpose is to strengthen the capacity of NPC to formulate and promote policies on population and family planning; develop comprehensive multi-year and annual plans; monitor, coordinate and evaluate the work of family planning implementing agencies; and plan and manage research, information, training and other support services necessary to develop and sustain the above functions.

We engaged Price Waterhouse to perform a financial audit of NPC/IDP's locally incurred expenditures of LE3,710,494 (equivalent to \$1,374,258) for the period September 1, 1987 through June 30, 1992 for PIL No. 18. The purpose of the audit was to evaluate the propriety of costs incurred during that period. In performing the audit, Price Waterhouse evaluated NPC/IDP's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

Price Waterhouse questioned \$669,127 in costs billed to A.I.D. by NPC/IDP (including \$390,168 of unsupported costs). These questioned costs include cash shortages, salary supplements, training costs, maintenance fees and customs duties and unapproved office renovations. Price Waterhouse noted internal control weaknesses related to NPC/IDP's control environment such as; time and attendance, record filing and storage, payment of salary supplements, cash controls, accounting for advances and safeguarding of assets. Additionally, they noted four instances of

U.S. Mailing Address
USAID-RIG/A/C Unit 64902
APO AE 09839-4902

Tel. Country Code (202)
357-3909
Fax # (202) 355-4318

#106, Kasr El Aini St.
Cairo Center Building
Garden City, Egypt

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noncompliance relating to payment of salary supplements, incentives and awards, payment of Government of Egypt costs share, inadequate books and records, and payment of costs exceeding the approved budget.

Price Waterhouse has reviewed NPC/IDP'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 NPC/IDP has not changed their understanding of the facts underlying the questioned costs of the Fund Accountability Statement or the reportable conditions in the Report on Internal Controls and compliance.

The following recommendations are included in the Office of Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Egypt resolve questioned costs of \$669,127 consisting of ineligible costs of \$278,959 and unsupported costs of \$390,168 as detailed on pages 14 through 27 of the audit report.

This recommendation is considered unresolved and can be resolved when we receive the Mission's formal determination as to the amounts sustained or not sustained. The recommendation can be closed when any amounts determined to be owed to A.I.D. are paid by NPC/IDP.

Recommendation No. 2: We recommend that USAID/Egypt require NPC/IDP to address the inadequate internal control procedures as detailed on pages 31 through 44 of the audit report.

This recommendation is considered "resolved" as USAID/Egypt has requested NPC/IDP to address its internal controls weaknesses. The recommendation can be closed when RIG/A/C has assessed NPC/IDP's response and USAID/Egypt's follow-up for adequacy.

Recommendation No. 3: We recommend that USAID/Egypt require NPC/IDP to address the noncompliance issues as detailed on pages 49 through 56 of the audit report.

This recommendation is considered "resolved" as USAID/Egypt has requested NPC/IDP to address its compliance deficiencies identified in the report. The recommendation can be closed when RIG/A/C has assessed NPC/IDP's response and USAID/Egypt's follow-up for adequacy.

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

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTER
NUMBER 18 RELATED TO THE
INSTITUTIONAL DEVELOPMENT PROJECT
UNDER USAID/EGYPT POPULATION PROJECT
NO. 263-0144

FUND ACCOUNTABILITY STATEMENT AND
ADDITIONAL INFORMATION

FOR THE PERIOD FROM SEPTEMBER 1,
1987 THROUGH JUNE 30, 1992

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NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTER
NUMBER 18 RELATED TO THE
INSTITUTIONAL DEVELOPMENT PROJECT
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FUND ACCOUNTABILITY STATEMENT AND
ADDITIONAL INFORMATION

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**NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTER
NUMBER 18 RELATED TO THE
INSTITUTIONAL DEVELOPMENT PROJECT
UNDER USAID/EGYPT POPULATION PROJECT
NO. 263-0144**

**FUND ACCOUNTABILITY STATEMENT AND
ADDITIONAL INFORMATION**

**FOR THE PERIOD FROM SEPTEMBER 1,
1987 THROUGH JUNE 30, 1992**

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4, Road 261,
New Maadi,
Cairo, Egypt

TELEPHONE 3520 123, 3530 837
FAX (02) 3530 915
TELEX 20121 PW UN
23432 PW UN
TELEGRAPH PRICEWATER
CAIRO C.R. 226786

Price Waterhouse



August 9, 1993

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-related audit of project costs incurred by the National Population Council ("NPC") on Project Implementation Letter ("PIL") No. 18 related to the Institutional Development Project ("IDP") under United States Agency for International Development Mission to Egypt ("USAID/Egypt") Population Project No. 263-0144 ("umbrella grant agreement") funded by USAID/Egypt. The audit encompassed all project costs incurred for the period from September 1, 1987 through June 30, 1992.

Background

NPC is the primary organization for addressing Egypt's population concerns and is headed by the Prime Minister and other top level Government of Egypt ("GOE") officials. NPC is responsible for coordinating and providing developmental support for population and family planning programs at the national and governorate levels to the private and public sectors.



The purpose of IDP is to strengthen the capacity of NPC to formulate and promote policies on population and family planning; develop comprehensive multi-year and annual plans; monitor, coordinate and evaluate the work of family planning implementing agencies; and plan and manage research, information, training and other support services necessary to develop and sustain the above functions. Special attention is also given to support improved population planning, monitoring and evaluating functions at the national and governorate levels, and the development of research planning and management capabilities, including funding of high priority biomedical, demographic, operations and other research.

Audit objectives and scope

The objective of this engagement was to perform a financial-related audit of project costs incurred by NPC on PIL No. 18 related to IDP under USAID/Egypt Population Project No. 263-0144 for the period from September 1, 1987 through June 30, 1992. Specific objectives were to determine whether:

1. The fund accountability statement for IDP presents fairly, in all material respects, project costs incurred and reimbursed under PIL No. 18 in conformity with generally accepted accounting principles or another comprehensive basis of accounting;
2. The costs reported as incurred under PIL No. 18 are in fact allowable, allocable, and reasonable in accordance with the terms of the PIL, USAID/Egypt regulations and the umbrella grant agreement;



3. The internal controls, accounting systems and management practices of IDP are adequate for USAID/Egypt agreements; and
4. IDP is in compliance, in all material respects, with the PIL, the umbrella grant agreement terms and applicable laws and regulations.

Preliminary planning and review procedures began in October 1992 and consisted of discussions with RIG/A/C personnel and IDP officials and a review of the umbrella grant agreement and the related PIL. Fieldwork commenced in October 1992 and was completed in April 1993.

The scope of our financial-related audit was all project costs incurred and reimbursed under PIL No. 18. We tested one hundred percent of project costs incurred during the period from September 1, 1987 through June 30, 1992.

Our tests of project costs incurred and reimbursed included, but were not limited to, the following:

1. Reconciling IDP's accounting records to invoices submitted to USAID/Egypt, and testing of project costs incurred for allowability, allocability, reasonableness, and appropriate support;
2. Determining that personnel costs were appropriate and conformed with the terms of the PIL, the umbrella grant agreement, and relevant procedures and regulations;



3. Determining that per diem and travel charges were adequately supported and approved; and
4. Establishing the adequacy of IDP's control over USAID/Egypt funded 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 fund accountability statement is 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 IDP's compliance with applicable laws and regulations.

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Results of audit



Fund accountability statement:

Our audit identified \$ 669,127 in questionable costs, including \$ 390,168 of unsupported costs.

Internal control structure:

We recommend that IDP adopt procedures to (1) improve its control environment (2) require employee time and attendance data to be properly processed and documented and adequately reviewed and approved before disbursements are made, (3) improve internal controls surrounding the current filing and record storage function, (4) pay salary supplements only to those individuals entitled to them and for the amount approved, (5) ensure that all accounting entries are supported by some type of document and are adequately approved, (6) strengthen controls over cash, (7) improve procedures governing its advance accounting system, and (8) properly account for, insure, and safeguard fixed assets.

Compliance with agreement terms and applicable laws and regulations:

We noted material instances of noncompliance related to (1) payment of salary supplements and other incentives and awards, (2) payment of costs for which the GOE is responsible, (3) not maintaining adequate books and records, and (4) payment of project costs exceeding the approved budget.

Management comments



NPC management comments have been obtained and are included in Appendix C of this report. (Note: NPC summary sheets only are included in Appendix C due to the volume of supporting documents, etc. that were included in their response. The supporting documents, etc. are retained in our files and are available for inspection at any time.

NPC expressed their comments in three categories:

1. Unallowable costs - NPC agreed that these costs are not allowable under the terms of the IDP grant and will, therefore, assume financial responsibility for the unallowable amounts.
2. Allowable costs - NPC made the determination that these costs are, in their opinion, allowable under the terms of the IDP grant. NPC provided us with detailed documentation and justification to explain why they believe these costs are allowable.
3. Remaining costs under investigation - represents questioned costs not fully investigated by NPC within the thirty day time period for responses.

In Appendix D, for those items listed in Category 2, we have provided further clarification of our position or have adjusted the final report.



NPC essentially agreed with the overall thrust of the reportable internal control weaknesses and material noncompliance with agreement terms and applicable laws and regulations findings. NPC agreed to consider implementation of these recommendations with the assistance of a resident CPA firm.

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

Pricewaterhouse

4. Road 261,
New Maadi,
Cairo, Egypt.

TELEPHONE 3520 123, 3530 837
FAX (02) 3530 915
TELEX 20121 PW UN
23432 PW UN
TELEGRAPH: PRICEWATER
CAIRO C.R. 226786

Price Waterhouse



REPORT OF INDEPENDENT ACCOUNTANTS

April 12, 1993

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

We have audited the accompanying fund accountability statement of project costs incurred by the National Population Council ("NPC") on Project Implementation Letter ("PIL") No. 18 related to the Institutional Development Project ("IDP") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Population Project No. 263-0144 ("umbrella grant agreement") funded by USAID/Egypt, for the period from September 1, 1987 through June 30, 1992. This statement is the responsibility of IDP's management. Our responsibility is to express an opinion on this statement based upon our audit.

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 fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in



the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 4, the accompanying fund accountability statement has been prepared on the basis of cash disbursements. Consequently, expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.



Included in the accompanying fund accountability statement are questioned costs of \$ 669,127. The basis for questioning these costs is more fully described in the "Fund Accountability Statement - Audit Findings" section of this report.

In our opinion, except for the effects of the questioned costs as discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all material respects, project costs incurred by NFC on PIL No. 18 relating to IDP under USAID/Egypt Population Project No. 263-0144 for the period from September 1, 1987 through June 30, 1992 in conformity with the basis of accounting described in Note 4.

Our audit was conducted for the purpose of forming an opinion on the fund accountability statement described in the first paragraph. The supplemental information included in appendices A and B is presented for purposes of additional analysis and is not required as part of the basic fund accountability statement. Such information has been subjected to the auditing procedures applied in the audit of the basic fund accountability statement and, in our opinion, is fairly stated in all material respects in relation to the basic fund accountability statement taken as a whole.

Price Waterhouse

**NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTER
NUMBER 18 RELATED TO THE
INSTITUTIONAL DEVELOPMENT PROJECT
UNDER USAID/EGYPT POPULATION PROJECT
NO. 263-0144**

FUND ACCOUNTABILITY STATEMENT

**FOR THE PERIOD FROM SEPTEMBER 1,
1987 THROUGH JUNE 30, 1992**

	<u>Budget</u> <u>(Note 3)</u>	<u>Actual</u> <u>(Note 2)</u>	<u>Reclassification</u> <u>(Note 7)</u>	<u>Questioned Costs</u>		<u>Audit</u> <u>Findings</u> <u>Reference</u>
				<u>Ineligible</u> <u>(Note 6)</u>	<u>Unsupported</u> <u>(Note 6)</u>	
Receipts		\$1,606,199				
Expenditures:						
Management development	\$ 26,763	\$ 26,763	\$ 17,407	\$ 17,407	\$ 12,751	Item A, Pg 14
Training	285,444	194,879	(9,474)	15,979	73,548	Item B, Pg 16
Demonstration project	22,741	-	45,450	22,709	-	Item C, Pg 16
Research	203,185	26,672	(13,763)	1,852	2,705	Item D, Pg 16
Commodities	556,593	435,665	(21,950)	59,486	27,006	Item E, Pg 18
Renovations	64,037	89,410	1,220	42,460	26,382	Item F, Pg 20
Contingencies	107,378	107,426	(26,773)	25,061	109	Item G, Pg 21
Technical assistance	117,259	82,895	13,266	13,469	21,963	Item H, Pg 22
Project administration	423,741	161,439	5,766	12,443	114,899	Item I, Pg 24
Government development support	377,741	239,461	(12,071)	5,715	95,013	Item J, Pg 25
Population information center	259,259	9,648	922	4,632	1,620	Item K, Pg 26
Miscellaneous	-	-	-	-	14,172	Item M, Pg 27
Total expenditures	\$ <u>2,444,141</u>	\$ <u>1,374,258</u>	\$ <u>-</u>			
Cash balance:						
Per fund accountability statement		231,941				
Per bank		\$ <u>174,195</u>				
Cash balance shortage		\$ <u>57,746</u>		57,746		
Total questioned costs				\$ <u>278,959</u>	\$ <u>390,168</u>	Item L, Pg 26

See accompanying notes to the fund accountability statement.

NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF AUDIT:

The fund accountability statement of IDP includes all costs incurred by IDP and reimbursed by USAID/Egypt under PIL No. 18 pursuant to USAID/Egypt Project No. 263-0144 for the period from September 1, 1987 through June 30, 1992.

NOTE 2 - ACTUAL:

The column labeled "Actual" is the responsibility of IDP and represents cumulative project costs incurred by IDP and billed to and reimbursed from USAID/Egypt under PIL No. 18 for the period from September 1, 1987 through June 30, 1992. As such, USAID/Egypt cost disallowances of \$ 57,336 are not included herein in order to reflect only the cumulative costs reimbursed by USAID/Egypt.

NOTE 3 - BUDGET:

The Budget includes all USAID/Egypt approved costs for PIL No. 18. The amounts are based on the most recent budget amendment dated February 17, 1992.

NOTE 4 - BASIS OF PRESENTATION:

The fund accountability statement has been prepared on the basis of cash disbursements. Consequently, disbursements are recognized when paid rather than when the obligation is incurred.

NOTE 5 - EXCHANGE RATE:

Costs incurred in Egyptian pounds have been converted to U.S. dollars at the average monthly exchange rate during the period under audit of 2.7 Egyptian pounds to 1 U.S. dollar.

NOTE 6 - 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 PIL No. 18, the umbrella grant agreement and USAID/Egypt regulations. 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 PIL, the umbrella grant agreement, 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 "Fund Accountability Statement - Audit Findings" section of this report.

NOTE 7 - RECLASSIFICATION:

Certain expenditures included in the fund accountability statement have been reclassified in order to reflect the proper classification of costs incurred.

NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

FUND ACCOUNTABILITY STATEMENT
AUDIT FINDINGS

Our audit procedures identified the following invoiced costs that are ineligible or unsupported:

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
A. Management Development:		
(1) Salary supplements paid for which there was no USAID/Egypt authorization for payment.	-	\$ <u>12,751</u>
(2) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	\$ <u>17,407</u>	-
B. Training:		
(1) Training costs for non-IDP staff of \$ 1,756 and \$ 3,218.	4,974	-
(2) Salary supplements paid for which there was no USAID/Egypt authorization for payment.		29,193

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Training (Cont.):		
(3) Rewards given to NPC staff in addition to the monthly awards previously paid. Amounts paid are considered unnecessary and unreasonable and lack USAID/Egypt payment authorization.	\$ 993	-
(4) Training course awards. Amounts are considered unreasonable and unnecessary and lack formal USAID/Egypt approval. Amounts include three training courses for a total expenditure each of \$ 7,126, \$ 5,359 and \$ 1,000.	-	\$ 13,485
(5) Expense reimbursed by another fund source available to IDP and also billed to USAID/Egypt. (i.e. double reimbursement)	-	5,586
(6) Cost of improvements to the NPC headquarter common areas which should have been reimbursed by the Government of Egypt (GOE).	259	-
(7) Amount paid for a canceled workshop. Check was also canceled.		475
(8) Vehicle operational expenses which should have been reimbursed by the GOE.	4,512	-
(9) Unsupported miscellaneous billings.		24,809

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Training (Cont.):		
(10) Training for NPC staff which is outside the scope of the IDP USAID/Egypt approved training plan.	\$ <u>5,241</u>	<u>-</u>
Total Training	<u>15,979</u>	<u>73,548</u>
C. Demonstration Project:		
(1) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	<u>22,709</u>	-
D. Research:		
(1) Salary supplements of \$ 667 and \$ 946 were paid for which there was no USAID/Egypt payment approval.	-	\$ 1,613
(2) Payments to researchers without the benefit of a contract or employee decree.	-	1,026
(3) Vehicle operational expenses which should have been reimbursed by the GOE.	1,852	-
(4) Transportation allowances paid for persons not listed on the USAID/Egypt authorized payment listing.	<u>-</u>	<u>66</u>
Total Research	<u>1,852</u>	<u>2,705</u>

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. Commodities:		
(1) Numerous maintenance charges which should have been reimbursed by the GOE.	\$ 9,617	-
(2) Common supplies expense for NPC and IDP improperly allocated to IDP.	13,837	-
(3) Personal car telephone charges for the Secretary General of NPC.	146	-
(4) Greeting card purchases.	44	-
(5) Maintenance fees and customs duties. Both items should have been reimbursed by the GOE.	17,079	-
(6) Operational costs, such as telephone charges and renovation of the NPC telephone network, which should have been reimbursed by the GOE.	13,607	-
(7) Unsupported costs.	-	\$ 1,444
(8) Proper bidding procedures were not implemented for the purchase of typewriters. The difference between the lowest bid and the actual purchase price is questioned. No justification was provided for the procurement choice.	778	-
(9) Spare parts purchased for assets which are not IDP assets.	2,693	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. Commodities (Cont.):		
(10) Amount spent on flowers, food and other gifts. Gifts are unallowable costs.	\$ 1,093	-
(11) Repairs made to equipment which are not IDP assets.	592	-
(12) Unsupported billings.	-	\$ 22,886
(13) Salary supplements paid for which there was no USAID/Egypt payment authorization.	<u>-</u>	<u>2,676</u>
Total Commodities	<u>59,486</u>	<u>27,006</u>

