

Regional Inspector General for Audit
Cairo, Egypt

Audit of Egyptian General Survey Authority (ESA) Local Expenditures Incurred under Project Implementation Letter (PIL) No. 87 Related to the Survey & Mapping Project No. 263-0132.9, a Component of USAID/Egypt Irrigation Management Systems Project No. 263-0132

Report No. 6-263-94-003-N
November 4, 1993



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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

November 4, 1993

MEMORANDUM FOR D/USAID/Egypt, Henry E. Bassford
FROM : RIG/A/Cairo, *Philippe Darcy*
SUBJECT : Audit of Egyptian General Survey Authority (ESA)
Local Expenditures Incurred under Project
Implementation Letter (PIL) No. 87 Related to the
Survey & Mapping Project No. 263-0132.9, a
Component of USAID/Egypt Irrigation Managment
Systems Project No. 263-0132

The attached report dated June 1, 1993, by Price Waterhouse presents the results of a financial audit of Egyptian General Survey Authority (ESA) locally incurred costs under Project No. 263-0132 funded by USAID/Egypt. The ESA-managed Survey and Mapping project's purpose is to finance contracts for aerial photography and high quality maps of varying scales. It also provides technical assistance training and equipment to help ESA upgrade its capability to provide certain mapping services.

We engaged Price Waterhouse to perform a financial audit of ESA's locally incurred expenditures of LE6,303,691 (equivalent to \$2,251,317) for the period January 1, 1988 through December 31, 1992 for PIL No. 87. The purpose of the audit was to evaluate the propriety of costs incurred during that period. In performing the audit, Price Waterhouse evaluated ESA'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 \$364,762 in costs billed to A.I.D. by ESA (including \$63,066 of unsupported costs). The questioned costs included stamp and employer-share payroll taxes that were the responsibility of the GOE, external training, sales taxes on purchases and GOE share of vehicle maintenance and operation expenses. Price Waterhouse noted internal control weaknesses related to ESA's accounting system, staff and consultant timesheets, segregation of functions and cancellation of invoices upon payment. Additionally, they noted five instances of

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noncompliance relating to timely filing of expenditure statement, commingling of USAID and GOE funds, GOE funding of vehicle maintenance and operation costs, stamp and sales taxes paid with USAID funds and not following source and origin requirements when procuring major equipment.

Price Waterhouse has reviewed ESA's response to the findings. Where applicable they made adjustments in their reports or provided further clarification of their position. For those items not addressed, the response provided by ESA has not changed their understanding of the facts underlying the questioned costs of the Fund Accountability Statement or the reportable conditions in the Reports 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 \$364,762 consisting of ineligible costs of \$301,696 and unsupported costs of \$63,066 as detailed on pages 14 through 20 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 ESA.

Recommendation No. 2: We recommend that USAID/Egypt require ESA to address the inadequate internal control procedures as detailed on pages 24 through 30 of the audit report.

This recommendation is considered resolved because USAID/Egypt has provided our office with a copy of its request to ESA to address its internal control weaknesses. The recommendation can be closed when RIG/A/C has assessed ESA's response and USAID/Egypt's follow-up for adequacy.

Recommendation No. 3: We recommend that USAID/Egypt require ESA to address the non-compliance issues as detailed on pages 34 through 37 of the audit report.

This recommendation is considered resolved because the Mission has provided our office with a copy of its request to ESA to take the necessary actions to correct the compliance deficiencies. The recommendation can be closed when RIG/A/C has assessed ESA'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.

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**EGYPTIAN GENERAL SURVEY AUTHORITY
FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
RELATED TO THE SURVEY AND MAPPING COMPONENT
OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132**

JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

EGYPTIAN GENERAL SURVEY AUTHORITY
FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
RELATE TO THE SURVEY AND MAPPING COMPONENT
OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

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Price Waterhouse



September 24, 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 cost-incurred audit of resources managed by the Egyptian General Survey Authority ("ESA") Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping component of USAID/Egypt Irrigation Management Systems Project No. 263-0132 ("umbrella grant agreement"). The audit encompassed all costs incurred in Egypt for the period from January 1, 1988 through December 31, 1992.

Background

The Irrigation Management Systems Project No. 263-0132 with the Ministry of Public Works and Water Resources is designed to assist the Egyptian Government in improving the operating efficiency of the total irrigation system and strengthening the government's operational, maintenance and planning capabilities. Funds were provided so that the Project could plan and design a country-wide structural replacement program, plan and improve operations and maintenance in the irrigation system, support feasibility studies and management and technical development programs, and provide other



irrigation-related support. The umbrella grant agreement, originally dated September 22, 1988 and amended eight times, has a project completion date of September 21, 1995 with financing of \$ 313 million.