F. Renovations:

(1) Renovations made to governorate offices that are not listed on the approved office renovations plan.	
Port Said	\$ 1,082
Behera	6,156
Menia	2,296
Assuit	866
Gharbia	1,274
Maadi	<u>1,393</u>

Total 13,067

(2) Unsupported billings. 8,904

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
F. Renovations (Cont.):		
(3) Amount paid as a reward to NPC staff which was neither adequately supported nor explained.	-	\$ 7,911
(4) Amount paid for television coverage of a celebration which was improperly allocated to IDP.	\$ 397	-
(5) Amount paid to a TV announcer with no support or justification for the amount paid.	-	74
(6) Refrigerator purchased without following proper procurement procedures.	180	-
(7) Non-IDP equipment purchased with IDP funds.	1,241	-
(8) Refreshments for a training course that was not included as a proper cost of the IDP training plan.	144	-
(9) Rental fees for governorate offices and garages. Operating costs are reimbursable from GOE funds.	137	-
(10) Unsupported billings.	-	5,049
(11) Numerous charges for activities unrelated to IDP.	318	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
F. Renovations (Cont.):		
(12) Unsupported salary supplements paid. The payment request indicates that the supplements do not relate to IDP activities or personnel.	-	\$ 4,444
(13) An amount refunded to IDP that was initially paid for by IDP; however, the refunded amount was deposited in the GOE account.	\$ 230	-
(14) Payment to NPC security guards. Amount should have been reimbursed by the GOE.	55	-
(15) Car repairs and transportation for non-IDP related activities.	98	-
(16) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	<u>26,593</u>	<u>-</u>
Total Renovations	<u>42,460</u>	<u>26,382</u>

G. Contingencies:

(1) Salary supplement paid to an individual not included on the USAID/Egypt approved salary supplements listing.		109
(2) Costs for aluminum windows installed on the second floor of the NPC headquarters. The second floor is not utilized by IDP.	1,815	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
G. Contingencies (Cont.):		
(3) Amount charged to the showroom in excess of the USAID/Egypt approved budget.	\$ <u>23,246</u>	<u>-</u>
Total Contingencies	<u>25,061</u>	<u>109</u>
H. Technical Assistance:		
(1) Rewards paid to NPC employees for a bid and proposal session who are not included on the USAID/Egypt approved technical assistant listing.	-	\$ 1,648
(2) Amounts paid to individuals not included on the USAID/Egypt approved technical assistant listing.	-	7,190
(3) Renumeration for NPC employee for which his services are not properly allocated to IDP. No basis of allocation was provided by IDP.	2,111	-
(4) Unsupported billings.	-	12,829
(5) Showroom maintenance expenses reimbursed by the project. This cost is an operational cost which should have been reimbursed by the GOE.	430	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
H. Technical Assistance (Cont.):		
(6) Payments of \$ 556, \$ 333 and \$ 200 to NPC staff were reimbursed from the IDP account because the GOE account was lacking sufficient funds. Amount is not properly allocable to the project.	\$ 1,089	-
(7) Spare parts for equipment disallowed in the commodities section. (See E 13 on page 18.)	4,105	-
(8) Payments to employees who perform services for both NPC and IDP, but whose salary was paid by IDP and not allocated to NPC.	5,642	-
(9) Overtime payments not supported with adequate documentation.	-	\$ 296
(10) Payment for a technical assistant whose service is not fully allocable to IDP.	<u>92</u>	<u>-</u>
Total Technical Assistance	<u>13,469</u>	<u>21,963</u>

I. Project Administration:

(1) Salary supplements paid to NPC employees which were not approved by USAID/Egypt. (Amount has been reduced by \$ 39,337 previously disallowed by USAID/Egypt.)	-	79,710
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<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
I. Project Administration (Cont.):		
(2) Training costs not authorized for in the USAID/Egypt approved training plan.	\$ 546	-
(3) Rewards paid to employees in excess of the amounts approved by USAID/Egypt.	-	\$ 6,820
(4) GOE expenses paid for by the project. (Amount has been reduced by \$ 3,338 previously disallowed by USAID/Egypt).	5,196	-
(5) Expenses allocable to other foreign agreements. For example, cost of Japanese government party, cost for travel to Japan, and salaries related to the United Nations contribution.	1,366	-
(6) Expenses unrelated to IDP activities.	2,838	-
(7) Miscellaneous ineligible expenses.	2,230	-
(8) Billing estimate prepared by IDP management which exceeded the actual expenditures for December 91 and May 92.	-	1,447

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
I. Project Administration (Cont.):		
(9) Payments made to employees which are allocable to both IDP and NPC for which an allocation method has not been established. (Amount has been reduced by \$ 597 which was previously disallowed by USAID/Egypt).	-	\$ 7,935
(10) Travel costs not adequately explained or supported. (Amount was reduced by \$ 48 previously disallowed by USAID/Egypt).	-	43
(11) Unsupported billings. (Amount has been reduced by \$ 1,906 previously disallowed by USAID/Egypt).	-	18,944
(12) Travel expenses to Aswan that are not allocable to IDP.	\$ <u>267</u>	<u>-</u>
Total Project Administration	<u>12,443</u>	<u>114,899</u>
J. Government Development Support:		
(1) Salary supplements paid for non-IDP activities and to non-IDP personnel, or which included amounts in excess of the USAID/Egypt approved supplement salary rate.	-	57,200
(2) Unsupported billings.	-	35,836
(3) Fuel costs which should have been reimbursed by the GOE.	2,593	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
J. Government Development Support (Cont.):		
(4) Training costs for NPC staff that was not included on the USAID/Egypt approved IDP training plan.	\$ 1,185	-
(5) Vehicle repair costs which should have been reimbursed by the GOE.	48	-
(6) Stationary and letterhead costs of NPC.	259	-
(7) Family Planning Mobile Caravan Project costs which was not approved by USAID/Egypt. A proper application for a GDS grant was not obtained.	1,630	-
(8) Amount not returned from an imprest fund granted to the Kena governorate office.	-	\$ 158
(9) Allowances paid to training course participants which were not approved by USAID/Egypt or included amounts paid to participants already receiving the maximum allowance amount. Additionally, amounts were not supported with an attendee listing.	-	<u>1,819</u>
Total Government Development Support	<u>5,715</u>	<u>95,013</u>

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
K. Population Information Center:		
(1) Salary supplements and awards paid to individuals not included on the USAID/Egypt approved salary supplements listing.	-	\$ 694
(2) Amount paid to a consultant which was not supported with a contract.	-	926
(3) Maintenance and fuel expenses for operating equipment and vehicles which should have been reimbursed by GOE.	\$ 4,076	-
(4) Consultant costs which should have been allocated to the IEC project financed by the United Nations.	<u>556</u>	<u>-</u>
Total Population Information Center	<u>4,632</u>	<u>1,620</u>
L. Cash Balance Shortage:		
(1) Costs paid from the IDP bank account of which USAID/Egypt denied reimbursement. The IDP bank account has not been replenished from GOE funds to cover these disallowed expenses.	\$ 57,336	-
(2) Payments unrelated to IDP activities but paid from the IDP bank account.	<u>410</u>	<u>-</u>
Total Cash Balance Shortage	<u>57,746</u>	<u>-</u>

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
M. Miscellaneous:		
(1) Amounts refunded to IDP relating to amounts billed to USAID/Egypt but not subsequently adjusted to USAID/Egypt billings.	-	\$ 2,677
(2) IDP expenditures not cleared through the bank for over one year.	-	3,704
(3) Taxes billed to USAID/Egypt but not paid to the tax authority.	<u>-</u>	<u>7,791</u>
Total Miscellaneous		<u>14,172</u>
TOTAL QUESTIONED COSTS	\$ <u>278,959</u>	\$ <u>390,168</u>
		\$ <u>669,127</u>

4. Road 261,
New Maadi,
Cairo, Egypt

TELEPHONE 3520 123. 3530 837
FAX (02) 3530 915
TELEX 20121 PW UN
23432 PW UN
TELEGRAPH PRICEWATER
CAIRO C.R. 226786

Price Waterhouse



REPORT ON INTERNAL CONTROL STRUCTURE
REPORT OF INDEPENDENT ACCOUNTANTS

April 12, 1993

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

We have audited the fund accountability statement of project costs incurred by the National Population Council ("NPC") on Project Implementation Letter ("PIL") No. 18 related to the Institutional Development Project ("IDP") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Population Project No. 263-0144 ("umbrella grant agreement") funded by USAID/Egypt, for the period from September 1, 1987 through June 30, 1992, and have issued our report thereon dated April 12, 1993.

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 fund accountability statement is free of material misstatement.



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

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

The management of IDP is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial reports and to maintain accountability over the entity's assets. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless



occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we determined the significant internal control structure policies and procedures to be in the categories of cash receipts and disbursements, project accounting, payroll, and fixed asset 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more 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 financial 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 audit disclosed the following conditions which we believe constitute material weaknesses:

MATERIAL WEAKNESSES



There Are Deficiencies In IDP's Control Environment.

A major component of an entity's internal control structure is its control environment. As discussed in Statement on Auditing Standards No. 55, "The control environment represents the collective effect of various factors on establishing, enhancing or mitigating the effectiveness of specific policies and procedures." Such factors include, among others, (1) management's philosophy and operating style, (2) management's attitude and demonstrated commitment to establishing a positive atmosphere for the implementation and execution of well controlled business operations, (3) methods of assigning authority and responsibility and (4) the entity's organizational structure.

The control environment reflects the overall attitude, awareness and actions of management and others concerning the overall importance of control and its emphasis in the entity.

During our audit, we noted that management lacked full awareness of the operations of IDP. We noted that management misunderstands certain project requirements as documented in their USAID/Egypt agreement. For example, management is not fully aware of the procurement policies and does not fully understand what types of costs are subject to reimbursement from USAID/Egypt. Further, we noted many instances where incurred costs are misclassified in the accounting records. That is, costs were charged to budget line items without regard to USAID/Egypt regulations or whether the cost was related to IDP.



Additionally, although the IDP organizational structure which calls for the Secretary General of NPC to assume overall policy-making authority over IDP and to delegate the authority over daily activities of the project to a IDP Project Director, has been approved by USAID/Egypt, we noted that the IDP Project Director has not been properly delegated authority resulting in material weaknesses in the internal control system relating to authorizing, recording, and reporting of project costs to USAID/Egypt. Finally, we determined that the financial manager and IDP Project Director do not formally communicate and, therefore, have little knowledge concerning the activities of each other. Consequently, the financial manager will approve expenditures and the IDP Project Director will request services that are outside the scope of project allowable expenditures.

Recommendation 1

- 1.1. NPC management needs to become more familiar with USAID/Egypt regulations and become more actively involved in the project's operations. We recommend that NPC management review and discuss all project agreement/modifications with the appropriate USAID/Egypt representatives on an ongoing basis.**

- 1.2. NPC should implement controls to ensure that all project costs are properly classified. Specifically, a chart of accounts detailing what types of costs are to be included in each budget line item or account should be developed. Additionally, all accounting entries should be approved by management prior to being entered into the accounting system.**



1.3. The Secretary General of NPC should ensure the continuity of the IDP Project Director position and delegate full authorities over program objectives and financial compliance to this position.

1.4. The NPC/IDP Management team should meet monthly, or as necessary, to discuss items of importance or concern to the project. Both the Financial Manager and the IDP Project Director should approve all costs incurred and to be incurred by the project.

* * * * *

Time And Attendance Data Are Not Properly Processed And Documented And Adequately Reviewed And Approved Before Renumeration Is Made To Persons Working For IDP.

During the course of our examination we noted that time cards or other source documents are not prepared evidencing that persons working for IDP have worked the time for which they are being paid or have accomplished the planned purpose for which they were employed. This breakdown in the internal control structure may allow persons to be paid for time not worked or for activities not completed.

Recommendation 2

Documentation should be prepared such as time cards or other source documents which should be reviewed by the Financial Manager to determine that such documents are complete and have been approved by the individual's supervisor.

Before payroll disbursements are made, a completed payroll register should be reviewed and approved in writing by a responsible official who has not participated in the payroll



preparation. This review may range from a detail check to a review for general reasonableness of the following:

- * Names appearing on the payroll are authorized persons.
- * Time worked is evidenced by appropriate time records.
- * Amounts to be paid have been computed at USAID/Egypt authorized rates.
- * Computations of gross pay, deductions and net pay are accurate.
- * Paychecks agree with the payroll register.

* * * * *

NPC Staff Were Unable To Locate Numerous Documents.

We believe that a trend has developed throughout NPC's operations that indicates a need for improvement in the present document filing system. During our testing of transactions, NPC staff were unable to locate numerous documents.

A sound internal control system would require that all significant events and transactions are to be clearly documented, and the documentation is to be readily available for examination. We believe that NPC's staff inability to locate certain financial records and the overall disorganized appearance of the IDP accounting department is attributable to inadequate controls over the storage of records, a poorly documented and organized filing system, and inadequate assignment of responsible staff for maintaining complete and organized files.

Recommendation 3



We recommend that NPC utilize a filing system designed specifically for IDP's operations that is documented, sufficiently controlled, and tracks documents or files throughout the transaction process.

*** * * * ***

Salary Supplements And Other Incentives And Awards Were Paid To IDP And GOE Employees Without Regard To USAID/Egypt Regulations.

As a part of their agreement with USAID/Egypt, NPC is authorized to pay certain salary supplements to IDP and NPC employees.

NPC is required to submit a listing of individuals and their entitlement to USAID/Egypt for approval. However, our audit testing determined that many individuals, not included on the listing, were paid salary supplements and, additionally, individuals included on the listing were paid amounts in excess of those approved by USAID/Egypt.

Recommendation 4

NPC should pay salary supplements only to those individuals entitled to them and for the amount approved by USAID/Egypt.

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Accounting Entries Are Recorded In The General Ledger Without Adequate Documents And Proper Management Review.

During our audit we identified numerous accounting entries processed in the general ledger without support and review by management. For example, we noted the following:

- . Numerous general ledger entries were made without the Financial Manager's approval.
- . Numerous invoices to USAID/Egypt and project costs incurred were not approved by the IDP Project Director or the Financial Manager or the Secretary General.
- . The special adjustment ledger is not reviewed or approved by the Financial Manager.
- . Reconciliations between the general ledger and the invoices issued to USAID/Egypt were not performed. Therefore, USAID/Egypt invoice adjustments were not carried to the general ledger.
- . The general ledger contained numerous mathematical errors.

This breakdown of the internal control structure results in an inadequate audit trail being maintained and incorrect or misleading financial information and may result in incurred project costs in violation of USAID/Egypt cost reimbursable principles (i.e. not necessary for project purposes, unreasonable amount, etc).

Recommendation 5



We recommend that all entries be supported by some type of document that identifies the reason for the entry, the general ledger accounts affected, the person preparing the entry and the person(s) reviewing and approving it.

Two critical elements of NPC's internal control structure are documentation supporting each transaction and the review and supervision of entries in the general ledger. Without one or both of these elements there is no control over resources. The present system that allows entries to be made without documentation or review for any reason compromises the system's accountability and audit trail.

* * * * *

Internal Accounting Controls Surrounding Cash Should Be Strengthened. Specifically we noted that:

- . Cash receipts are not promptly deposited. We noted delays from receipt to deposit in excess of forty days.
- . Bank account reconciliation procedures are not adequate and reconciliations are not timely prepared. Improper bank account reconciliation procedures offer the opportunity for both the occurrence of an irregularity and the ability to conceal it.
- . Controls over the supply of unused checks are not adequate. We noted that access to check stock is not restricted and accounting for prenumbered checks is not done.
- . Procedures are not in effect to notify banks when an authorized check signer leaves the employ of IDP.



- . During April 1992 NPC commingled their USAID/Egypt cash account with the cash accounts for other projects. This results in a breakdown in accountability over USAID/Egypt's assets.
- . Vendors are not required to sign receipts acknowledging payment.

Recommendation 6

In order to strengthen internal accounting controls surrounding cash we recommend that:

- . All cash remittances should be listed and deposited promptly. A copy of the listing should be forwarded to the accounting department for subsequent comparison with the bank deposit.
- . Bank accounts should be reconciled on a monthly basis. In addition a responsible official, who is independent of all cash processing and recording activities, should review and approve all completed reconciliations. Proper bank reconciliations should be documented and include the following procedures:
 - * comparison of deposit amounts and dates with cash receipt entries;
 - * checks outstanding for more than a reasonable time period should be written back to "cash" and, if necessary, billing adjustments made to USAID/Egypt;
 - * comparison of payee name, date and amount on canceled checks with cash disbursement records;



- * comparison of endorsements on canceled checks to payees as shown on the face of the check. (This may be done on a test basis);
 - * comparison of book balances used in reconciliations with the cash disbursement listing; and
 - * footing the cash book.
- . Access to and accountability for highly vulnerable documents, such as check stock, can be achieved by:
- * keeping check stock in a locked safe;
 - * accounting for the sequential numbering of the check stock; and
 - * assigning custodial accountability to responsible individuals.
- . Procedures should be in effect to immediately notify banks when an authorized check signer leaves the employ of IDP.
- . NPC should maintain a separate bank account for activity relating to USAID/Egypt. This will result in increased accountability of and control over USAID/Egypt resources.
- . Vendors should sign receipts acknowledging payment for their services.

* * * * *

There Is An Inadequate System For Maintaining, Monitoring, And Reconciling Advance Accounts. In Addition, NPC Invoices USAID/Egypt For Advances Made Rather Than The Actual Project Costs Incurred.