The Survey and Mapping component of the Irrigation Management Systems Project No. 263-0132 finances contracts for aerial photography and high quality maps of varying scales. It also provides technical assistance training and equipment to help ESA upgrade its capability to provide certain mapping services. The latest amendment to the umbrella grant agreement provided for a \$ 32.5 million commitment to the Survey and Mapping component. PIL No. 87, amended fifteen times through September, 1992, specifies a budget for ESA of LE 8,713,934 through the fiscal year ended June 30, 1993.

ESA is a department within the Egyptian Ministry of Public Works and Water Resources. The ESA-managed Survey and Mapping project employs approximately eighty persons, most of whom are drivers and field staff. ESA maintains a project central office in Giza and two satellite offices in Damahour and Ismailia.

Audit Objectives and Scope

The objective of this engagement was to perform a financial cost-incurred audit of USAID resources managed by ESA on PIL No. 87 related to the Survey and Mapping component of Irrigation Management Systems Project No. 263-0132. The audit encompassed all costs incurred in Egypt and reported to USAID/Egypt for the period



January 1, 1988 through December 31, 1992. Specific objectives were to determine whether:

1. The fund accountability statement for ESA presents fairly, in all material respects, revenues and costs incurred and reimbursed for the project in conformity with the applicable accounting principles;
2. The costs reported as incurred by ESA for the project are in fact allowable, allocable, and reasonable in accordance with the terms of the umbrella grant agreement, PIL and USAID regulations;
3. The internal controls, accounting systems, and management practices of ESA are adequate for USAID/Egypt agreements; and
4. ESA is in compliance, in all material respects, with the umbrella grant agreement, PIL terms, and applicable laws and regulations.

Preliminary planning and review procedures were started in April 1993 and consisted of discussions with RIG/A/C personnel, ESA officials and review of the applicable umbrella grant agreement and PIL No. 87. Fieldwork commenced in April 1993 and was completed in June 1993.

The scope of our work was all costs incurred by ESA in Egypt for PIL No. 87 related to the Survey and Mapping component of the USAID/Egypt Irrigation Management Systems Project No. 263-0132 agreement between USAID and



the Ministry for Public Works and Water Resources. We selected incurred costs for testing on a judgmental basis to test a majority of such costs. We tested locally incurred-costs of LE 3,386,927 out of total incurred-costs of LE 6,303,691. Tested costs were incurred during the period from January 1, 1988 through November 30, 1992, the date of the last billing to USAID/Egypt during the audit period.

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

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

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of Government Auditing Standards issued by the Comptroller General of the United States. Those standards require



t we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

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 ESA's compliance with applicable laws and regulations.

Results of Audit

Fund accountability statement:

Our audit identified \$ 364,762 in questionable costs, including \$ 63,066 in unsupported costs.



Internal control structure:

We recommended that ESA adopt procedures to 1) address weaknesses in the accounting system of internal controls by reconciling the cash book to the general ledger; recording all adjustments to the billings in the general ledger; tracking advance payments; ageing outstanding checks and canceling all checks over one year old; and maintaining a log of all long distance telephone and facsimile calls, 2) require timesheets from all support staff and consultants, 3) properly segregate incompatible functions, and 4) cancel invoices upon payment.

Compliance with agreement terms and applicable laws and regulations:

Our audit found 1) that the December 1992 statement of expenditures was not filed on a timely basis with USAID/Egypt, 2) USAID/Egypt and GOE funds were commingled in the USAID/Egypt funding account, 3) GOE-required funding of vehicle operating and maintenance costs are being financed by USAID/Egypt, 4) miscellaneous stamp and sales taxes are being paid out of USAID funds, and 5) source and origin requirements are not being followed for the procurement of major equipment.

Management Comments

We have reviewed ESA's response to the financial cost-incurred audit which is included as Appendix C. Where



applicable we have made adjustments in our reports or provided further clarification of our position in Appendix D.

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

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REPORT OF INDEPENDENT ACCOUNTANTS

June 1, 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 the Egyptian General Survey Authority ("ESA") relating to costs incurred in Egypt on Project Implementation Letter ("PIL") No. 87 for the Survey and Mapping component of USAID/Egypt Irrigation Management Systems Project No. 263-0132 for the period from January 1, 1988 through December 31, 1992. The fund accountability statement is the responsibility of ESA's management. Our responsibility is to express an opinion on the fund accountability statement based on 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 3, the accompanying 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 fund accountability statement are questioned costs of \$ 364,762. 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, ESA's costs incurred in Egypt on PIL No. 87 for the Survey and Mapping component of USAID/Egypt Irrigation Management Systems Project No. 263-0132 for the period from January 1, 1988 to December 31, 1992 in conformity with the basis of accounting described in Note 3.