- . There is no system in place that effectively monitors governorate advances. For example, NPC allows many employees to receive advances without the benefit of adequate records to document and control advances.
- . The advance accounts are not reconciled on a timely basis; there is often a significant delay in the reconciliation of advance accounts.
- . Advance subsidiary accounts are not maintained to ensure the proper recording of actual expenses to the appropriate budget line items. Often the advance is charged to one line item and is subsequently adjusted to other line items.
- . Governorate expense reports are often not approved by the governorate supervisor and, additionally, the accountant in-charge does not document his review and approval.
- . NPC bills advances made to USAID/Egypt rather than the actual project costs incurred.

Recommendation 7

Advance account subsidiary records should be maintained and reconciled to the cash disbursement records and expense reports each month and the reconciliations should be reviewed and approved by the Financial Manager. Expenditures should not be billed to USAID/Egypt until properly reconciled.

To facilitate proper reconciliation, the following procedures and controls should be implemented:

- . Only one bonded employee at each governorate office should be allowed to sign for advances.



- . Monthly advance totals from the cash disbursement record should be compared to the advance subsidiary records and differences investigated by the Financial Manager.

- . Governorate expense reports should be summarized monthly and compared to the advance subsidiary records. Differences should be investigated by the Financial Manager.

- . Excessive advance balances should be refunded to IDP. Further, additional advances should not be granted without performing a reconciliation of prior advances.

- . Advance totals should be produced on a monthly basis for each governorate office and compared to the main office records. Differences should be investigated by the Financial Manager.

- . The accountant in-charge should not accept unapproved expense reports and should not issue advances without the signature of the governorate official receiving the advance.

- . The accountant in-charge should initial all advance request forms and expense reports as evidence of performing all of the foregoing procedures.

* * * * *

We also 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 judgement, could adversely affect the organization's ability to record, process, or summarize, and report financial data consistent with the assertions of management in the fund accountability statement. Our audit disclosed the following reportable conditions:

REPORTABLE CONDITIONS

Fixed Assets Are Not Properly Accounted For.

Physical counts of assets are not performed and detailed fixed asset records are not complete and accurate. We noted that (1) the commodities reports prepared for USAID/Egypt were inaccurate, (2) IDP's and NPC's assets are combined in one asset register, (3) purchased fixed assets were not identifiable with an appropriate inventory tag or other identification mechanism and (4) expenditures for repairs, spare parts and supplies are charged to the same budget line item as the purchased asset.

Without adequate detail records, it is difficult to maintain accounting control over assets. Also, subsequent transfers, retirements, and betterments cannot be accounted for without accurate records.

Recommendation 8

We recommend that a complete fixed asset physical inventory be taken and detailed fixed asset records be reconstructed.

NPC's approach to the above recommendation may include the following techniques:

- . A complete fixed asset physical inventory should be taken currently and updated on a periodic or rotating basis.



- . Detail fixed asset records should be prepared from the expenditures per the general ledger and include asset description, location, identification number, date of acquisition and installed cost.
- . Detail fixed asset records should be segregated by donor source. That is GOE funded fixed assets should be separately identified from USAID/Egypt.
- . Fixed assets should be appropriately tagged for subsequent comparison to the detailed fixed asset records and to provide physical control over the related assets.
- . The detailed fixed asset register should be compared with the fixed asset physical inventory. If a difference between the recorded and existing fixed assets occurs, appropriate action should be taken to correct the discrepancy and to eliminate its cause. Unlocatable fixed assets should be reported to USAID/Egypt.

At the completion of the above procedures, an adjusted commodities report should be submitted to USAID/Egypt.

* * * * *

Fixed Assets Are Not Adequately Insured.

The possibility of loss to NPC if fire or other hazards are not covered by insurance includes not only the loss of assets, but also the operating losses which may result from disruption of operations.

Recommendation 9

We recommend that a comprehensive insurance policy be purchased for all significant assets in which NPC assumes the responsibility for maintenance and safekeeping.

*** * * * ***

Physical Safeguards Over Fixed Assets Not Currently In Use Is Not Adequate.

Appropriate physical safeguards can contribute substantially to control over assets which are susceptible to loss through neglect, theft, or damage.

Recommendation 10

Fixed assets should be stored in suitable enclosed locations and access limited. Appropriate requisitioning procedures should be followed to issue those assets only to authorized employees.

*** * * * ***

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

Price Waterhouse

4 Road 261,
New Maadi,
Cairo, Egypt.

TELEPHONE 3520 123, 3530 837
FAX (02) 3530 915
TELEX 20121 PW UN
23432 PW UN
TELEGRAPH: PRICEWATER
CAIRO C.R. 226786

Price Waterhouse



REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
REPORT OF INDEPENDENT ACCOUNTANTS

April 12, 1993

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

We have audited the fund accountability statement of project costs incurred by the National Population Council ("NPC") on Project Implementation Letter ("PIL") No. 18 related to the Institutional Development Project ("IDP") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Population Project No. 263-0144 ("umbrella grant agreement") funded by USAID/Egypt, for the period from September 1, 1987 through June 30, 1992, and have issued our report thereon dated April 12, 1993.

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 fund accountability statement is 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, contracts and grants applicable to IDP is the responsibility of IDP's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of IDP's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the



following material instances of noncompliance, the effects of which are more fully described in the accompanying "Report on Compliance - Audit Findings" Section of this report.

- A. **Salary Supplements And Other Incentive And Awards Were Paid To IDP And GOE Employees Who Were Not Authorized By USAID/Egypt To Receive Such Benefits.**
- B. **IDP Paid For Numerous Costs Which Should Have Been Reimbursed by The GOE.**
- C. **IDP Did Not Properly Maintain Adequate Books And Records To Support Project Costs As Required By Amendment 2, Page 2, Of the Grant Agreement.**
- D. **Projects Costs Exceeded The USAID/Egypt Approved Budget.**

We considered these material instances of noncompliance in forming our opinion on whether IDP's fund accountability statement for the period from September 1, 1987 through June 30, 1992 is presented fairly, in all material respects, in conformity with cash disbursement basis of accounting, and this report does not affect our report dated April 12, 1993, on that fund accountability statement.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, IDP complied, in all material respects, with the



provisions referred to in the fourth paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that IDP had not complied, in all material respects, with those provisions.

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

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NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

REPORT ON COMPLIANCE
AUDIT FINDINGS

Questioned Cost:

- A. Salary Supplements And Other Incentive And Awards Were Paid To IDP And GOE Employees Who Were Not Authorized By USAID/Egypt To Receive Such Benefits.**
1. Salary supplements paid for which there was no USAID/Egypt authorization for payment. \$ 12,751
 2. Salary supplements paid for which there was no USAID/Egypt authorization for payment. 29,193
 3. Rewards given to NPC staff in addition to the monthly awards previously paid. Amounts paid are considered unnecessary and unreasonable and lack USAID/Egypt payment authorization. 993
 4. Salary supplements of \$ 667 and \$ 946 were paid for which there was no USAID/Egypt payment approval. 1,613
 5. Transportation allowances paid for persons not listed on the USAID/Egypt authorized payment listing. 66
 6. Salary supplements paid for which there was no USAID/Egypt payment authorization. 2,676

Questioned Costs

- | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 7. | Amount paid as a reward to NPC staff which was neither adequately supported nor explained. | \$ 7,911 |
| 8. | Unsupported salary supplements paid. The payment request indicates that the supplements do not relate to IDP activities or personnel. | 4,444 |
| 9. | Salary supplement paid to an individual not included on the USAID/Egypt approved salary supplements listing. | 109 |
| 10. | Rewards paid to NPC employees for a bid and proposal session who are not included on the USAID/Egypt approved technical assistant listing. | 1,648 |
| 11. | Payments of \$ 556, \$ 333 and \$ 200 to NPC staff were reimbursed from the IDP account because the GOE account was lacking sufficient funds. Amount is not properly allocable to the project. | 1,089 |
| 12. | Payments to employees who perform services for both NPC and IDP, but whose salary was paid by IDP and not allocated to NPC. | 5,642 |
| 13. | Payment for a technical assistant whose service is not fully allocable to IDP. | 92 |

Questioned Costs

- | | | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 14. | Salary supplements paid to NPC employees which were not approved by USAID/Egypt. (Amount has been reduced by \$ 39,337 previously disallowed by USAID/Egypt.) | \$ 79,710 |
| 15. | Rewards paid to employees in excess of the amounts approved by USAID/Egypt. | 6,820 |
| 16. | Payments made to employees which are allocable to both IDP and NPC for which an allocation method has not been established. (Amount has been reduced by \$ 597 which was previously disallowed by USAID/Egypt). | 7,935 |
| 17. | Salary supplements paid for non-IDP activities and to non-IDP personnel, or which included amounts in excess of the USAID/Egypt approved supplement salary rate. | 57,200 |
| 18. | Allowances paid to training course participants which were not approved by USAID/Egypt or included amounts paid to participants already receiving the maximum allowance amount. Additionally, amounts were not supported with an attendee listing. | 1,819 |
| 19. | Salary supplements and awards paid to individuals not included on the USAID/Egypt approved salary supplements listing. | 694 |
| 20. | Amounts paid to individuals not included on the USAID/Egypt approved technical assistant listing. | 7,190 |

Questioned Costs

21.	Renumeration for NPC employee for which his services are not properly allocated to IDP. No basis of allocation was provided by IDP.	\$ <u>2,111</u>
	Total	<u>231,706</u>
B.	IDP Paid For Numerous Costs Which Should Have Been Reimbursed By The GOE.	
1.	Training costs for non-IDP staff of \$ 1,756 and \$ 3,218.	4,974
2.	Cost of improvements to the NPC headquarter common areas which should have been reimbursed by the Government of Egypt (GOE).	259
3.	Vehicle operational expenses which should have been reimbursed by the GOE.	4,512
4.	Training for NPC staff which is outside the scope of the IDP USAID/Egypt approved training plan.	5,241
5.	Vehicle operational expenses which should have been reimbursed by the GOE.	1,852
6.	Numerous maintenance charges which should have been reimbursed by the GOE.	9,617
7.	Common supplies expense for NPC and IDP improperly allocated to IDP.	13,837
8.	Maintenance fees and customs duties. Both items should have been reimbursed by the GOE.	17,079

Questioned Costs

9.	Operational costs, such as telephone charges and renovation of the NPC telephone network, which should have been reimbursed by the GOE.	\$ 13,607
10.	Spare parts purchased for assets which are not IDP assets.	2,693
11.	Repairs made to equipment which are not IDP assets.	592
12.	Renovations made to governorate offices that are not listed on the approved office renovations plan.	
	Port Said	\$ 1,082
	Behera	6,156
	Menia	2,296
	Assuit	866
	Gharbia	1,274
	Maadi	<u>1,393</u>
	Total	13,067
13.	Amount paid for television coverage of a celebration which was improperly allocated to IDP.	397
14.	Amount paid to a TV announcer with no support or justification for the amount paid.	74
15.	Non-IDP equipment purchased with IDP funds.	1,241
16.	Rental fees for governorate offices and garages. Operating costs are reimbursable from GOE funds.	137

	<u>Questioned Cost:</u>
17. Numerous charges for activities unrelated to IDP.	\$ 318
18. Payment to NPC security guards. Amount should have been reimbursed by the GOE.	55
19. Car repairs and transportation for non-IDP related activities.	98
20. Costs for aluminum windows installed on the second floor of the NPC headquarters. The second floor is not utilized by IDP.	1,815
21. Fuel costs which should have been reimbursed by the GOE.	2,593
22. Training costs not authorized for in the USAID/Egypt approved training plan.	546
23. GOE expenses paid for by the project. (Amount has been reduced by \$ 3,338 previously disallowed by USAID/Egypt).	5,196
24. Expenses unrelated to IDP activities.	2,838
25. Training costs for NPC staff that was not included on the USAID/Egypt approved IDP training plan.	1,185
26. Vehicle repair costs which should have been reimbursed by the GOE.	48
27. Stationary and letterhead costs of NPC.	259

Questioned Costs

28.	Maintenance and fuel expenses for operating equipment and vehicles which should have been reimbursed by GOE.	\$ 4,076
29.	Showroom maintenance expenses reimbursed by the project. This cost is an operational cost which should have been reimbursed by the GOE.	430
	Total	<u>108,636</u>

C. IDP Did Not Properly Maintain Adequate Books And Records To Support Project Costs As Required By Amendment 2, Page 2, Of the Grant Agreement.

The details of the questioned costs related to \$ 390,168 of unsupported costs are identified in the accompanying "Fund Accountability Statement - Audit Findings" section of this report (see pages 14-27) Included in this category are questioned costs of \$ 221,853 that are also included in the other three material noncompliance findings.

390,168

D. Project Costs Exceeded The USAID/Egypt Approved Budget.

1.	Management Development expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	17,407
2.	Demonstration Project expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	22,709

	<u>Questioned Costs</u>
3. Renovation expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	\$ 26,593
4. Amount charged to Contingencies for the showroom in excess of the USAID/Egypt approved budget.	<u>23,246</u>
Total	<u>85,955</u>

NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

APPENDIX A
Page 1 of 1

PROJECT IMPLEMENTATION LETTER NUMBER 18
PURSUANT TO USAID/EGYPT PROJECT NO. 263-0144

FUND ACCOUNTABILITY STATEMENT
DETAIL OF AMOUNTS AS INCURRED IN EGYPTIAN POUNDS

FOR THE PERIOD FROM SEPTEMBER 1, 1987 THROUGH JUNE 30, 1992

	<u>Budget</u>	<u>Actual</u>	<u>Reclassification</u>	<u>Questioned Costs</u>	
				<u>Ineligible</u>	<u>Unsupported</u>
Receipts		LE 4,336,736			
Expenditures:					
Management development	LE 72,260	72,259	LE 47,000	LE 46,999	LE 34,429
Training	770,700	526,174	(25,579)	43,150	198,583
Demonstration project	61,401	-	122,716	61,315	-
Research	548,600	72,015	(37,160)	5,000	7,302
Commodities	1,502,800	1,176,295	(59,265)	160,612	72,917
Renovations	172,900	241,406	3,295	114,641	71,230
Contingencies	289,920	290,049	(72,286)	67,663	293
Technical assistance	316,600	223,816	35,817	36,367	59,299
Project administration	1,144,100	435,886	15,567	33,596	310,228
Government development support	1,019,900	646,544	(32,595)	15,428	256,536
Population information center	700,000	26,050	2,490	12,505	4,375
Miscellaneous	-	-	-	-	38,264
Total expenditures	LE <u>6,599,181</u>	LE <u>3,710,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance:					
Per fund accountability statement		626,242			
Per bank		LE <u>470,328</u>			
Cash balance shortage		LE <u>155,914</u>		155,914	-
Total questioned cost				LE <u>753,190</u>	LE <u>1,053,456</u>

NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF AMOUNTS
AS INCURRED IN EGYPTIAN POUNDS

FOR THE PERIOD FROM SEPTEMBER 1, 1987
THROUGH JUNE 30, 1992

Our audit procedures identified the following invoiced costs that are ineligible or unsupported:

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
A. Management Development:		
(1) Salary supplements paid for which there was no USAID/Egypt authorization for payment.		LE <u>34,429</u>
2) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	LE <u>46,999</u>	-
B. Training:		
(1) Training costs for non-IDP staff of LE 4,741 and LE 8,689.	13,429	-
(2) Salary supplements paid for which there was no USAID/Egypt authorization for payment.	-	78,821

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Training (Cont.):		
(3) Rewards given to NPC staff in addition to the monthly awards previously paid. Amounts paid are considered unnecessary and unreasonable and lack USAID/Egypt payment authorization.	LE 2,680	-
JV# 5370 dated June 92.		
(4) Training course awards. Amounts are considered unreasonable and unnecessary and lack formal USAID/Egypt approval. Amounts include three training courses for a total expenditure each of LE 19,241, LE 14,470 and LE 2,700.	-	LE 36,411
<u>JV#</u>	<u>Date</u>	
1171	Sep. 91	
2909	Dec. 91	
5355	May 91	
(5) Expense reimbursed by another fund source available to IDP and also billed to USAID/Egypt. (i.e. double reimbursement)	-	15,083
<u>JV#</u>	<u>Date</u>	
4670	Apr. 92	
4671	Apr. 92	
4696	Apr. 92	
4698	Apr. 92	
4699	Apr. 92	
4708	Apr. 92	

59

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Training (Cont.):		
(6) Cost of improvements to the NPC headquarter common areas which should have been reimbursed by the Government of Egypt (GOE).	LE 700	-
JV# 5795 dated June 90		
(7) Amount paid for a canceled workshop. Check was also canceled.	-	LE 1,283
JV# 5793 dated June 91		
(8) Vehicle operational expenses which should have been reimbursed by the GOE.	12,189	
<u>JV#</u>	<u>Date</u>	
4748	May 92	
4965	May 92	
4997	May 92	
4998	May 92	
4999	May 92	
5053	May 92	
4246	May 92	
(9) Unsupported miscellaneous billings.		66,985

60

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Training (Cont.):		
(10) Training for NPC staff which is outside the scope of the IDP USAID/Egypt approved training plan.	LE <u>14,152</u>	<u>-</u>
Total Training	<u>43,150</u>	<u>198,583</u>
C. Demonstration Project:		
(1) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	<u>61,315</u>	-
D. Research:		
(1) Salary supplements of LE 1,800 and LE 2,555 were paid for which there was no USAID/Egypt payment approval.	-	LE 4,355
(2) Payments to researchers without the benefit of a contract or employee decree.	-	2,770
(3) Vehicle operational expenses which should have been reimbursed by the GOE.	5,000	-

JV# 4387 dated April 92

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
D. Research (Cont.):		
(4) Transportation allowances paid for persons not listed on the USAID/Egypt authorized payment listing.	-	LE 177
JV# 2130 dated November 1991		
Total Research	<u>5,000</u>	<u>7,302</u>
E. Commodities:		
(1) Numerous maintenance charges which should have been reimbursed by the GOE.	LE 25,965	-
(2) Common supplies expense for NPC and IDP improperly allocated to IDP.	37,360	-
(3) Personal car telephone for the Secretary General of NPC.	393	-
<u>JV#</u>	<u>Date</u>	
3510	Feb. 92	
4332	Mar. 92	
5148	May 92	
(4) Greeting card purchases.	120	-
JV# 2357 dated November 90.		
(5) Maintenance fees and customs duties. Both items should have been reimbursed by the GOE.	46,114	-

.62

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. Commodities (Cont.):		
(6) Operational costs, such as telephone charges and renovation of the NPC telephone network, which should have been reimbursed by the GOE.	LE 36,739	-
(7) Unsupported costs.	-	LE 3,900
<u>JV#</u>	<u>Date</u>	
719	Aug. 91	
720	Aug. 91	
(8) Proper bidding procedures were not implemented for the purchase of typewriters. The difference between the lowest bid and the actual purchase price is questioned. No justification was provided for the procurement choice.	2,100	-
JV# 1534 dated October 88.		
(9) Spare parts purchased for assets which are not IDP assets.	7,271	-
<u>JV#</u>	<u>Date</u>	
2157	Nov. 90	
2365	Dec. 90	
61	July 91	
3695	Feb. 92	
4201	Mar. 92	

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. Commodities (Cont.):		
(10) Amount spent on flowers, food and other gifts. Gifts are unallowable costs.	LE 2,950	-
<u>JV#</u> <u>Date</u>		
2454 Dec. 90		
6055 June 90		
6056 June 90		
(11) Repairs made to equipment which are not IDP assets.	1,600	-
JV# 584 dated August 90		
(12) Unsupported billings.	-	LE 61,792
(13) Salary supplements paid for which there was no USAID/Egypt payment authorization.	-	<u>7,225</u>
Total Commodities	<u>160,612</u>	<u>72,917</u>

F. Renovations:

(1) Renovations made to governorate offices that are not listed on the approved office renovations plan.