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

Price Waterhouse

EGYPTIAN GENERAL SURVEY AUTHORITY

**PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132**

FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

	<u>Budget</u> <u>(NOTE 2)</u>	<u>Actual</u> <u>(NOTE 2)</u>	<u>Reclassification</u> <u>(NOTE 5)</u>	<u>Questioned Costs</u>		<u>Audit</u>
				<u>Ineligible</u> <u>(NOTE 4)</u>	<u>Unsupported</u> <u>(NOTE 4)</u>	<u>Findings</u> <u>Reference</u>
USAID/Egypt funds received	\$ N/A	\$ 2,586,731		\$ 69,373	\$ -	Finding A, page 14
Support personnel	254,053	156,603	\$ (1,636)	17,408	93	Finding B, page 15
Professional consultants	35,384	23,891	799			
Training (in-country)	48,938	48,750	(168)	204	1,150	Finding C, page 16
Office equipment and supplies	268,776	171,250	12,315	38	2,080	Finding D, page 16
Professional equipment and supplies	340,914	276,639	(72,982)	7,313	3,131	Finding E, page 17
Training equipment and supplies	17,715	7,000	386			
Consultants office preparation	223,689	198,971	57,439	981	35,420	Finding F, page 18
Communications/reports	108,648	83,006		1,460	8,589	Finding G, page 19
Travel and per diem	1,323,004	963,165	744		5,796	Finding H, page 19
Other support costs	<u>491,000</u>	<u>322,042</u>	<u>3,103</u>	<u>204,919</u>	<u>6,807</u>	Finding I, page 20
Total costs	\$ <u>3,112,121</u>	<u>2,251,317</u>	\$ <u>-</u>	\$ <u>301,696</u>	\$ <u>63,066</u>	
Funds available		\$ <u>335,414</u>				

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

EGYPTIAN GENERAL SURVEY AUTHORITY
PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE
SURVEY AND MAPPING COMPONENT
OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132
NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF AUDIT:

The fund accountability statement of ESA include all costs incurred in Egypt on Project Implementation Letter (PIL) No. 87 related to the Survey and Mapping component of Irrigation Management Systems Project No. 263-0132 for the period from January 1, 1988 through December 31, 1992.

NOTE 2 - SOURCE OF DATA:

The column labeled "Actual" is the responsibility of ESA and represents the cumulative charges billed and reimbursed from USAID/Egypt for the period from January 1, 1988 through December 31, 1992. The column labeled "Budget" is the cumulative budget through June 30, 1993 and is presented for informational purposes.

NOTE 3 - BASIS OF PRESENTATION:

The 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.

NOTE 4 - QUESTIONED COSTS:

Questioned costs are presented in two separate categories - ineligible and unsupported costs - and consist of audit

findings proposed on the basis of the terms of the PIL, the umbrella grant agreement, and USAID/Egypt regulations which prescribe the nature and treatment of reimbursable costs not specifically defined in the agreements. Costs in the column labeled "Ineligible" are supported by vouchers or other documentation but are ineligible for reimbursement because they are not program related, are unreasonable, or prohibited by the 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 5 - RECLASSIFICATION:

Certain costs associated with various budget line items were misclassified. The costs were related to certain budget line items but were charged to an unrelated line item. These amounts have been reclassified to their proper budget line item.

NOTE 6 - FOREIGN EXCHANGE

Amounts originally incurred in Egyptian pounds have been translated at the average rate of LE 2.80 to one U.S. dollar for all costs incurred from January 1, 1988 through December 31, 1992.

EGYPTIAN GENERAL SURVEY AUTHORITY
PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE
SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FUND ACCOUNTABILITY STATEMENT
AUDIT FINDINGS

	<u>Questioned Costs</u>	<u>Ineligible</u> <u>Unsupported</u>
A. USAID/Egypt funds received		
1. Amounts have been received from or billed to GOE/ESA sources related to the project which have not been credited against expenditures reported to USAID/Egypt.	\$ 68,997	\$ -
2. Checks outstanding for more than one year have not been credited back to USAID/Egypt.	<u>376</u>	<u>-</u>
Total USAID/Egypt funds received	<u>69,373</u>	<u>-</u>
B. Support personnel		
1. Overtime payments were paid to GOE employees and to project employees prior to their employment by the project. These amounts are considered ineligible as only approved project employees should be paid from USAID/Egypt funds.	133	-