Port Said	LE 2,921
Behera	16,620
Menia	6,200
Assuit	2,338
Gharbia	3,441
Maadi	<u>3,760</u>

Total LE 35,280 -

64

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
F. Renovations (Cont.)		
(2) Unsupported billings.	-	LE 24,040
<u>JV#</u> <u>Date</u>		
3650 Jan. 89		
3432 Jan. 89		
4785 Apr. 89		
4850 Apr. 89		
1889 Oct. 90		
(3) Amount paid as a reward to NPC staff which was neither adequately supported nor explained.	-	21,359
(4) Amount paid for television coverage of a celebration which was improperly allocated to IDP.	LE 1,073	-
<u>JV#</u> <u>Date</u>		
461 Aug. 91		
463 Aug. 91		
464 Aug. 91		
1367 Oct. 91		
1565 Aug. 91		
(5) Amount paid to a TV announcer with no support or justification for the amount paid.	-	200
(6) Refrigerator purchased without following proper procurement procedures.	485	-
JV# 1589 dated October 88.		

65

<u>Item Description</u>	<u>Questioned Costs</u>													
	<u>Ineligible</u>	<u>Unsupported</u>												
F. Renovations (Cont.):														
(7) Non-IDP equipment purchased with IDP funds. JV# 965 dated September 88	LE 3,350	-												
(8) Refreshments for a training course that was not included as a proper cost of the IDP training plan. JV# 1817 dated November 91	389	-												
(9) Rental fees for governorate offices and garages. Operating costs are reimbursable from GOE funds. <table border="0" style="margin-left: 40px;"> <tr> <td><u>JV#</u></td> <td><u>Date</u></td> </tr> <tr> <td>T 221</td> <td>June 90</td> </tr> <tr> <td>T 222</td> <td>June 90</td> </tr> <tr> <td>T 224</td> <td>June 90</td> </tr> <tr> <td>T 225</td> <td>June 90</td> </tr> <tr> <td>T 226</td> <td>June 90</td> </tr> </table>	<u>JV#</u>	<u>Date</u>	T 221	June 90	T 222	June 90	T 224	June 90	T 225	June 90	T 226	June 90	371	-
<u>JV#</u>	<u>Date</u>													
T 221	June 90													
T 222	June 90													
T 224	June 90													
T 225	June 90													
T 226	June 90													
(10) Unsupported billings.	-	LE 13,631												
(11) Numerous charges for activities unrelated to IDP.	859	-												
(12) Unsupported salary supplements paid. The payment request indicates that the supplements do not relate to IDP activities or personal.	-	12,000												
JV# T3 dated October 91.														

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<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
F. Renovations (Cont.):		
(13) An amount refunded to IDP that was initially paid for by IDP; however, the refunded amount was deposited in the GOE account.	LE 621	-
JV# 3151 dated January 91.		
(14) Payment to NPC security guards. Amount should have been reimbursed by the GOE.	148	-
JV# 6137 dated June 91.		
(15) Car repairs and transportation for non-IDP related activities.	264	-
JV# 154 dated June 91.		
(16) Expenditures exceeding the USAID/Egypt approved budget after consideration of audit reclassifications.	<u>71,801</u>	<u>-</u>
Total Renovations	<u>114,641</u>	<u>71,230</u>
G. Contingencies:		
(1) Salary supplement paid to an individual not included on the USAID/Egypt approved salary supplements listing.		
JV # 3440 Date Febraury 90.	-	293

61

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
G. Contingencies (Cont.)		
(2) Costs for aluminum windows installed on the second floor of the NPC headquarters. The second floor is not utilized by IDP.	LE 4,900	-
JV# 3494 dated February 90		
(3) Amount charged to the showroom in excess of the USAID/Egypt approved budget.	<u>62,763</u>	<u>-</u>
Total Contingencies	<u>67,663</u>	LE <u>293</u>
H. Technical Assistance:		
(1) Rewards paid to NPC employees for a bid and proposal session who are not included on the USAID/Egypt approved technical assistant listing.	-	4,450
(2) Amounts paid to individuals not included on the USAID/Egypt approved technical assistant listing.	-	19,411
(3) Renumeration for NPC employee for which his services are not properly allocated to IDP. No basis of allocation was provided by IDP.	5,700	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
H. Technical Assistance (Cont.):		
(4) Unsupported billings.	-	LE 34,638
(5) Showroom maintenance expenses reimbursed by the project. This cost is an operational cost which should have been reimbursed by the GOE.	LE 1,160	-
<u>JV#</u>	<u>Date</u>	
2829	Dec. 90	
4349	Mar. 91	
5424	June.92	
5218	May. 90	
(6) Payments of LE 1,500, LE 900 and LE 540 to NPC staff were reimbursed from the IDP account because the GOE account was lacking sufficient funds. Amount is not properly allocable to the project.	2,940	-
(7) Spare parts for equipment disallowed in the commodities section. (See E(13) on page 18)	11,084	-
JV# 2994 dated December 91.		
(8) Payments to employees who perform services for both NPC and IDP, but whose salary was paid by IDP and not allocated to NPC.	15,233	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
H. Technical Assistance (Cont.):		
(9) Overtime payments not supported with adequate documentation.	-	LE 800
<u>JV#</u> <u>Date</u>		
5484 June 92		
4230 March 92		
(10) Payment for a technical assistant whose service is not fully allocable to IDP.	LE 250	-
JV# 5346 dated May 90.	_____	_____
Total Technical Assistance	<u>36,367</u>	<u>59,299</u>
I. Project Administration:		
(1) Salary supplements paid to NPC employees which were not approved by USAID/Egypt. (Amount has been reduced by LE 106,211 previously disallowed by USAID/Egypt).	-	215,217
(2) Training costs not authorized for in the USAID/Egypt approved training plan.	1,475	-
(3) Rewards paid to employees in excess of the amounts approved by USAID/Egypt.	-	18,413
(4) GOE expenses paid for by the project. (Amount has been reduced by LE 9,013 previously disallowed by USAID/Egypt.)	14,030	-

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
I. Project Administration (Cont.):		
(5) Expenses allocable to other foreign agreements. For example, cost of Japanese government party, cost for travel to Japan, and salaries related to the United Nations contribution.	LE 3,689	-
(6) Expenses unrelated to IDP activities.	7,663	-
(7) Miscellaneous ineligible expenses.	6,022	-
(8) Billing estimate prepared by IDP management which exceeded the actual expenditures for December 91 and May 92.	-	LE 3,908
(9) Payments made to employees which are allocable to both IDP and NPC for which an allocation method has not been established. (Amount has been reduced by LE 1,612 which was previously disallowed by USAID/Egypt).	-	21,425
(10) Travel costs not adequately explained or supported. (Amount was reduced by LE 130 previously disallowed by USAID/Egypt).	-	117

11

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
I. Project Administration (Cont.):		
(11) Unsupported billings. (Amount has been reduced by LE 6,392 previously disallowed by USAID/Egypt).	-	LE 51,148
(12) Travel expenses to Aswan that are not allocable to IDP.	LE <u>717</u>	<u>-</u>
Total Project Administration	<u>33,596</u>	<u>310,228</u>
J. Government Development Support:		
(1) Salary supplements paid for non-IDP activities and to non-IDP personnel, or which included amounts in excess of the USAID/Egypt approved supplement salary rate.	-	154,441
(2) Unsupported billings.	-	96,758
(3) Fuel costs which should have been reimbursed by the GOE. JV# 5438 dated May 91.	7,000	-
(4) Training costs for NPC staff that was not included on the USAID/Egypt approved IDP training plan.	3,200	-
(5) Vehicle repair costs which should have been reimbursed by the GOE. JV# 3887 dated March 91.	130	-

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<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
J. Government Development Support (Cont.):		
(6) Stationary and letterhead costs of NPC.	LE 698	-
JV# 3889 dated March 91.		
(7) Family Planning Mobile Caravan Project costs which was not approved by USAID/Egypt. A proper application for a GDS grant was not obtained.	4,400	-
<u>JV#</u>	<u>Date</u>	
1324	Oct. 90	
2417	Dec. 90	
5190	May 91	
T22	Apr. 91	
(8) Amount not returned from an imprest fund granted to the Kena governorate office.	-	LE 427
<u>JV#</u>	<u>Date</u>	
2516	Dec. 91	
T222	June 92	
(9) Allowances paid to training course participants which were not approved by USAID/Egypt or included amounts paid to participants already receiving the maximum allowance amount. Additionally, amounts were not supported with an attendee listing.		4,910
JV# 3833 dated March 91.		
Total Government Development Support	<u>15,428</u>	<u>256,536</u>

<u>Item Description</u>	<u>Questioned Costs</u>															
	<u>Ineligible</u>	<u>Unsupported</u>														
K. Population Information Center:																
(1) Salary supplements and awards paid to individuals not included on the USAID/Egypt approved salary supplements listing.	-	LE 1,874														
<table border="0"> <tr> <td><u>JV#</u></td> <td><u>Date</u></td> </tr> <tr> <td>5805</td> <td>June 92</td> </tr> <tr> <td>5236</td> <td>May 92</td> </tr> <tr> <td>4190</td> <td>Mar. 92</td> </tr> <tr> <td>4191</td> <td>Mar. 92</td> </tr> <tr> <td>4192</td> <td>Mar. 92</td> </tr> <tr> <td>4236</td> <td>Mar. 92</td> </tr> </table>	<u>JV#</u>	<u>Date</u>	5805	June 92	5236	May 92	4190	Mar. 92	4191	Mar. 92	4192	Mar. 92	4236	Mar. 92		
<u>JV#</u>	<u>Date</u>															
5805	June 92															
5236	May 92															
4190	Mar. 92															
4191	Mar. 92															
4192	Mar. 92															
4236	Mar. 92															
(2) Amount paid to a consultant which was not supported with a contract.		2,500														
JV# 5680 dated June 92.																
(3) Maintenance and fuel expenses for operating equipment and vehicles which should have been reimbursed by GOE.	LE 11,005	-														
<table border="0"> <tr> <td><u>JV#</u></td> <td><u>Date</u></td> </tr> <tr> <td>5057</td> <td>May 92</td> </tr> <tr> <td>5135</td> <td>May 92</td> </tr> </table>	<u>JV#</u>	<u>Date</u>	5057	May 92	5135	May 92										
<u>JV#</u>	<u>Date</u>															
5057	May 92															
5135	May 92															
(4) Consultant costs which should have been allocated to the IEC project financed by the United Nations.	1,500	-														
JV# 5622 dated June 92.																
Total Population Information Center	<u>12,505</u>	<u>4,374</u>														

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<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
L. Cash Balance Shortage:		
(1) Costs paid from the IDP bank account of which USAID/Egypt denied reimbursement. The IDP bank account has not been replenished to cover these disallowed expenses.	LE 154,807	-
(2) Payments unrelated to IDP activities but paid from the IDP bank account.	<u>1,107</u>	-
Total Cash Balance Shortage	<u>155,914</u>	-
M. Miscellaneous:		
(1) Amounts refunded to IDP relating to amount billed to USAID/Egypt but not subsequently adjusted to USAID/Egypt billings.	-	LE 7,227
(2) Checks written for IDP expenditures not cleared through the bank for over one year.	-	10,000
(3) Taxes billed to USAID/Egypt but not paid to the tax authority.	<u>-</u>	<u>21,038</u>
Total Miscellaneous	<u>-</u>	<u>38,265</u>
TOTAL QUESTIONED COSTS	LE <u>753,190</u>	LE <u>1,053,456</u>
		LE <u>1,806,646</u>

**NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT**

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

The National Population Council

Secretary General:
Prof. Dr. Maher Mahran
F.R.C.S., Ph.D. (EDIN.) F.R.C.O.G., (LOND.)



Timothy C. Stevens, Partner
Jeffery Hentges, Senior Manager
Price Waterhouse
4, Road 261
New Maadi

July 13, 1993

Re: The National Population Council's Formal Response to the financial audit report of project costs on the USAID funded Institutional Development Project.

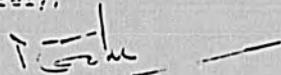
Dear Sirs,

Thank you for sharing the draft report on your audit of the Institutional Development Project (IDP), conducted on behalf of the United States Agency for International Development, and for giving us the opportunity to respond to your draft.

We have thoroughly examined the report and we accept it, and our response to the recommendations on the internal control structure and questioned costs is attached to this letter.

If you have any questions regarding our response, please contact us.

Sincerely,


Dr. Maher Mahran
Secretary General of NPC

c.c.: Carol Carpenter - Aman, Director, Population Office,
HRDC
Amari Selim, USAID IDP Population Officer
Furnan Houry, Population Officer, USAID
Amanu Lovenson, PM, IDP, USAID

**NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT**

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

The National Population Council's
Response to the Price Waterhouse
Audit Report

Background Information

Before responding to the audit report, the National Population Council (NPC) would like to briefly discuss the roles of NPC and the Institutional Development Project in order to clarify the relationship which exists between the agency (NPC) and the donor funded project (IDP). These roles are as follows:

As a result of the Government of Egypt's concern about the population problem and the emphasis on the importance of solving Egypt's population growth problem as an integral part of the national's overall development strategy, a decree was issued in 1985 (No. 19) to establish NPC. The NPC was initially headed by the president himself and was charged with ratifying population policy as well as formulating plans and programs in the areas of population and family planning that would achieve the highest rates of economic and social development.

The NPC terms of reference, as stated in the forementioned decree includes:

- a. Formulation of population policies which realize the highest possible rates of economic and social development.
- b. Approval of Annual programs for population projects and programs.
- c. Evaluate the annual achievements of the above and other projects, and issue directives for the elimination of any obstacles in their course.
- d. Decide on the annual budgets of the above and other projects.
- e. Determine and coordinate the roles of Public and Private organizations.
- f. Conduct negotiation with foreign donor organizations on population and family planning, and supervise implementation of assistance.

Therefore, the purpose of IDP is to strengthen the capacity of NPC to formulate and promote national and governorate policies on population and family planning, to develop comprehensive governorate multi-year and annual plans for population and family planning, to monitor, coordinate and evaluate the work of family planning implementation agencies, and to provide technical assistance, training and other support services necessary to develop and sustain these functions.

To achieve its purpose, IDP will concentrate on:

- a) Institutional development of NPC, TS and development of management systems and procedures; and

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- b) Strengthening NPC/TS and NPC/G leadership and technical capabilities through training programs and implementation of improved management, monitoring and evaluation systems which will assist NPC/G offices in carrying out their functions.

The activities carried out under the IDP grant funding are designed to assist the NPC in accomplishing the agency's goals and objectives. IDP activities are integrated to the extent possible, within the NPC. The majority of IDP activities are conducted by NPC staff employees, with assistance from a resident technical advisor and part-time Egyptian foreign consultants. The NPC itself is responsible for administering the IDP grant and accomplishing the goals of the project.

NPC's response to the Price Waterhouse audit report is comprised of two sections:

1. Response to the recommendations on the Internal Control Structure.
2. Response to the questioned costs.

NPC's response to the section of the audit report on compliance with laws and regulations, which cites four material instances of non-compliance, is addressed throughout the responses on internal control structure and questioned costs.

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The National Population Council's

Response to the Price Waterhouse Audit Report on Internal Control Structure

The National Population Council (NPC) recognizes the importance of maintaining a sound, effective financial management system to ensure that government of Egypt funds as well as donor agency grant funds are protected and spent on activities and items which have been authorized by the Government of Egypt and donor agency grant awards. The NPC realizes that an essential component of a sound financial management structure relates to maintaining an effective internal control structure with procedures set up to ensure that assets are safeguarded, accounting data are reliable and accurate, efficient operations are promoted and adherence to managerial policies are encouraged.