Questioned Costs
Ineligible Unsupported

B. Support personnel (Cont.)

2. Amounts were paid to the tax authorities relating to stamp and employer-share payroll taxes in excess of employees gross salary. The project agreement provides for the GOE to pay all taxes for the project. These amounts are therefore considered ineligible.	\$ 17,275	\$ -
3. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.	-	-
4. Petty cash replenishment relating to support personnel were not supported with adequate documentation.	<u>-</u>	<u>93</u>
Total support personnel	<u>17,408</u>	<u>93</u>

C. Training (in-country)

1. No supporting documentation was maintained for training in Alexandria and outside training expenses. Training courses at an external training center in Cairo were not supported with receipts.	-	1,150
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Questioned Costs
Ineligible Unsupported

C. Training (in-country) Cont.

2. Amounts were paid for English classes held for ESA employees who did not attend the classes. The cost of missed classes should not be borne by USAID/Egypt.

\$ 204 \$ -

Total training (in-country)

204 1,150

D. Office equipment and supplies

1. No supporting documentation was maintained for items purchased.

- 2,080

2. Supplies for items used in the project's tea room were charged to USAID/Egypt. As these items related to providing refreshments, they are considered ineligible.

38 -

3. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.

- -

Total office equipment and supplies

38 2,080

Questioned Costs
Ineligible Unsupported

E. Professional equipment and supplies		
1. No supporting documentation was maintained for items purchased.	\$ -	\$ 3,131
2. Vendor returned a portion of an invoice to settle a delay penalty. This amount was not credited back to USAID/Egypt and is considered an ineligible cost.	213	-
3. Certain commodities and equipment purchased did not conform to the source and origin requirement that the items be of American or Egyptian manufacture. These items are considered ineligible costs.	7,100	-
4. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.	<u>-</u>	<u>-</u>
Total professional equipment and supplies	<u>7,313</u>	<u>3,131</u>

Questioned Costs
Ineligible Unsupported

F. Consultants office preparation

1. Amounts relating to vehicle maintenance were charged to the project even though the amounts are to be assumed by the GOE. The amounts were also misclassified under the consultants office preparation line item.

\$ 69 \$ -

2. The purchase of items relating to the budget line item contained amounts relating to sales taxes. The USAID-funded project expenditures are to be exempt from governmental taxes or such taxes are to be paid from GOE funds. As such, this item is considered ineligible when billed to USAID/Egypt.

912 -

3. Several items charged to the Consultants office preparation line item lacked adequate supporting documents. These items were incurred from June 1988 through June 1992.

- 35,420

Total consultants office preparation

981 35,420

Questioned Costs
Ineligible Unsupported

G. Communications/reports

1. Billings to USAID/Egypt included amounts for sales taxes on the telephone bills. As the project is exempt from taxation, these amounts are considered ineligible.	\$ 1,460	\$ -
2. Costs reimbursed for the telephone bill of the project director did not present any support for the relationship of the expense to the project. This amount is considered unsupported.	-	16
3. Several items charged to the communications/reports budget line item were not supported with adequate documentation.	-	1,449
4. Amounts paid for a workshop were billed to USAID/Egypt in July 1991 and again in August 1991. The amount that was double-billed is considered unsupported.	_____	<u>7,124</u>
Total communications/reports	<u>1,460</u>	<u>8,589</u>

H. Travel and per diem

Amounts billed on the travel and per diem budget line item were not adequately supported.	_____	<u>5,796</u>
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Questioned Costs
Ineligible Unsupported

I. Other support costs

1. Personal use of project vehicles was reimbursed using a rate substantially less than the mandated USAID/Egypt rates. The difference is considered an ineligible cost. \$ 20,056 \$

2. In 1990, the GOE agreed to finance vehicle maintenance and operation expenses. However, these costs are continuing to be charged to the USAID/Egypt portion of the project. 184,863

3. Items charged to the other support costs budget line item lacked adequate supporting documentation. - 6,807

Total other support costs 204,919 6,807

Total questioned costs \$ 301,696 \$ 63,066

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REPORT OF INDEPENDENT ACCOUNTANTS
ON INTERNAL CONTROL STRUCTURE

June 1, 1993

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

We have audited the fund accountability statement of the Egyptian General Survey Authority ("ESA") relating to costs incurred in Egypt on Project Implementation Letter ("PIL") No. 87 for the Survey and Mapping component of USAID/Egypt Irrigation Management Systems Project No. 263-0132 for the period from January 1, 1988 through December 31, 1992, and have issued our report thereon dated June 1, 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 ESA we considered its internal control structure related to PIL No.87 funded by USAID/Egypt in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of ESA 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 in accordance with the



terms of the agreements, and recorded properly to permit the preparation of reliable fund accountability statements and to maintain accountability over the entity's assets. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we determined the significant internal control structure policies and procedures to be in the categories of cash and fund custody, expenditure disbursements, project accounting, and equipment and supplies procurement and safeguarding. For these internal control structure categories cited, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure



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

REPORTABLE CONDITIONS

1. The system of internal accounting controls surrounding the accounting function of ESA contains several weaknesses. A well-designed and functioning system of internal controls is required of all projects financed by USAID/Egypt. The weaknesses noted in the current system of internal accounting control may reduce the system's ability to adequately monitor and control the processing, accumulating and reporting of financial information. Specifically, we noted that:
 - No reconciliations are prepared between the cash book and the general ledger. This weakness may allow unauthorized transactions to enter the general ledger and not be identified on a timely basis. ESA may also incur costs that would not be recorded and billed to USAID/Egypt.
 - Adjustments are made on billings submitted to USAID/Egypt but are not reflected in the general ledger. As a result, accumulating and reconciling financial information is impaired because the project does not maintain a comprehensive ledger of all project-related transactions.



- Advances given to employees and consultants are not tracked and followed-up to ensure that they are properly liquidated. This situation may lead to billing amounts to USAID/Egypt before they are actually incurred and increases the risk of improper costs being charged to the project.

- Outstanding checks are not aged. Several checks outstanding are over one year old and are void under Egyptian banking laws, resulting in the billing of costs to USAID/Egypt that have not actually been paid. See related questioned costs concerning these checks as finding A part 2 of the fund accountability statement.

- No detailed log of telephone and facsimile calls is maintained. This weakness may allow non-project related calls to be billed to USAID/Egypt.

Recommendation 1

We recommend that the management of ESA implement procedures designed to strengthen internal accounting control weaknesses outlined above. In particular, we recommend the following:

- A daily reconciliation of items posted in the general ledger to the cash book should be performed. This reconciliation should ensure that all transactions entered in the cash book are accurately reflected in the general ledger and vice versa. By performing this reconciliation, the project can efficiently monitor transactions.



- All adjustments to the USAID/Egypt billings should also be recorded in the general ledger. This control will ensure that the general ledger maintains its integrity as a comprehensive record of project expenditures.
- A subledger of amounts advanced to project employees and consultants should be established. This subledger will allow management to track and age all advances of project funds as well as ensure that such advances are liquidated in a timely manner.
- A schedule of outstanding checks should be maintained and regularly reviewed for all checks outstanding over one year. According to Egyptian banking laws, these checks are void. As such any checks that are outstanding over one year should be canceled and the expenditure credited back to USAID/Egypt.
- A log of all long distance telephone and facsimile calls should be maintained listing the number, time and the project-related business purpose of the call. This log should be reviewed by the appropriate level of management and any calls which are not directly related to activities of the Survey and Mapping component should not be charged to USAID/Egypt.

* * * * *



2. **Support staff and consultants are not required to complete timesheets that would substantiate their project-related time charges.**

During our audit we noted that support staff and consultants do not complete timesheets. As a result, management of the project is not able to monitor time spent on the project. An accurate record of employee and consultant time spent performing various tasks of the project may assist management to achieve the proper level of employees and ensure that the project employs all and only those resources necessary to achieve its goals.

Recommendation 2

We recommend that ESA implement a policy requiring timesheets for all support staff and consultants of the project. This timesheet should be reviewed and approved by each employee's supervisor at the end of each period for which time is reported. A record of all time spent on various project activities by employee should be initiated through which project management can efficiently assign and utilize its human resources. Timesheets will also facilitate financial and performance audits of the project in the future.

* * * * *

3. **Improper segregation of duties exists in the areas of 1) invoice receiving, voucher preparation, voucher payment and ledger recording, 2) preparation and review of bank reconciliations and 3) the purchasing and inspection committees. We noted that:**



- The same accounting personnel are responsible for receiving invoices, processing vouchers, recording amounts in the general ledger and preparing payment documentation. These functions, if performed by the same individual, may foster an environment in which payment of unallowable, inaccurate, or unauthorized expenditures may occur.

- The finance manager prepares all bank reconciliations as well as being a signatory on the bank accounts. Effective internal control practices dictate that bank reconciliation responsibility should be segregated from other cash functions.

- Supplies are ordered by a three member purchasing committee. When goods are received, quantity and quality are verified by a three member inspection committee prior to the goods being inventoried or used. Although this appears to be a good control, two members of the purchasing committee also serve on the inspection committee, creating a situation in which purchasing and receiving controls may be circumvented.