NPC is committed to improving its financial management system and is striving to achieve excellence in all aspects of its activities from management of its program and staff to management of its financial affairs. NPC's commitment to the improvement of its financial management system is evidenced by the fact that it has recently produced a Financial Management System Policy and Procedure Manual. This manual describes and documents general financial procedures currently used by NPC for all funding including GOE funds and all donor agency funding. (NPC receives donor funding from not only USAID, but also UNFPA and the government of Japan) The manual details procedures regarding budgeting, cash disbursements, payroll, incentive pay, purchasing, governorate expenses etc. The manual was written to encompass GOE regulations regarding financial procedures as well as NPC's management policies. Although the manual addresses general financial accounting procedures for all funding including USAID grant funds, it does not specifically address detailed procedures for USAID grant funding and unique USAID regulations and rules for the expenditure of grant funds.

In NPC's continuing effort to improve its financial management system, the Secretary General of NPC has requested USAID support and approval for hiring a CPA firm to evaluate NPC's system of internal control, to monitor NPC's daily financial activities, to audit all vouchers prior to submission to USAID for reimbursement, and to evaluate the skills and abilities of the financial department's staff and upgrade them through training. USAID has agreed to fund the services of a CPA firm (hereafter referred to as the resident CPA firm) to evaluate the NPC's internal control system, to perform monthly audits of expenditures incurred by the IDP and to assist NPC staff to comply with USAID financial management requirements and procedures in implementing the IDP. In addition, based on the resident CPA firm's assessment of the NPC's internal control system and Price Waterhouse's recommendations in this audit report, NPC, with the assistance of a technical consultant, is planning to write a separate Financial Management System Policy and Procedure manual which will be strictly related to USAID grant funds. The manual will be written to conform with both GOE regulations and USAID rules and regulations and will contain very detailed procedures. The procedures will include but not be limited to the following:

1. Accounting record keeping procedures.
2. Cash Disbursement and control procedures.
3. Check control procedures.

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4. Purchasing procedures.
5. Financial reporting and monitoring procedures, and
6. Specific USAID policies and procedures.

The procedures will be written to conform with sound principles of good internal control. The manual will include relevant recommendations found in the audit report prepared by Price Waterhouse as well as the recommendations of the resident CPA firm. After the manual is written, the appropriate financial management staff at NPC will be formally trained in its use. Appropriate staff will be assigned to follow up and keep informed of new USAID policies and procedures to ensure the continuous updating of the manual as changes occur in USAID regulations.

NPC management is resolved in its determination to ensuring that good internal control mechanisms are in place so that future funding from USAID will be protected and expended according to USAID regulations and future grant agreements.

The following is our response to the audit report's recommendations:

Recommendation 1

- 1.1 NPC* management needs to become more familiar with USAID/Egypt regulations and become more actively involved in the project's operations. We recommend that NPC* management review and discuss all project agreement modifications with the appropriate USAID/Egypt representatives on an ongoing basis.

* The original language of the audit report had "IDP". We think it is more appropriate to say "NPC".

Response:

We agree that it is essential that NPC staff who manage the IDP be knowledgeable with all USAID/Egypt regulations, as well as all project agreements and modifications. It is the responsibility of the IDP Project Director and the Financial Manager of the Foreign Agreements Department to communicate on an ongoing basis with the USAID/IDP Project Officer. It is also their responsibility to communicate to other NPC staff involved with IDP activities any changes which may affect policies and procedures. This recommendation will be included in the planned Financial Management System Manual for USAID funding.

- 1.2 NPC* should implement controls to ensure that all project costs are properly classified. Specifically, a chart of accounts detailing what types of costs are to be included in each budget line item or account should be developed. Additionally, all accounting entries should be approved by management prior to being entered into the accounting system.

* The original language of the audit report had "IDP". We think it is more appropriate to say "NPC".

Response:

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We agree that controls must be in place to ensure that project costs are appropriately classified. The planned Financial Management System Manual for USAID funding will include a chart of accounts with details regarding the types of costs to be included under each budget line item. Procedures will be written requiring appropriate approvals for all accounting entries before entry into the accounting records. These procedures will be based on the assessment of the resident CPA firm which will be assisting the NPC with the evaluation of internal control.

3. The Secretary General of NPC should ensure the continuity of the IDP Project Director* position and delegate full authorities over program objectives and financial compliance to this position.

* The original language of the audit report said "Executive Director". After discussion with Price Waterhouse, we assume Price Waterhouse meant "IDP Project Director".

Response:

The Secretary General of NPC agrees to delegate full authority and responsibility over program objectives and financial compliance for the IDP project to the position of IDP Project Director. This authority and responsibility will include the following:

1. The IDP Project Director will exercise continuing project management responsibility, supervise the central IDP project office and generally oversee the day-to-day management of the project. The IDP Project Director will have full responsibility and authority to supervise IDP implementation, including follow-up monitoring and assessment, and will prepare, and/or review and approve, IDP Implementation Plans and Progress Reports.
2. The IDP Project Director will have the authority to approve all financial transactions, contracts and supporting documents related to the expenditure of IDP project grant funds. He will be responsible for ensuring that all expenditures of funds are allowable according to the grant agreement. The approval of the Secretary General will only be required during the bidding process for procurement of equipment or services which will cost over L.E. 200,000. (This approval is required according to GOE regulations).
3. The IDP Project Director will be required to follow the rules and regulations of both the GOE and the USAID including all project agreements when approving expenditure of funds from the IDP grant funds.

The Secretary General of NPC will continue to provide direction and advice to the IDP Project Director through regular briefing meetings regarding the activities of the IDP. In addition the Secretary General will approve the IDP Annual Implementation Plans and receive the IDP Quarterly Progress Reports. In order to monitor financial operations of the IDP, the Secretary General will receive a copy of the Monthly Expenditure Reports submitted to USAID by the IDP Project Director.

4. The NPC IDP* Management team should meet monthly, or as necessary, to discuss

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items of importance or concern to the project. Both the Financial Manager and the IDP Project Director* should approve all costs incurred and to be incurred by the project.

* The original language of the audit report had "IDP" and "individual responsible for the project's technical activities" respectively. We think it is more appropriate to say "NPC/IDP" and "IDP Project Director."

Response:

The NPC agrees that good communication among staff managing the IDP is very important. Currently, the IDP Project Director meets regularly with IDP staff to plan program activities and monitor the progress of the activities. Annual and quarterly plans are developed and quarterly progress reports are written and reviewed and sent to USAID. Quarterly meetings are held to discuss and review the quarterly progress reports. The meeting is attended by the IDP Director, the IDP staff, the Financial Manager for the IDP, the Director of the Technical Secretariat of NPC and the Secretary General of the NPC. In addition, the Financial Manager for the IDP forwards a copy of the Monthly Expenditure Report prepared for USAID to the IDP Project Director.

The area in which enhanced communication should occur is among the IDP Project Director, the Financial Manager for the IDP, and the Secretary General of NPC. In future, the IDP Project Director will be responsible for scheduling meetings with the Financial Manager and the Secretary General on a regular basis to keep all responsible parties informed of current issues and financially related issues regarding the IDP grant. The financial manager will prepare the Monthly Expenditure Report which will be approved and forwarded to USAID by the IDP Project Director.

The NPC agrees that all expenditure transactions should be approved by the IDP Project Director and the Financial Manager for the IDP. This procedure will be written into the planned Financial Management System Manual for the USAID grant funds.

Recommendation 2

Recommendation should be created with a time card or other time documents which should be reviewed by the Financial Manager to determine that such documents are complete and have been approved by the individual's supervisor.

Before payroll disbursements are made, a completed payroll register should be reviewed and approved in writing by a responsible official who has not participated in the payroll preparation. This review may range from a cursory check to a review for general reasonableness of the following:

- Names appearing on the payroll are authorized persons.
- Payroll is evidenced by appropriate time records.
- Amounts to be paid have been computed at USAID/Egypt authorized rates.

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- Computations of gross pay, deductions and net pay are accurate.
- Paychecks agree with the payroll register.

Response:

Currently, staff receiving basic salaries from the IDP grant funds and part-time technical consultants are paid based on individual contract agreements. These contracts specify that work reports are written each month (specifying work completed) and approved by the IDP Project Director before salaries are paid to IDP staff and consultants. According to this audit recommendation, the auditors conclude that these procedures are not adequate. With the assistance of the resident CPA firm, NPC will analyze the current procedures and develop or amend IDP procedures in order to ensure that only authorized persons are paid, that time worked is substantiated with appropriate records, that amounts paid are computed at USAID authorized rates and that appropriate review and monitoring of the process occurs. The procedures developed will be included in the planned Financial Management System Manual for USAID funds.

Recommendation 3

We recommend that NPC utilize a filing system designed specifically for IDP's operations that is documented, sufficiently controlled, and tracks documents or files throughout the transaction process.

Response:

Currently, NPC files IDP financial transaction documents in the Accounting Department along with documents relating to GOE funds, UNFPA funds and other donor agency funds. According to this audit report, the auditors had difficulty locating various documents during the course of the audit. NPC recognizes that a good filing system is essential for verification and documentation of financial transactions not only for financial audits but for tracking purposes by NPC management. With the assistance of the resident CPA firm, the NPC will develop a better filing system for the IDP so that audits and tracking of financial transactions will be facilitated. The procedures developed will be incorporated into the planned Financial Management System Manual for USAID funds.

Recommendation 4

NPC should pay salary supplements only to those individuals entitled to them and for the amount approved by USAID/Egypt.

Response:

Beginning July 1, 1993, salary supplements to NPC employees working on IDP activities will no longer be paid out of IDP grant funds. The GOE will be responsible for paying salary supplements to staff working on IDP activities after July 1, 1993.

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The audit report revealed that salary supplements were paid to NPC staff who were not eligible under the terms of the USAID project agreement. NPC and USAID recognized this problem during the second quarter of 1992. A committee was formed at NPC to deal with the problem and make recommendations to change the system to ensure that only approved NPC employees would receive salary supplements based on their contribution to IDP activities. The committee devised a system including a list of approved personnel eligible to receive salary supplements. The plan was approved by the IDP project director and the Secretary General of NPC and submitted to USAID. The new system was put into operation in November 1992.

Recommendation 5

We recommend that all entries be supported by some type of document that identifies the reason for the entry, the general ledger accounts affected, the person preparing the entry and the person(s) reviewing and approving it.

Two critical elements of IDP's internal control structure are documentation supporting each transaction and the review and supervision of entries in the general ledger. Without one or both of these elements there is no control over resources. The present system that allows entries to be made without documentation or review for any reason compromises the system's accountability and audit trail.

Response:

NPC realizes that an essential aspect of sound internal control relates to the importance of documenting all financial transactions. Likewise, appropriate review and supervision of entries made into the accounting records is crucial to maintaining accurate and reliable accounting data. With the assistance of the resident CPA firm, better procedures will be developed to ensure that appropriate documentation is maintained to explain all expenditures of funds and adjustments, and that each transaction has the required proper signature approvals. Appropriate procedures will be written to ensure proper review of entries into the accounting records and that reconciliations are performed between the accounting records and financial reports submitted to USAID. These procedures will be included in the planned Financial Management System Manual for USAID funds.

Recommendation 6

1. To strengthen internal accounting controls surrounding cash we recommend that:

a. All cash remittances should be listed and deposited promptly. A copy of the listing should be forwarded to the accounting department for subsequent comparison with the bank deposit.

b. All receipts should be reconciled on a monthly basis, in addition to performing a regular and independent cash count processing and recording activities. The auditor should review and approve all completed reconciliations. Further bank reconciliations should be documented and include the following procedures:

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- comparison of deposit amounts and dates with cash receipt entries;
- checks outstanding for more than a reasonable time period should be written back to "cash" and, if necessary, billing adjustments made to USAID/Egypt;
- comparison of payee name, date and amount on canceled checks with cash disbursement records;
- comparison of endorsements on canceled checks to payees as shown on the face of the check. (This may be done on a test basis);
- comparison of book balances used in reconciliations with the cash disbursement listing; and
- footing the cash book.

Access to and accountability for highly vulnerable documents, such as check stock, can be achieved by:

- keeping check stock in a locked safe;
- accounting for the sequential numbering of the check stock; and
- assigning custodial accountability to responsible individuals.

Procedures should be in effect to immediately notify banks when an authorized check signer leaves the employ of IDP.

IDP should maintain a separate bank account for activity relating to USAID/Egypt. This will result in increased accountability of and control over USAID/Egypt resources.

Vendors should sign receipts acknowledging payment for their services.

Response:

NPC recognizes that it is essential to have sound procedures in place to ensure the control of cash. NPC, with the assistance of the resident CPA firm, will develop procedures to strengthen control over cash. These procedures will incorporate the recommendations of Price Waterhouse listed above and any additional recommendations which may be made by the resident CPA firm. The new procedures will be included in the planned Financial Management System Manual for the USAID grant funds.

Recommendation 7

Advance account subsidiary records should be maintained and reconciled to the cash

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disbursement records and expense reports each month and the reconciliations should be reviewed and approved by the Financial Manager. Expenditures should not be billed to USAID/Egypt until properly reconciled.

To facilitate proper reconciliation, the following procedures and controls should be implemented:

Only one bonded employee at each governorate office should be allowed to sign for advances.

Monthly advance totals from the cash disbursement record should be compared to the advance subsidiary records and differences investigated by the Financial Manager.

Governorate expense reports should be summarized monthly and compared to the advance subsidiary records. Differences should be investigated by the Financial Manager.

Excessive advance balances should be refunded to IDP. Further, additional advances should not be granted without performing a reconciliation of prior advances.

Advance totals should be produced on a monthly basis for each governorate office and compared to the main office records. Differences should be investigated by the Financial Manager.

The accountant in-charge should not accept unapproved expense reports and should not issue advances without the signature of the governorate official receiving the advance.

The accountant in-charge should initial all advance request forms and expense reports as evidence of performing all of the foregoing procedures.

Response:

Based on this audit report, NPC realizes that the current system for maintaining, monitoring and reconciling advance payments needs to be changed in order to ensure control over cash and the proper billing to USAID of IDP project costs.

New procedures regarding advance payments will be developed by NPC with the assistance of the resident CPA firm. These new procedures will include those listed above under recommendation 7 except for the following:

"The accountant in charge should not accept unapproved expense reports and should not issue advances without the signature of the governorate official receiving the advance." NPC often sends advance payments to the governorates by mail. The governorate representative to whom the check will be written cannot always travel to the NPC technical secretariat to pick up the check personally and sign a document verifying receipt of the check. With the assistance of the resident CPA firm, NPC will develop an appropriate procedure to verify that advance payments are received by designated governorate representatives.

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Procedures will also be written to ensure that USAID is not billed for project costs until the advance payments are properly reconciled.

All new procedures will be incorporated into the planned Financial Management System Manual which will be written for the USAID grant funds.

Recommendation d

We recommend that a complete fixed asset physical inventory be taken and detailed fixed asset records be reconstructed.

NPC's approach to the above recommendation may include the following techniques:

A complete fixed asset physical inventory should be taken currently and updated on a periodic or rotating basis.

Detailed fixed asset records should be prepared from the expenditures per the general ledger and include asset description, location, identification number, date of acquisition and installed cost.

Detailed fixed asset records should be segregated by donor source. That is, GOE funded fixed assets should be separately identified from USAID Egypt.

Fixed assets should be appropriately tagged for subsequent comparison to the detailed fixed records and to provide physical control over the related assets.

The detailed fixed asset register should be compared with the fixed asset physical inventory. If a difference between the recorded and existing fixed assets occurs, appropriate action should be taken to correct the discrepancy and to eliminate its cause. Unlocatable fixed assets should be reported to USAID Egypt.

At the completion of the above procedures, an adjusted commodities report should be submitted to USAID Egypt.

Response:

Currently, NPC maintains combined fixed asset records on all equipment purchased regardless of the funding source used to purchase the equipment. NPC follows GOE rules regarding the recording of fixed assets, the transfer of the assets and the retirement of the assets. NPC also conducts a yearly physical inventory of all fixed assets (including those purchased with IDP funds) based on the rules established by the GOE in the General Stores Regulations.

As the audit report has documented, NPC does not maintain separate fixed assets records for assets purchased with IDP grant funds. NPC recognizes the importance of maintaining separate fixed asset records for IDP purchased equipment and conducting periodic inventories to maintain physical control over their use.

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NPC will develop procedures to ensure that separate fixed assets records will be maintained on IDP funded assets and periodic inventories will be conducted. In addition, NPC will follow recommendation 8 and conduct a physical inventory on current IDP funded fixed assets and reconstruct fixed assets records. The procedures for accomplishing this task will be based on the approach suggested by Price Waterhouse in recommendation 8 and other procedures developed by NPC with assistance from the resident CPA firm. When the fixed assets records have been reconstructed, a revised commodities report will be submitted to USAID/Egypt.

Recommendation 9

We recommend that a comprehensive insurance policy be purchased for all significant assets in which NPC assumes the responsibility for maintenance and safekeeping.

Response:

Currently, NPC does not carry any insurance policy for any fixed assets or buildings maintained by NPC. Ministry of Finance regulations for NPC permit the purchase of insurance for NPC's assets from a public national insurance company as long as the money has been allocated for this purpose in the NPC budget. For fiscal year 1993-94, the NPC budget has no funds allocated for insurance. NPC recognizes the importance of safeguarding fixed assets purchased with IDP funds from loss, fire and other hazards. Therefore, NPC will make a request to the MOF asking for funds to be allocated to NPC to purchase an insurance policy on the significant assets purchased with IDP funds and under the safekeeping of NPC.

Recommendation 10

Fixed assets should be stored in suitable enclosed locations and access limited. Appropriate requisitioning procedures should be followed to issue these assets only to authorized employees.

Response:

Currently, NPC conforms to MOF regulations regarding control over fixed assets. These regulations require that requisitions be submitted to the Stores Dept. requesting use of equipment and materials. The Stores Dept. keeps records regarding the location of all assets and conducts physical inventories yearly. NPC agrees that assets should be properly stored and access to the assets limited to authorized employees. NPC with the assistance of the resident CPA firm, will evaluate the current procedures regarding the storage and requisitioning of assets and will make any necessary changes in the current procedures in order to strengthen control over assets. Any procedures developed will be included in the planned Financial Management Policy and Procurement Manual which will be written for the USAID grant funds.