Recommendation 3

We recommend that the incompatible functions noted above be segregated. Specifically, we recommend the following.

- The responsibilities for receiving invoices, recording transactions and processing payments be segregated among the project accountants so that no one person performs more than one of these tasks.



- A member of the accounting staff should be taught proper bank reconciliation procedures so that a person independent of the signatories may perform the reconciliations. The completed reconciliation should be reviewed by the financial manager and approved by the project director.

- No person should serve on both the purchasing committee and receiving committee. The project also must ensure that each committee possesses the experience to verify that proper goods are ordered and that the goods as ordered are received.

* * * * *

4. Invoices are not being defaced with a "paid" stamp at the time they are approved for payment. We noted during our testing of vouchers that invoices in each voucher package were intact. This may lead to a situation where an invoice can be inadvertently processed for payment more than once.

Recommendation 4

We recommend that all invoices be defaced with a "paid" stamp at the time they are processed for payment.

* * * * *

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited



may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions described above are not material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to the management of ESA in a separate communication dated June 1, 1993.

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

Pricewaterhouse

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REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH LAWS AND REGULATIONS

June 1, 1993

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

We have audited the fund accountability statement of the Egyptian General Survey Authority ("ESA") relating to costs incurred in Egypt on Project Implementation Letter ("PIL") No. 87 for the Survey and Mapping component of USAID/Egypt Irrigation Management Systems Project No. 263-0132 for the period from January 1, 1988 through December 31, 1992, and have issued our report thereon dated June 1, 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, grants, agreements, and binding policies and procedures applicable to ESA is the responsibility of ESA's management. As part of our audit we performed tests of ESA's compliance with certain provisions of laws, regulations, grants, agreements, and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

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



The result of our tests indicate that with respect to the items tested ESA complied, in all material respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that ESA had not complied, in all material respects, with those provisions.

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

Pricewaterhouse

EGYPTIAN GENERAL SURVEY AUTHORITY
PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

REPORT ON COMPLIANCE
AUDIT FINDINGS

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

1. The December 1992 fiscal report listing all monthly expenditures of the program was not sent until the end of our audit field work in May 1993. Although project personnel intended to file this report after the completion of our financial audit, the umbrella grant agreement and the PIL require timely submission of this report to allow USAID/Egypt to monitor expenditures by the Survey and Mapping component. By not filing the December 1992 fiscal report, the project was not in compliance with the agreements' terms.

Recommendation 1

We recommend that ESA comply with the agreement terms which dictate that fiscal reports must be sent to USAID/Egypt on a monthly basis. In addition, these reports should summarize only costs incurred and paid in the period and should agree to the project general ledger. Any adjustments discovered by ESA after the costs are submitted to USAID should be adjusted on subsequent fiscal reports.

* * * * *

2. The treatment of GOE funding of the project is not in accordance with the agreement terms. During our audit we noted that the National Investment Bank USAID/Egypt funding account is used for both USAID and GOE receipts although this account should be used only for USAID funds. In addition, amounts relating to project vehicle maintenance and operation costs that are to be paid by the GOE are actually billed to USAID/Egypt as incurred and are not offset against these billings until amounts are actually received from the GOE, thereby requiring USAID/Egypt to finance the GOE portion of the project funding. This process has contributed to the questioned costs relating to funding presented in finding A.1 of the fund accountability statement in the amount of \$68,997.

Recommendation 2

We recommend that ESA segregate USAID/Egypt funds from those received by the GOE and that amounts required to be paid by the GOE under the project agreement not be billed to USAID/Egypt.

* * * * *

3. The project has paid several amounts relating to taxes assessed by the GOE. Under the agreement between the GOE and USAID/Egypt, expenditures by USAID-financed projects and contractors are exempt from taxation in Egypt. Therefore, any amounts relating to stamp taxes, employer-share payroll taxes and sales taxes should not be incurred by the project or reimbursed by USAID/Egypt. During our audit we noted several instances where taxes were billed to USAID/Egypt. These items, numbered as they were presented as questioned costs in the fund accountability statements, are presented below.

Finding B.2 relating to miscellaneous payroll stamp and employer taxes	\$ 17,275
Finding F.2 amounts paid for sales taxes on consultants office preparation items	912
Finding G.1 amounts paid for sales taxes on communications expenses	<u>1,460</u>
	<u>\$ 19,647</u>

Recommendation 3

We recommend that ESA establish procedures related to invoice processing to ensure that no GOE taxes are billed to USAID. By making the accounting staff aware of the provision of the grant agreement exempting project expenditures from taxation, the project can insure that all amounts related to such taxes are not paid or billed to USAID/Egypt. In addition, the procurement committee should ensure that all vendors are aware of the tax-exempt status of the project at the time of procurement to eliminate the invoicing of these items to the project.