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National Population Council's Response
To The Questioned Costs In
The Price Waterhouse Audit Report

The Price Waterhouse audit report of the Institutional Development Project listed in detail those costs which the auditors determined were ineligible or unsupported. The National Population Council has examined the questioned costs, to the extent possible since receiving the audit report, and has categorized these costs as follows:

1. Unallowable Costs

The NPC has made the determination that these costs are not allowable under the terms of the IDP grant and should not be charged to the IDP Project. The NPC will assume the financial responsibility for the unallowable amounts.

2. Allowable Costs

The NPC has made the determination that these costs are allowable under the terms of the IDP grant and has provided Price Waterhouse with detailed documentation and justification to explain why the costs are allowable. These details have been provided to Price Waterhouse under separate cover.

3. Remaining Costs Under Investigation

Because of time constraints, the NPC has not been able to fully investigate all of the questioned costs in the audit report. Therefore, the NPC will continue to research and analyze the remaining costs over the next several weeks. The NPC will submit further reports and information to USAID in order to resolve all of the remaining questioned costs.

The attached table contains a breakdown showing the total amount questioned (column 1), the unallowable costs (column 2), the allowable costs (column 3), and the remaining costs under investigation (column 4).

The amounts are in US dollars taken from Appendix B of the audit report.

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APPENDIX B

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AUGUST 10, 1987 - JUNE 30, 1992
AMOUNTS IN US\$

REFERENCE NUMBER	PAGE NO.	TOTAL AMOUNT QUESTIONED	UNALLOWABLE AMOUNTS	ALLOWABLE AMOUNTS	REMAINING AMOUNT UNDER INVESTIGATION
1	10	16,429			16,429
2	10	16,199			16,199
3	10	3,429			3,429
4	10	3,421			3,421
5	10	2,580			2,580
6	10	15,411			15,411
7	10	15,383	14,193		1,190
8	10	120			120
9	10	1,283			1,283
10	10	1,289			1,289
11	10	16,965			16,965
12	10	14,152			14,152
13	10	11,315			11,315
14	10	1,155			1,155
15	10	2,770			2,770
16	10	5,000			5,000
17	10	177			177
18	10	1,765			1,765
19	10	17,360			17,360
20	10	173	148	25	
21	10	20			20
22	10	16,289	17,725		
23	10	16,719			16,719
24	10	1,100			1,100
25	10	1,100		1,100	
26	10	1,271			1,271
27	10	1,950	1,413		537
28	10	1,600	1,520		80
29	10	19,637	16,315	3,322	
30	10	1,200		1,200	
31	10	1,225			1,225
32	10	1,225			1,225
33	10	1,650			1,650
34	10	1,140			1,140
35	10	1,159			1,159
36	10	1,271			1,271
37	10	120			120
38	10	145			145
39	10	152			152
40	10	19			19
41	10	1			1
42	10	1			1
43	10	2,631			2,631
44	10	159			159
45	10	1,200			1,200
46	10	121			121
47	10	148			148
48	10	1			1
49	10	1,031			1,031
50	10	13			13
51	10	4,100			4,100
52	10	1,271			1,271
53	10	4,450			4,450
54	10	17,411			17,411
55	10	1,729			1,729

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14	12/10	14,638			14,638
15	12/10	1,160			1,160
16	12/10	2,740	2,740		
17	12/10	11,384			11,384
18	12/10	15,233			15,233
19	13/10	800			800
110	13/10	250			250
11	13/10	215,217			215,217
12	13/10	1,475			1,475
13	13/10	18,413			18,413
14	13/10	14,030			14,030
15	14/10	1,689			1,689
16	14/10	7,663			7,663
17	14/10	6,022			6,022
18	14/10	3,708			3,708
19	14/10	21,425			21,425
110	14/10	117			117
111	15/10	51,148			51,148
112	15/10	717			717
11	15/10	254,441			254,441
12	15/10	16,758			16,758
13	15/10	7,000			7,000
14	15/10	1,200			1,200
15	15/10	130			130
16	16/10	598			598
17	16/10	4,400			4,400
18	16/10	427			427
19	16/10	4,910			4,910
11	17/10	1,874			1,874
12	17/10	2,500			2,500
13	17/10	11,305			11,305
14	17/10	1,500	1,500		
11	18/10	154,807			154,807
12	18/10	1,107			1,107
11	18/10	7,227			7,227
12	18/10	13,000			13,000
13	18/10	21,338			21,338
NPC	TOTAL	2,054,061	58,756	250,290	1,745,315
F. WATERHOUSE	TOTAL	2,054,691			
DIFFERENCE		630			

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Attached are copies of the documentation regarding the questioned costs which NPC has determined are allowable under the terms of the IDP grant. These costs are referenced in NPC's formal response to the audit. These costs are detailed on the attached table - column 5 - Allowable Costs.

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Commodities 3 Page 5

The attached voucher No. 4332 (L.E.145) does not relate to Dr. Mahran's car telephone. It is the cost of increasing the electrical capacity at one of the governorate offices. This was necessary in order to accommodate a computer which was provided to the governorate NPC office with approved IDP funds.

**NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT**

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Commodities 8 Page 6

- These typewriters (4) could not have been purchased from East Germany as East Germany is not a "free World" country. See attached Geographic code.

- Purchase may only be made from code 899 - Free World countries.

NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Commodities 12 Page 7

According to the Price Waterhouse auditors, no supporting documents (vouchers) were available at NPC to explain certain general ledger entries. The following vouchers have been located and copies are attached.

<u>Voucher Number</u>	<u>Amount (L.E.)</u>
5195	85,000
1871	80,750
4938	384
1294	6184
77	4820
T68	357
3563	350

Total L.E. 177,845

NATIONAL POPULATION COUNCIL
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MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Commodities 13 - Page 7

The NPC did not violate USAID source and origin requirements in October 1988 when purchasing photocopies from Japan. The USAID regulations in effect at that time (see attached regulations -4b) state that:

1. Purchases may be made from code 899 countries. Japan is a code 899 country (see attached geographic codes).
2. Purchases may be made from code 899 countries if the cost does not exceed \$ 25,000 or 10 % of the total local costs financed by AID for the project. The amount paid for the photocopiers falls under 10 % of the total local costs (L.E.70,200) (10 % of L.E. 1,130,050 = L.E. 113,005).
See Budget for IDP project attached-year 1.

**NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT**

AUDITOR'S RESPONSE

NPC has provided responses to the internal control recommendations and a portion of the questioned costs. Our responses below address NPC management responses only relating to questioned costs in which NPC management maintains are allowable under the terms of the IDP grant. Note: our response follows the same format used in the NPC response.

NPC has agreed to research and correct the relevant internal control weaknesses with the assistance of a resident CPA firm.

Reference Number E3, Page No. 5/18

Car telephone expenses of the Secretary General totalling LE 393 were questioned as being unreasonable or unnecessary costs of the IDP project. NPC states that LE 145 relates to electrical expenses of a governorate office (voucher 4332). According to documentation supplied by NPC during the course of our audit, voucher 4332 relates to personal car telephone expense and not electrical expenses of a governorate office. Therefore, we continue to question this cost.

Reference Number E8, Page No. 6/18

Arabic typewriters purchased for LE 2,100 was questioned due to inadequate procurement procedures. IDP failed to accept the lowest bid received and did not provide adequate justification for not accepting the lowest bid. We did not question this cost because of its purchase origin as referred to in the NPC management response.

Reference Number E12, Page No. 7/18

LE 239,637 was questioned due to missing or unlocatable documentation. NPC included in their response documentation supporting incurred costs of LE 177,845. Therefore, the finding has been decreased to LE 61,792.

Reference Number E13, Page No. 7/18

Based upon the explanation and supporting documentation provided by NPC in their response, we no longer question this cost. Accordingly, this finding has been removed from our report.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

OCT 5 1993

MEMORANDUM

TO: Phillip Holt, A/RIG/A/C

FROM: Christopher D. Crowley, D/DIR

SUBJECT: NFA Report on National Population Council (NPC) Local Expenditures Incurred Under Project Implementation Letter (PIL) No. 18 Related to the Institutional Development Project (IDP) Under USAID/Egypt Population Project No. 263-0144

Following are the actions taken by Mission to resolve the three Recommendations under the subject audit:

Recommendation No. 1:

We recommend that USAID/Egypt resolve questioned costs of \$669,127 consisting of ineligible costs of \$278,959 and unsupported cost of \$390,168 as detailed on pages 14 through 27 of the audit report.

Mission Response:

The NFA report listed in detail those costs which were determined to be ineligible or unsupported. The National Population Council (NPC) is in the process of examining the questioned costs. Supporting documents that were not available at the time of the audit are being collected and reviewed. A weekly review is performed by the project officer to determine whether the supporting documents are related to the questioned cost and to the approved project activities. Based on this review, the table that was attached to the NPC response has been updated to show the total amount questioned (column 3), the unallowable costs (column 4), questioned costs whose supporting documents are ready for review and verification (column 5) and remaining costs under investigation, whose supporting documents have not been submitted by NPC (column 6). A review to determine the accuracy and completeness of the supporting documents (column 5) should be performed by a USAID financial analyst once all the documentation is completed.

- 2 -

The amounts in the table (Attachment A) are in LE and are taken from Appendix B of the audit report.

Thus, to date, USAID finds LE 327,192 of the questioned costs as not allowable (sustained). USAID has requested that the NPC submit all missing supporting documentation for questioned costs (column 6) by October 31, 1993 to be reviewed by a USAID financial analyst, otherwise NPC will be responsible for the payment of the unallowable costs in addition to the remaining costs under investigation.

Based on the above, we request that this recommendation remain unresolved until final determination is made by the Mission. USAID will request resolution when the remaining costs are fully examined.

Recommendation No. 2:

We recommend that USAID Egypt require NPC/IDP to address the inadequate internal control procedures as detailed on pages 31 through 44 of the audit report.

Mission Response:

USAID Office of Financial Management has issued a letter dated October 4, 1993 (Attachment B) to Dr. Maher Mahran, Secretary General of the NPC requesting the NPC to address its internal control weaknesses as detailed in the NFA report. USAID is in the process of contracting with a CPA firm to assist the NPC in setting up sound internal control procedures that will meet the requirements for eligibility for USAID funding.

Based on the above we request that this recommendation be resolved. Mission will request closure when adequate internal controls are set up and implemented.

Recommendation No. 3:

We recommend that USAID/Egypt require NPC/IDP to address the non-compliance issues as detailed on Pages 49 through 56 of the audit report.

- 3 -

Mission Response:

The NFA report listed material instances of noncompliance that USAID was partially aware of. USAID had already officially written to the NPC management concerning these issues. USAID disallowed expenditures for several months starting January 1992 when they were found to be in noncompliance with the terms of the grant.

In the process of reviewing the audit findings listed on pages 49 through 56 and related documentation it was found that a number of the findings are allowable expenditures and are in compliance with the terms of the grant. The expenditures in the NFA report are calculated and listed in a fashion that makes it almost impossible to identify those that are allocable and allowable. It would be quite useful if Price Waterhouse would provide the journal voucher numbers of the questioned costs and the detailed reclassification of expenditures including voucher numbers, dates, amounts and explanations of the reclassification between line items to both USAID and the NPC. **However, Mission review, to date, has concluded the following:**

A. Salary Supplements and Other Incentive Awards:**(1) Salary Supplements:**

Payment of salary supplements and incentives to the NPC/IDP staff was authorized by PIL 18 Amendment No.6 dated May 6, 1991 authorizing the revised fourth version of the IDP dated **August 1990**. The IDP project paper included the cost of salary supplements under line item "Project Administration" detailed in table 5 on page 65 (Attachment C).

The first salary supplement report was submitted to USAID Office of Population on October 28 1990. Further reports were submitted in March 1991 and in June 1992 (Attachment D). Any salary supplement payments made prior to August 1990 or to individuals other than those listed in the salary supplement reports should be considered unallowable.

(2) Technical Assistance:

The IDP project paper (version 2 dated March 1988) included in pages 15, 16, 19 and 28, under the

- 4 -

subtitle "Technical Assistance", a description of the Foreign and Egyptian Technical Assistance to the NPC that will be funded under the IDP. USAID approved the second version of the IDP by issuing PIL 18 Amendment No. 2. The purpose and titles of the long term and short term consultants are included in Attachment E. The fourth version of the IDP Project Paper included more details on the Technical Assistance level of effort. In sum, hiring of consultants and payment of compensation to those consultants from IDP funds was approved in March 1988.

B. Numerous costs that should have been reimbursed by GOE:

(1) Academic Training:

According to the IDP sub-project paper, version three, section 4-5 and the fourth version, pages 23 and 24, the project is to fund "technical training of staff through University-based and specially designed competency-based training courses,.." (Attachment F). The academic training costs of NPC/IDP staff are allowable costs.

(2) Expendable and Training Supplies:

Commodities budget (table 4, page 64) in IDP project paper (fourth version) includes funds for "Printed Manuals and Training Aids and Expendable Supplies". Printing and photocopying paper, training supplies and other expendable supplies are authorized to be funded for IDP project activities within the approved amount in the budget (see Attachment G).

(3) Minor Renovations:

Item 12 page 53 of the NFA report stated that renovations were made to governorate offices that were not listed on the approved offices renovation plan. As stated in the IDP Project Paper (fourth version) on page 25 item 3 "IDP inputs to support ... financial assistance for selected space renovations at NPC/TS and NPC/G offices." (See Attachment H). The list provided in Appendix E of the same document was prepared based

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on an assessment that was performed in 1989. Renovations for the five governorate offices stated in item 12 on page 53 of the NFA report and for the Technical Secretariat Building in Maadi were required and essential and were requested in the IDP annual implementation plans and funds were allocated accordingly in the PIL amendments approving those implementation plans.

C. Maintaining Adequate Books and Records:

During the process of the audit and preparation of the audit response it has been noticed that the NPC does not properly maintain adequate books and records. Retrieval of supporting documents for inspection and review is a long and exhausting process. USAID has decided to assist the NPC in improving its system for maintaining financial books and records and supporting documents. USAID is in the process of hiring a CPA firm to undertake this task.

D. Project Costs Exceeded the USAID/Egypt Approved Budget:

As mentioned above, USAID needs to inspect the reclassification of expenditures that was performed by the NFA. Item 6 on page 2 of the Payment Provisions for periodic revolving advances in Local Currency that was included in the original PIL 18 dated September 13, 1987 as attachment "C" states that "... Grantee shall be allowed to augment any line of the approved budget, other than salaries, overhead and or contingency, up to a maximum of 20% of that line item by reallocation from other line items" (see Attachment I).

According to the NFA reclassification of the IDP budget, this provision has not been taken into consideration by the auditors while identifying and questioning the budget overruns.

USAID has requested that NPC specifically address the measures taken or will be taken to correct the compliance issues identified in the NFA report, and requested a separate letter from NPC detailing those measures (Attachment B).

- 6 -

Based on the above we request that this recommendation be resolved. USAID will request closure when the above mentioned letter from the NPC is received and the corrective actions taken are assessed to be adequate.

Att: a/s above

100

(AMOUNTS IN LE)

REFERENCE NUMBER (1)	PAGE NO. (2)	TOTAL		REMAINING UNDER INVESTIGATION	
		AMOUNT QUESTIONED (3)	UNALLOWABLE COSTS (4)	SUPPORTING DOCUMENTS (5)*	COSTS NOT INVESTIGATED (6)
A1	1/18	34,429			34,429
A2	1/18	46,999			46,999
B1	1/18	13,429		13,189	240
B2	1/18	78,821	24,228	16,402	38,191
B3	2/18	2,680			2,680
B4	2/18	36,411	10,124	26,287	0
B5	2/18	15,083	14,993	90	0
B6	3/18	700	700		0
B7	3/18	1,283	1,283		0
B8	3/18	12,189	12,189		0
B9	3/18	66,985	1,250	54,045	11,690
B10	4/18	14,152			14,152
C1	4/18	61,315	61,315		0
D1	4/18	4,355			4,355
D2	4/18	2,770	1,420	1,200	150
D3	4/18	5,000	5,000		0
D4	5/18	177		177	0
E1	5/18	25,965			25,965
E2	5/18	37,360	18,999	8,935	9,426
E3	5/18	393	248	145	0
E4	5/18	120	120		0
E5	5/18	46,114	33,190		12,924
E6	6/18	36,739	21,739	15,000	0
E7	6/18	3,900		3,900	0
E8	6/18	2,100		2,100	0
E9	6/18	7,271	7,271		0
E10	7/18	2,950	2,950		0
E11	7/18	1,600	1,600		0
E12	7/18	61,792	15,551	34,728	11,513
E13	7/18				0
E14	7/18	7,225	75	4,110	3,040
F1	8/18	35,280	1,105	23,164	11,011
F2	8/18	24,040	18,307	5,733	0
F3	8/18	21,359			21,359
F4	8/18	1,073			1,073
F5	9/18	200			200
F6	9/18	485	485		0
F7	9/18	3,350	3,350		0
F8	9/18	389		389	0

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REFERENCE NUMBER (1)	PAGE NO. (2)	TOTAL		REMAINING	COSTS
		AMOUNT QUESTIONED (3)	UNALLOWABLE COSTS (4)	UNDER SUPPORTING DOCUMENTS (5)*	INVESTIGATION NOT INVESTIGATED (6)
F9	9/18	371			371
F10	9/18	13,631	1,472	3,429	8,730
F11	9/18	859			859
F12	10/18	12,000		12,000	0
F13	10/18	621	621		0
F14	10/18	148			148
F15	10/18	264			264
F16	10/18	71,801			71,801
G1	11/18	293	293		0
G2	11/18	4,900	4,900		0
G3	11/18	62,763			62,763
H1	11/18	4,450	250	4,200	0
H2	11/18	19,411			19,411
H3	11/18	5,700	4,800	900	0
H4	12/18	34,638	4,288	11,010	19,340
H5	12/18	1,160			1,160
H6	12/18	2,940	2,940		0
H7	12/18	11,084	11,084		0
H8	12/18	15,233			15,233
H9	13/18	800			800
H10	13/18	250			250
I1	13/18	215,217			215,217
I2	13/18	1,475			1,475
I3	13/18	18,413			18,413
I4	13/18	14,030	5,662		8,368
I5	14/18	3,689			3,689
I6	14/18	7,663	1,141	1,220	5,302
I7	14/18	6,022	2,052		3,970
I8	14/18	3,908			3,908
I9	14/18	21,425			21,425
I10	14/18	117	30	87	0
I11	15/18	51,148			51,148
I12	15/18	717	717		0
J1	15/18	154,441			154,441
J2	15/18	96,758	6,521	72,906	17,331
J3	15/18	7,000	7,000		0
J4	15/18	3,200		3,200	0
J5	15/18	130			130
J6	16/18	698			698
J7	16/18	4,400			4,400
J8	16/18	427			427
J9	16/18	4,910			4,910
K1	17/18	1,874	924		950
K2	17/18	2,500	2,500		0
K3	17/18	11,005	11,005		0
K4	17/18	1,500	1,500		0
L1	18/18	154,807			154,807
L2	18/18	1,107			1,107
M1	18/18	7,227			7,227
M2	18/18	10,000			10,000
M3	18/18	21,038		20,231	807
TOTALS		1,806,646	327,192	338,777	1,140,677

* DOCUMENTS AVAILABLE FOR REVIEW BY USAID FINANCIAL MANAGEMENT FOR APPROVAL/DISAPPROVAL



CAIRO, EGYPT

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

ATTACHMENT "B"

APPENDIX E Page 9 of 33

USAID/Financial Management
c/o American Embassy
8 Kamal El-Din Salah St.,
Garden City, Cairo, Egypt

OCT 04 1993

Dr. Maher Mahran
Secretary General
National Population Council
Dar El Salam (Before El Salam Hospital)
Maadi, Egypt

Subject: Audit of the National Population Council (NPC) Local Expenditures under Project Implementation Letter (PIL) No. 18 Related to the Institutional Development Project (IDP) under USAID/Egypt Population Project No. 263-0144

Dear Dr. Mahran:

Attached is a copy of the Final Draft Audit Report on NPC's locally incurred costs under USAID/Egypt PIL No. 18, Institutional Development Project (IDP), a subproject of Population/Family Planning II Project No. 263-0144 issued by Price Waterhouse. The report contains three recommendations. Recommendation No. 1 is detailed on pages 14 through 27 of the audit report and will require NPC to resolve the questioned costs including the unsupported costs. The NPC should prepare and submit all missing supporting documents for USAID review and approval/disapproval by **October 31, 1993**, otherwise NPC will be responsible for paying the unallowable costs in addition to the unsupported costs which may amount to approximately LE 1.5 million.

Recommendations No. 2 and No. 3 are detailed on pages 31 through 44 and pages 49 through 56 of subject report, respectively. USAID will be carefully evaluating NPC's actions described in your letter of July 13, 1993 included as Appendix C of the report

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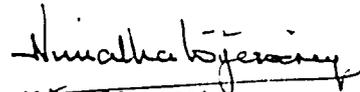
-2-

in alleviating the internal control deficiencies included in subject report. As your letter of July 13 did not specifically address the measures taken, or to be taken, to correct the compliance issues identified in the report, we herewith request a separate letter from NPC detailing those measures.

As requested in your letter of April 28, 1993 and reiterated in your July 13 response to the draft audit report, USAID will be pleased to assist the NPC in strengthening its financial management system, improving internal controls and providing training for the foreign agreements department and financial management staff on recordkeeping, cash control, payroll, procurement and financial reporting and monitoring procedures that comply with USAID rules and regulations.

Please ensure that your staff gives priority attention to this serious matter, as prompt resolution will be needed to ensure future USAID support. In particular the efforts of the NPC financial management staff must be mobilized to provide the missing supporting documentation to USAID by October 31. If you need any assistance or require clarification, please let me know.

Sincerely,



Nimalka Wijesooriya
Acting Associate Director
Financial Management

Attachment: a/s

cc: Fawzy Abdel Ghani, IDP Director

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TABLE 5
IDP PROJECT ADMINISTRATION BUDGET
(IN LE 000's)

COURSE TITLE	UNIT COST	TOTAL	YEAR 1 1-12/88 (ACTUAL)	YEAR 2 1-12/89 (ACTUAL)	YEAR 3 1-12/90 (EST.)	YEAR 4 1-12/91 (EST.)	YEAR 5 1-12/92 (EST.)	YEAR 6 1-5/93 (EST.)
1. PROJECT STAFF SALARIES/ALLOWANCES								
- Project Director	*1200/Mo				7.2	14.4	15.8	7.3
- PIS Unit Manager	900/Mo					10.8	10.8	4.5
- RMU Manager	1000/Mo					12.0	12.0	5.0
- Secretaries (Arabic/English) (2)**	300/Mo				7.2	7.2	7.2	3.0
- Engineer (Renovations)(1)	600/Mo				7.2	7.2	7.2	0.0
- Technical (Specialist)(11)**	300/Mo				2.4	39.6	39.6	16.5
SALARY SUB-TOTAL					24.0	91.2	92.6	36.3
2. TRAVEL EXPENSES								
2.1 Project Staff and Egyptian Consultants								
- Est. cost of day trips	20/Day					4.8	4.8	2.4
- Est. cost of overnight	50/Day					12.0	12.0	6.0
2.2 Governorate Staff (for travel and meetings)								
- Estimated cost						109.2	133.6	66.8
3. PLANNING TASK FORCE						10.0	10.0	5.0
4. PROGRAM MONITORING & COORDINATION						100.0	100.0	50.0
TRAVEL SUB-TOTAL					27.2	236.0	260.4	130.2
GRAND TOTAL		908.8	-0-	10.9	51.2	327.2	353.0	166.5

* Part time

** NPC staff, salary supplements equivalent to 200% of basic salary funded under the project not to exceed L.E. 300.0.

THE NATIONAL POPULATION COUNCIL

ATTACHMENT 1B

IDP finance



October 28, 1990

Mrs. Amani Selim
Project Management Specialist
Office of Population, USAID
CAIRO

Dear Mrs. Amani Selim,

Please find attached a list of personnel entitled to be paid monthly under the IDP Project.

With my best regards

*Samira
28-10-90*

Sincerely yours,

Dr. Laila Kamel
Project Director

LIST OF NPC PERSONNEL PAID MONTHLY
UNDER THE IDP PROJECT

			<u>Monthly Salary</u>
			LE 600
1.	Dr. Laila Kamei	Project Director	
2.	Dr. Madiha Said	Expert	500
3.	Dr. Salwa Abdel Azim	"	600
4.	Dr. Abdel Ghani Mohamed Abdel Ghani	"	500
5.	Mr. Gamal El Nahas	"	600
6.	Mr. Ibrahim El Etriby	"	300
7.	Eng. Adel Osman	For Renovation	400
8.	Eng. Abdel Hamid Farouk	For Show Room	200
9.	Mr. Michel Georgy	Pop. Distribution Responsible	250
10.	Lewa Mostafa Samir Ibrahim	Security Responsible	250
11.	Mrs. Thoraya Bayoumi	Superv., Qaliubia Office	100
12.	Mrs. Amal Abdel Karim	" Aswan "	100
13.	Mrs. Aleya Rifaat	" Suez "	100
14.	Mrs. Laila Qoura	" Menufia "	100
15.	Mr. Shamroukh Ibrahim	" Qena "	150
16.	Dr. Mohamed Ali Nasr	" Menia "	100
17.	Mr. Mohamed Youssef Sabri	Director, Giza Office	300
18.	Miss Suzan Mahmoud	Transferred from EGYPT 21	200
19.	Ms. Manal El Fiqi	" "	300
20.	Mr. Abdel Fattah Sayed	Project Staff	
21.	Mr. Esam Madkour	" "	
22.	Mr. Mohamed El Leithy	" "	
23.	Mr. Helmy Mostafa	" "	
24.	Mrs. Faiza El Wakil	" "	

Samira

and 4 regional coordinators

Mr. Ahmed Hegab	75
Mr. Mostafa Abdul Salam	75
Mr. Alam EL Din Thabet	75
Mr. Hassan Abdallah Motaweh	75

LIST OF PERSONNEL PAID
UNDER THE IDP PRO.

		<u>Monthly Salary</u>	
1] A. <u>Project Professional Staff</u>			
1.	Dr. Laila Kamel, Project Director	1200	
2.	Mr. Gamal El Nahass, PIC Manager	1200	
3.	Dr. Talaat El KaSSABY, Res.Unit Manager	1000	
4.	Dr. Ramzy El Shaair, Legal Couns.	600	
5.	Mr. Ibrahim El Etriby, Tech.Spec.	425	
6.	Eng. Adel Osman, Ren.Spec.	400	
7.	Eng. Abdel Hamid Farouk, PIC	200	
8.	(Not appointed yet), Security Spc.	400	
9.	" " " Pop.Inf. (Maps)	250	
10.	Mr. Ayman Ali Hassan, PIC	250	
11.	Mr. M. Abdel Salam, PIC	250	
12.	Mr. Mohamed Amer, Gov.Support	415	
13.	Mr. Nabil Ramzy, Monitoring Spc./Evaluation	415	
14.	Mrs. Samira Sadek, Foreign Agr.Dir.	400	
15.	Mr. Shehata Mohamed, Research Spc.	320	
16.	Mr. Mohamed El Leithy, Proc.Spc.	260	
17.	Mr. Helmy Moustafa, Training Spc.	255	
18.	Miss Kawthar Farag, Gov.Affairs Spc.	240	
19.	Mr. Abdel Messih, Financial Spc.	230	
20.	Miss Samia Sadek, Comp.Spc.	225	
21.	Mr. Essam Madkour, Monitoring Spc.	185	
22.	Mr. Abdel Fattah Sayed, Planning Spc.	170	
23.	Mr. Ayman El Attar, " "	170	
24.	Mr. Baher El Sayed, Research Spc.	<u>170</u>	9630
B. <u>Governorate Staff</u>			
1. <u>Regional Coordinators</u>			
1.	Mr. Ahmed Hegab, Dakahlia	240	
2.	Mr. Abdel Salam Mostafa, Fayoum	240	
3.	Mr. Alam El Din thabet, Assiut	240	
4.	Mr. Hassan Motawe , Qaliubia	<u>240</u>	960
2. <u>Supervisors</u>			
1.	Mrs. Thoraya Bayoumi, Qaliubia	100	
2.	Mrs. Amal Abdel Karim, Aswan	100	
3.	Mrs. Aleya Rifaat, Suez	100	
4.	Mrs. Laila Qoura, Menoufia	100	
5.	Mr. Shamroukh Ibrahim, Qena	150	
6.	Dr. Mohamed Nasr, Menia	<u>100</u>	650
3. <u>Directors</u>			
1.	Mr. Mohamed El Etriby, Kafr El Sheikh	200	
2.	Mr. Gamal Awad, Beni Sweif	160	
3.	Mr. Magdi Farid, Behera	200	
4.	Mr. Ali Maher, Menia	200	
5.	Mr. Abdel Wahab Soliman, Aswan	165	
6.	Mr. Ahmed Abdel Maaboud, Menoufia	200	
7.	Mr. Mohamed Fouad Bayoumi, El Gharbia	200	
8.	Mr. Anwar El Sheiek, Sohag	220	
9.	Mr. Sabri Saad, Alex.	200	
10.	Mrs. Abla Karim El Din, Port Said	195	
11.	Mr. Mohamed Metwalli, Ismailia	200	
12.	Mrs. Hoda El Sadek, Sharkia	195	

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	<u>Monthly Salary</u>	
13. Mr. Nashaat Abdel Fattah, Damietta	175	
14. Mr. Fouad Ali Fekri, Qena	230	
15. Mr. Mohamed Sabri, Giza	300	
16. Mr. Mohamed Hamed, Suez	<u>150</u>	3190 4800
<u>C. Consultants</u>		
1. Dr. Madiha Said, Trg.Res.Exp.	600	
2. Dr. Salwa Abdel Azim, Mgt.Sys.Spc.	700	
3. Dr. Mohamed Abdel Ghani, Pop.Stat.Exp.	600	
4. Dr. Mohamed Naguib, Demog.Cons.	600	
5. Dr. Laila Nawar, Pop.Stat.Cons.	700	
6. Mr. Samir Sayed, Comp.Sys.	500	
7. Miss Manal El Fiki, Data Sys.	450	
8. Miss Suzan Mahmoud, Comp.Spc.	<u>300</u>	4450
<u>D. Clerical Staff</u>		
1. Mrs. Faiza El Wakil, Secretary	170	
2. Mr. Jean Youssif Mardini, Typist	250	
3. Miss Tafida Mahmoud, Secretary	150	
4. Miss Ragia Attia, "	150	
5. Mrs. Mervat Ali Mahdi	<u>150</u>	870
<u>E. NPC Coordinators</u>		
1. Mr. Fawzy Abdel Ghani	270	
2. Mr. Ali Wafai, Admin.Director	270	
3. Mr. Abdel Azim Sakran, Acc.Dept.Dir.	230	
4. Mr. Nasri Shaker, Planning Director	250	
5. Mr. Maher Waked, Followup	250	
6. Mr. Ahmed Hendawi, Stores Director	200	
7. Ms. Samira Farid, Statistic Spc.	200	
8. Mrs. Laila El Okbi, Women Affairs	170	
9. Mr. Sayed Atwa, Proc.Spc.	150	
10. Mr. Sayed Hussein, Accountant	150	
11. Ms. Aida Ibrahim, "	140	
12. Ms. Amina Farahat, "	130	
13. Ms. Wedad Ibrahim, Statistic Spc.	110	
14. (Not appointed yet-from & then) Legal Dept.	100	
15. Ms. Nivin Ibrahim, For.Agr.Accountant	100	
16. Mr. RAmiz Fayez, " " "	100	
17. Ms. Mona Abdel Rehim, Accountant	<u>120</u>	2940

		22690
		=====

Red

Secretary General :
Prof. Dr. MAHER MAHRAN
F. R. C. S., PH. D. (EDIN.) F. R. C. O. G. (LOND.)



June 20, 1992

Mrs. Amani Selim
Project Management Specialist
Office of Population, USAID
CAIRO

Dear Mrs. Amani Selim,

Reference is made to our meeting on 18th June 1992. Based on the IDP implementation plan submitted on 9th February 1992 and approved by PIL 18, Amend.7, please find attached the updated list of NPC staff and consultants allowed to receive salary or salary supplement from IDP project and supporting document for January 1992 till the end of May 1992.

As you know, BL 9 contained also the expenses for travel and per diem, shown in the financial statement as one figure, but all the supporting documents are available at NPC for your review, if and when needed.

Thank you in anticipation for taking the necessary action to draw a check for the amount of LE 82,875.

Sincerely yours,

Samira
21-6-92

SAMIRA SADEK
FINANCIAL DIRECTOR
FOREIGN AGREEMENTS
NATIONAL POPULATION COUNCIL

Salary Supplement Report:

June 20, 1992

Received June 23, 1993

(1)

A. UPDATED LIST OF NPC STAFF RECEIVING
SALARY SUPPLEMENT FROM THE IDP PROJECT

	<u>NAME</u>	<u>POSITION</u>	<u>IDP SALARY SUPPLEMENT</u>
A.	<u>Project Professional Staff</u>		LE
	1. Mr. Ibrahim El Etriby	Tech.Spec.	425
	2. Mr. Mohamed Amer	Gov.Dev.Support	415
	3. Mr. Nabil Ramzy	Monit.&Eval.Spec.	415
	4. Mrs. Samira Sadek	For.Agreement Dir.	400
	5. Mr. Shehata Mohamed	Followup Spec.	320
	6. Mr. Mohamed El Leithy	Proc.Spec.	260
	7. Mr. Kamel Ibrahim Sayed	Train.Spec.	255 *
	8. Mrs. Kawther Farag	Gov.Affairs Spec.	240
	9. Mr. Abdel Messih Naguib	Fin.Spec.	230
	10. Eng. Samia Sadek	Comp.Spec.	225
	11. Mr. Eng. Mamad Madkour	Monit.Spec.	185
	12. Mr. Abdel Fattah Sayed	Plan.Spec.	170
	13. Mr. Ayman El Attar	" "	170
	14. Mr. Sayed Amin	Res.Spec.	260 **
	15. Miss Manal Abdel Meguid	Data Entry	120
			<u>4090</u>
B.	<u>Clerical Staff</u>		
	1. Mrs. Faiza El Wakil	Secretary	170
	2. Not appointed yet	"	150 ***
	3. Miss Ragia Attia	"	150
	4. Mrs. Mervat Ali Mahdi	"	150
	5. Miss Sabah Youssef	" ,Res.Unit	120 ****
			<u>740</u>
C.	<u>NPC Coordinators</u>		
	1. Mr. Fawzi Abdel Ghani	Monit.Dir.	270
	2. Mr. Ali Wafai	Fin/Adm.Dir	270
	3. Mr. Nasri Shaker	Plan.Dir.	250
	4. Mr. Abdel Azim Sakran	Account.Dept.Dir.	230
	5. Mr. Maher Waked	Followup Dir.	250
	6. Mr. Ahmed El Hendawi	Stores Dir.	200
	7. Miss Samira Farid	Stat.Spec.	200
	8. Mrs. Laila El Okbi	Women Affairs	170
	9. Mr. Sayed Hussein	Accountant	150
	10. Mr. Sayed Atwa	Proc.Spec.	150
	11. Mrs. Aida Ibrahim	Accountant	140
	12. Mrs. Mona Abdel Rehim	" "	110
	13. Vacant since Sep.91	Stat.Spec.	110
	14. " " Aug.91	Accountant	130
	15. As & when needed	Legal Dept.	100
	16. Miss Nivin Ibrahim	For.Agr.Accountant	100
	17. Miss Omayma Awad	" " "	100
	18. Mrs. Fatma Amir	Res.Spec.	140 *****
	19. Miss Ikbal Abbas	" "	125 *****
			<u>3195</u> 8025
	* Replacing Helmi Moustafa		
	** " Baher El Sayed		
	*** Vacant since May 92		
	**** Starting Feb.92		
	***** Starting Feb.92		

(2)

GOVERNORATE STAFF

B.L. 9 ← 1.