* * * * *

4. The project has purchased equipment that does not meet the source and origin requirements of USAID/Egypt agreements. The grant agreement requires the project to purchase equipment that is either build and sold by American companies or produced by Egyptian companies. No other items should be procured with USAID/Egypt funds unless specific waivers are obtained by USAID. The item is presented as a questioned cost in the und accountability statement as Finding E.3 relating to professional equipment and supplies of \$ 7,100.

Recommendation 4

Procurement policies should be established to ensure that source and origin requirements of the grant agreement are met. Specifically, the project should develop an approved listing of items and vendors that supply equipment that meet USAID source and origin requirements. In addition, the procurement committee should become familiar with USAID/Egypt procurement policies.

* * * * *

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

ADDITIONAL INFORMATION
FUND ACCOUNTABILITY STATEMENT
DETAIL OF AMOUNTS INCURRED IN EGYPTIAN POUNDS

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

	<u>Budget</u>	<u>Actual</u>	<u>Reclassification</u>	<u>Questioned Costs</u>		<u>Appendix B</u>
				<u>Ineligible</u>	<u>Unsupported</u>	<u>Reference</u>
USAID/Egypt funds received LE	N/A	LE 7,242,848		LE 194,245		Finding A, page 1
Support personnel	711,349	438,488	LE (4,582)	48,742	LE 261	Finding B, page 2
Professional consultants	99,076	66,896	2,237			
Training (in-country)	137,025	136,501	(469)	570	3,220	Finding C, page 2
Office equipment and supplies	752,573	479,499	34,481	106	5,824	Finding D, page 3
Professional equipment and supplies	954,558	774,589	(204,349)	20,477	8,766	Finding E, page 4
Training equipment and supplies	49,601	19,601	1,080			
Consultants office preparation	626,328	557,118	160,828	2,748	99,177	Finding F, page 5
Communications/reports	304,214	232,418		4,089	24,049	Finding G, page 6
Travel and per diem	3,704,411	2,696,863	2,082		16,230	Finding H, page 6
Other support costs	<u>1,374,799</u>	<u>901,718</u>	<u>8,692</u>	<u>573,775</u>	<u>19,060</u>	Finding I, page 7
Total costs	LE <u>8,713,934</u>	LE <u>6,303,691</u>	LE <u>-</u>	LE <u>844,752</u>	LE <u>176,587</u>	
Funds available		LE <u>939,157</u>				

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EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

	<u>Questioned Costs</u>		
	<u>As Incurred</u>	<u>Ineligible</u>	<u>Unsupported</u>
A. USAID/Egypt funds received			
1. Amounts have been received from or billed to GOE/ESA sources related to the project which have not been credited against expenditures reported to USAID/Egypt.	LE 193,192	\$ 68,997	\$ -
2. Checks outstanding for more than one year have not been credited back to USAID/Egypt.	<u>1,053</u>	<u>376</u>	<u>-</u>
Total USAID/Egypt funds received	<u>194,245</u>	<u>69,373</u>	<u>-</u>
B. Support personnel			
1. Overtime payments were paid to GOE employees and to projects employees prior to their employment by the project. These amounts are considered ineligible as only approved project employees should be paid from USAID/Egypt funds.	371	133	-
2. Amounts were paid to the tax authorities relating to stamp and employer-share payroll taxes in excess of employees gross salary. The project agreement provides for the GOE to pay all taxes for the project. These amounts are therefore considered ineligible.	48,371	17,275	-

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
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ADDITIONAL INFORMATION
QUESTIONED COSTS DETAIL OF AMOUNTS
AS INCURRED IN EGYPTIAN POUNDS AND US DOLLARS

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

Questioned Costs
As Incurred Ineligible Unsupported

B. Support personnel (Cont.)

3. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.	LE -	\$ -	\$ -
4. Petty cash replenishment relating to support personnel were not supported with adequate documentation.	<u>261</u>	<u>-</u>	<u>93</u>
Total support personnel	<u>49,003</u>	<u>17,408</u>	<u>93</u>

C. Training (in-country)

1. No supporting documentation was maintained for training in Alexandria and outside training expenses. Training courses at an external training center in Cairo were not supported with receipts.	3,220	-	1,150
2. Amounts were paid for English classes held for ESA employees who did not attend the classes. The cost of missed classes should not be borne by USAID/Egypt.	<u>570</u>	<u>204</u>	<u>-</u>
Total training (in-country)	<u>3,790</u>	<u>204</u>	<u>1,150</u>