1. Directors

1. Mr. Gamal Awad	Beni Sweif	LE 160
2. Mr. Magdi Farid	Behera	200
3. Mr. Abdel Wahab Soliman	Aswan	165
4. Vacant since Apr.92	Menofia	200
5. " " Jan.92	Gharbia	200
6. Mrs. Abla Karim El Din	Port Said	195
7. Mr. Mohamed Metwalli	Ismailia	200
8. Mrs. Hoda El Sadek	Sharkia	195
9. Mr. Nashaat Abdel Fattah	Damietta	175
10. Mr. Mohamed El Etriby	Kafr El Sheikh	200
11. Mr. Ali Maher	Menia	200
12. Mr. Anwar El Sheikh	Sohag	220
13. Mr. Sabri Saad	Alex	200
14. Mr. Fouad Ali Fekri	Qena	230
15. Mr. Mohamed Sabri	Giza	300
16. Mr. Mohamed Hamid El Foly	Suez	150

Directors and Regional Coordinators

17. Mr. Ahmed Hegab	Dakahlia	240
18. Mr. Abdel Salam Moustafa	Fayoum	240
19. Mr. Alam El Din Thabet	Assiut	240
20. Mr. Hassan Motawea	Qaliubia	240
		4150

2. Supervisors

1. Mrs. Thoraya Bayoumi	Qaliubia	100
2. Mrs. Amal Abdel Karim	Aswan	100
3. Mrs. Aleya Rifaat	Suez	100
4. Mrs. Laila Qoura	Menoufia	100
5. Mr. Shamroukh Ibrahim	Qena	150
6. Dr. Mohamed Nasr	Menia	100
		650
		4800

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(3)

CONSULTANTS

A. Project Professional Staff

1. Vacant since June 92	Proj.Dir.	LE 600 *	
2. Mr. Gamal El Mas	PIC Manager	600 *	
3. Dr. Samir Siaey	Res.Unit Manager	600	
4. Not appointed yet	Legal Consultant	600	
5. " " "	Res.Spec.	400	
6. Eng. Abdel Hamid Farouk	PIC	300	
7. Mr. Ayman Ali Hassan	"	350	
8. Mr. Mootaz Abdel Salam	"	300	
9. Mr. Ashraf Ali Hassan	"	450	
10. Mr. Ali Aboul Atta	Security Spec.	400	
11. Not appointed yet	Pop.Inform (Maps)	250	
12. Miss Manal El Fiki	Data Syst.	<u>550</u>	5400

B. Consultants

1. Dr. Madiha Said	Res.Exp.	600	
2. Dr. Salwa Abdel Azim	Mgt.Syst.Spec.	600 *	
3. Dr.Mohamed Abdel Ghani	Pop.Stat.Exp.	600	
4. Dr. Mohamed Naguib	Demog.Cons.	450 *	
5. Vacant since 92	Pop.Stat.Cons.	600	
6. " "	Comp.Syst.	500	
7. Mr. Galal El Rashidi	IEC Spec.	500 **	
8. Dr. Essam El Gindy	Biomed.Res.Mgr.	450 *	4300

C. Clerical Staff

B.L 9 ← 1. Mr. Jean Mardini	Typist	250	
2. Miss Suzan Mahmoud	Computer Spec.	300	
3. Miss Abeer Sami Hassan	Sec.Res.Unit	250 ***	800
			<u>9900</u>

* Salary changed in May 92

** Started in 91

*** Started in Oct. 91

Inadequate salary and allowance levels and therefore inadequate personnel competence levels and employment longevity of NPC personnel are problems that rest primarily within the GOE and NPC and will require revisions in personnel policies. UNFPA and USAID will continue to encourage reform in this problem area. UNFPA support includes temporary stop-gap funding on a declining scale for salaries and salary supplements. USAID has authorized the use of reflow funds from the repayment of loans under the Community Assistance Fund (AID Project No. 263-0029) to assist NPC in meeting other salary, salary supplement and operating costs until such time as these costs can be adequately met by the GOE. There will be no duplication of salary support to NPC personnel from UNFPA and USAID.

b. Project Components

The highest priority need within NPC at the present time, is to complete its transition from the old role of Supreme Council and Population and Family Planning Board to its new role as NPC. This involves a major shift in operating policies and procedures including a much more decentralized approach in the delegation of activities and responsibilities within NPC central and governorate offices, and a much higher level of technical sophistication and technical support capability. A detailed description of IDP activities and schedules are provided below:

1) Technical Assistance

In conformance with NPC's new responsibilities, a new organization and staffing plan, and new operating policies and procedures need to be completed and installed. UNFPA technical assistance has begun this work. Additional technical assistance is needed for the following functional areas and will be provided by the IDP to complete the overall NPC systems design work including the preparation and production of operations manuals for use in training NPC personnel and for on-the-job reference purposes:

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- Five Year and Annual Sector Planning
- Program Monitoring and Review
- Program Evaluation
- Research Planning and Coordination
- Manpower Planning, and Planning and Coordination of Training
- Financial Management
- Office Management

The project will provide a full-time long term Foreign management advisor to NPC as well as other long-term and short-term Egyptian and Foreign technical specialists including two full-time Egyptian advisors for research planning and coordinating activities. If possible, foreign technical assistance will be obtained through a USAID/buy-in to an existing AID/washington contractor, such as FHI. NPC will also contract with one or more Egyptian training institutions and/or management consulting firm for local technical assistance services. Estimated project technical assistance requirements are described in Appendix A.

Institutional strengthening of NPC should also involve improving its ability to relate to, and influence, outside organizations that could play more effective roles in supporting population and family planning goals and strategies. The IDP will therefore support a variety of initiatives to assist NPC in strengthening its ability to work with and influence outside organizations including the public media:

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population and family planning services, new approaches to client education and communication etc. The IDP will fund approximately 12 small scale demonstration projects over the five year period. Each project will be carried out for 1-2 years at an average cost of LE 80,000.

Innovative small scale Demonstration Projects will be planned and implemented by various private and public sector organizations as well as the NPC itself, according to guidelines to be issued by USAID and the NPC. All proposals for projects will be submitted to a joint Review Committee consisting of NPC, USAID and UNFPA representatives. Project proposals will be funded upon satisfactory review and approval by the committee. The committee will develop a circulate specific criteria to be followed by applicants in the development and implementation of demonstration project proposals.

4) Research Coordination and Development

Although a great deal of demographic and biomedical research continues to be carried out by a variety of Egyptian institutions, the results are often of poor quality, questionable relevance and the results frequently distributed to a limited audience. Moreover, important gaps remain in research needed to give policy and program direction to the national family planning program.

In order to resolve these problems and strengthen NPC's role in policy formulation, population planning and program coordination the project will support expert Foreign (short-term) and local technical assistance in research design and management and will provide funds to support highly focused short-term research studies carried out by universities and research centers that directly bear on identifying or overcoming specific policy or program constraints to fertility control. NPC will identify research topics, select and contract with individuals and research institutions to carry out the research, and assess and disseminate research results as appropriate.

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<u>TECHNICAL ASSISTANCE</u> <u>CATEGORY</u>	<u>SOURCE</u>	<u>YR1</u>	<u>YR2</u>	<u>YR3</u>	<u>YR4</u>	<u>YR5</u>	<u>TOTAL</u>
B. <u>EGYPTIAN</u>							
1. Research Planning & Coord.		24	24	24	24	0	96
2. Management Development		12	12	12	6	6	48
3. Public Relations		2	1	0	0	0	3
4. Training Plan/Coord.		<u>6</u>	<u>6</u>	<u>6</u>	<u>4</u>	<u>2</u>	<u>24</u>
Total		<u>44</u>	<u>43</u>	<u>42</u>	<u>34</u>	<u>8</u>	<u>171</u>
Grand Total		70	66.5	59.5	34	8	238

INSTITUTIONAL DEVELOPMENT PROJECT (IDP)

A NATIONAL POPULATION COUNCIL PROJECT

UNDER USAID

POPULATION PROJECT NO. 263-0144

JULY, 1989

(THIRD VERSION)

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- 4.2 Furniture and other commodities as needed.
- 4.3 Assistance with personnel rationalization, recruitment, orientation and utilization.
- 4.4 Installation of office systems and procedures, including orientation to the new standardized job descriptions and procedures manual.
- 4.5 Technical training of staff according to their job requirements through University-based and specially designed competency-based training courses, and on-the-job training arrangements.
- 4.6 Administrative - management training of appropriate staff according to their job requirements through specifically designed competency-based training courses and on-the-job training arrangements.

While the utilization of academic institutions to develop, conduct and evaluate technical and managerial training courses has its appropriate place in the overall development plans of NPC, the IDP, (except for the Population Dynamics Course) will give emphasis to the design and conduct of job-specific competency-based training courses and activities. Based on job specific and person specific training needs assessment exercises, Project staff, working closely with

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NATIONAL POPULATION COUNCIL
INSTITUTIONAL DEVELOPMENT PROJECT ~~(IDDP)~~

A GOVERNMENT OF EGYPT PROJECT
UNDER USAID
POPULATION PROJECT NO. 261-0144

AUGUST 1990
~~(FOURTH VERSION)~~

central office staff and consultants, and submitted by NPC/G to the IDP Director who forwards a copy to USAID. The first Quarterly Implementation Progress Review Meeting is conducted by the IDP Director.

Step 5 The second Quarterly IDP Implementation Progress Report and Financial Report is prepared, submitted, and a Quarterly Review meeting is held by the IDP Director.

Step 6 The third Quarterly IDP Implementation Progress Report and Financial Report is prepared, submitted, and a Quarterly Review Meeting is held by the IDP Director.

Step 7 A Project Evaluation Team consisting of: IDP Director, Resident Management Advisor; and staff and consultants of the IDP central project office; visit the NPC/G, evaluate achievements of first year implementation and prepare an Evaluation Report. If development work is incomplete, a new or revised implementation workplan and budget will be prepared in collaboration with the NPC/G staff.

The above steps will also be repeated for the remaining NPC/G offices to be developed.

While the ~~utilization of academic institutions to develop, conduct and evaluate scientific, technical and managerial training courses has its appropriate place in overall development efforts, the IDP will give emphasis to the design and conduct of in-house job-specific competency-based training courses.~~ Based on job-specific and person-specific training needs assessments, Project staff,

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working closely with Egyptian and foreign training specialists, will design specific curricula and related training materials, conduct training of trainers for courses that they themselves will not teach, and/or will directly train NPC/TS, NPC/G and IA staff in the areas identified above and described in the Project Training Plan below. Training courses will be decentralized to regional and governorate levels whenever possible, to be conducted as close to regular job worksites as possible. IDP staff, with Egyptian and foreign consultants, will evaluate courses and follow-on performance of trainees for the purpose of improving the training curricula, the performance of trainers, to discover follow-on remedial training needs of staff, and to assist staff in achieving acceptable levels of performance. The IDP in-house approach to training is designed to produce more cost-effective results in raising the performance levels of existing NPC/TS and NPC/G staff.

Governorate Development Support Grants (DSG's) will be funded for the purpose of developing new, improved and/or expanded family planning services in the governorates. See Appendix I for grant criteria.

Technical assistance for institutional strengthening, in addition to assisting NPC, will be available to assist Implementing Agencies in meeting NPC requirements for institutional development, including the design and evaluation of donor supported development projects.

TABLE 4
COMMODITIES BUDGET
(IN US \$ AND LE 000's)

	TOTAL		YEAR 1 1-12/88 (ACTUAL)		YEAR 2 1-12/89 (ACTUAL)		YEAR 3 1-12/90 (EST.)		YEAR 4 1-12/91 (EST.)		YEAR 5 1-12/92 (EST.)		YEAR 6 1-5/93 (EST.)	
	L.E	\$	L.E	\$	L.E	\$	L.E	\$	L.E	\$	L.E	\$	L.E	\$
- OFFICE FURNITURE	154.3						121.3		33.0					
- MICROCOMPUTERS & SOFTWARE	493.0						170.0		323.0					
- OTHER OFFICE EQUIPMENT	457.0		55.0		47.7		354.3							
- PRINTED MANUALS & TRG AIDS EXPENDABLE SUPPLIES	64.9						26.5		20.4		10.0		8.0	
- VEHICLES (& JEEPS)(10)		185.0						185.0						
- VEHICLE (ONE VAN)		20.0						20.0						
TOTAL	1169.2	205.0	55.0	0.0	47.7	0.0	672.1	205.0	376.4	0.0	10.0	0.0	8.0	0.0

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Commodities
Purchased - Beginning of Project - Oct., 1990

COMMODITY	QUANTITY	UNIT COST LE (EXCEPT AS NOTED)	TOTAL COST LE (EXCEPT AS NOTED)
1. Typewriter	25	984.4	24,610
2. Photocopiers	6	11,700.0	70,200
3. Chairs	27	129.3	3,491
4. Tables	8	656.1	5,249
5. Computer Tables	10	285.0	2,850
6. Microcomputers and Printer	10	17,000.0	170,000
7. Expendable Supplies	Various		(26,491)
8. Stabilizers	17	83.6	1,422
TOTAL (L.E)			304,313
	\$	\$	\$
9. Vehicles	10	15,000.0	150,000
10. Van	1	18,000.0	18,000
TOTAL(\$)			168,000

COMMODITY PROCUREMENT PLAN
(Commodities to be Procured After October 1, 1990)

COMMODITY	QUANTITY	UNIT COST LE (EXCEPT AS NOTED)	TOTAL COST LE (EXCEPT AS NOTED)
Small Conference Tables	26	1,000	26,000
Conference Table Chairs	150	80	12,000
Std. Size Desks	16	1,500	24,000
Small Desks	32	300	9,600
Desk Chairs	22	200	4,400
Micro computer Tables	24	500	12,000
Computer Table Chairs	42	500	21,000
Small Tables	7	150	1,050
File Cabinets	24	200	4,800
Storage Cabinets	30	250	7,500
Air Conditioners	28	3,000	84,000
Ceiling Fans	35	150	5,250
Typewriters (Arabic)	11	600	6,600
Typewriter Tables	2	150	300
Photocopy Machines (office type)	22	10,000	220,000
Photocopy Machine (PIS)	1	60,000	60,000
Overhead Projectors/Screens	5	1,000	5,000
Micro-computers/Peripherals/Software	19	17,000	323,000
Printed Proced. Manuals	500	5	2,500
Printed Training Manuals	500	10	5,000
Training Aids	24	120	2,880
Expendable Supplies	Various		28,000
T O T A L			864,880

IDP Component One inputs to support the above activities will include:

1. Egyptian and foreign technical assistance (see Technical Assistance Plan below)
2. Institutional costs of designing, conducting and evaluating competency-based training courses. (see Training Plan below)
3. ~~Financial assistance for selected office space renovations at NPC/TS and NPC/G offices.~~
4. Financial assistance for office furniture, equipment, and a limited number of vehicles. (see Commodity Procurement Plan below)
5. Financial assistance to support monthly team development activities which serve to help coordinate IDP work activity planning and implementation.
5. Financial assistance for travel and related expenses of central Project staff and consultants, and related meeting fees, to support the field oriented and labor intensive work of developing 26 NPC/G offices to an acceptable level of performance.
7. Financial assistance to support the functioning of Task Groups to up-date the current five-year plan and to prepare a new national five-year plan.
8. Financial assistance to support special governorate development support grants (DSG's).

b. New Advance

1. Voucher form SF-1034;
2. A Certified Statement of Cash Needs; and
3. The approval and certification by AID's Project Officer

Notwithstanding any other provisions of this Grant/Contract, the total replenishments plus the initial Advance shall not exceed the maximum allowable amount approved by AID under this Grant/Contract.

5. Use of Funds - All funds provided by AID may be used solely for the payment of allowable cost items under this Grant/Contract and any amendments thereto. For the purpose of accountability, any A.I.D. - financed currency shall not be co-mingled with other currencies provided by the Grantee/Contractor, the Government or any other donor. Any interest or other earnings on A.I.D. - financed local currency under this Grant/Contract shall be paid directly to A.I.D. as earned and shall not be used to offset Project expenditures. Any interest or other earnings derived from local currency purchased with U.S. appropriated dollars shall be paid in U.S. dollars.
6. Budget Reallocation - The Grantee/Contractor shall be allowed to augment any line of the approved budget, other than salaries overhead and or contingency, up to a maximum of 20% of that line item by reallocation from other line items. The Project Officer shall be provided written justification for the reallocation no later than at the end of the reporting period during which the reallocation was made. Any reallocation which would augment any line item by more than 20% shall require the prior approval of the Project Officer.
7. Final Accountability - Final accountability shall be made to USAID no later than thirty (30) days after the termination this Grant/Contract Agreement.
8. Other Provisions - These provisions are supplementary to other standard and/or general provisions which may form part of this Grant/Contract.
9. Forms and Illustrations - The Fiscal Report, The Statement of Cumulative Expenditures and Certified Cash Needs, and form SF-1034 are provided as annexes A through C to these provisions. An illustration of the Advance-Review process, in the case of AID local currency financing is shown in Annex D.

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APPENDIX F

REPORT DISTRIBUTION

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IG/RM/C&R	5
Other RIG/A's	1 each