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

		<u>Questioned Costs</u>		
		<u>As Incurred</u>	<u>Ineligible</u>	<u>Unsupported</u>
D. Office equipment and supplies				
1. No supporting documentation was maintained for items purchased.	LE 5,824	\$ -		\$ 2,080
2. Supplies for items used in the projects tearoom were charged to USAID. As these items related to providing refreshments, they are considered ineligible.	106	\$ 38		-
3. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.	-	-		-
Total office equipment and supplies	<u>5,930</u>		<u>38</u>	<u>2,080</u>
E. Professional equipment and supplies				
1. No supporting documentation was maintained for items purchased.	8,766	-		3,131
2. Vendor returned a portion of an invoice to settle a delay penalty. This amount was not credited back to USAID/Egypt and is considered an ineligible cost.	597		213	-

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EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

Questioned Costs
As Incurred Ineligible Unsupported

E. Professional equipment and supplies (Cont.)

3. Certain commodities and equipment purchased did not conform to the source and origin requirement that the items be of American or Egyptian manufacture. These items are considered ineligible costs.

LE 19,880 \$ 7,100 \$ -

4. Based on documentation provided subsequent to the presentation of the draft report, this finding has been removed.

- - -

Total professional equipment and supplies

29,243 7,313 3,131

F. Consultants office preparation

1. Amounts relating to vehicle maintenance were charged to the project even though the amounts are to be assumed by the GOE. The amounts were also misclassified under the consultants office preparation line item.

194 69

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EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

Questioned Costs
As Incurred Ineligible Unsupported

F. Consultants office preparation (Cont.)

2. The purchase of items relating to the budget line item contained amounts relating to sales taxes. The USAID-funded project expenditures are to be exempt from governmental taxes or such taxes are to be paid from GOE funds. As such, this item is considered ineligible when billed to USAID/Egypt.	LE 2,554	\$ 912	\$ -
3. Several items charged to the Consultants office preparation line item lacked adequate supporting documents. These items were incurred from June 1988 through June 1992.	<u>99,177</u>	<u>-</u>	<u>35,420</u>
Total consultants office preparation	<u>101,925</u>	<u>981</u>	<u>35,420</u>

G. Communications/reports

1. Billings to USAID/Egypt included amounts for sales taxes on the telephone bills. As the project is exempt from taxation, these amounts are considered ineligible.	4,089	1,460	
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EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO. 87 RELATED TO THE SURVEY AND MAPPING
COMPONENT OF USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

		<u>Questioned Costs</u>		
		<u>As Incurred</u>	<u>Ineligible</u>	<u>Unsupported</u>
G.	Communications/reports (Cont.)			
	2. Costs reimbursed for the telephone bill of the project director did not present any support for the relationship of the expense to the project. This amount is considered unsupported.	LE 45	\$ -	\$ 16
	3. Several items charged to the communications/reports budget line item were not supported with adequate documentation.	4,056	-	1,449
	4. Amounts paid for a workshop were billed to USAID/Egypt in July 1991 and again in August 1991. The amount that was double-billed is considered unsupported.	<u>19,948</u>	<u>-</u>	<u>7,124</u>
	Total communications/reports	<u>28,138</u>	<u>1,460</u>	<u>8,589</u>
H.	Travel and per diem			
	Amounts billed on the travel and per diem budget line item were not adequately supported.	<u>16,230</u>	<u>-</u>	<u>5,796</u>

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EGYPTIAN GENERAL SURVEY AUTHORITY

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

FOR THE PERIOD FROM
JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

		<u>Questioned Costs</u>	
	<u>As Incurred</u>	<u>Ineligible</u>	<u>Unsupported</u>
I. Other support costs			
1. Personal use of project vehicles was reimbursed using a rate substantially less than the mandated USAID/Egypt rates. The difference is considered an ineligible cost.	LE 56.158	\$ 20,056	\$
2. In 1990, the GOE agreed to finance vehicle maintenance and operation expenses. However, these costs are continuing to be charged to the USAID/Egypt portion of the project.	517,617	184,863	
3. Items charged to the other support costs budget line item lacked adequate supporting documentation.	<u>19,060</u>	<u>-</u>	<u>6,807</u>
Total other support costs	<u>592,835</u>	<u>204,919</u>	<u>6,807</u>
Total questioned costs	LE <u>1,021,339</u>	\$ <u>301,696</u>	\$ <u>63,066</u>

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT



EGYPTIAN SURVEY AUTHORITY
CAIRO

September 15, 1993

Mr. Jeffery Hentges
Price Waterhouse
4, Road 281, New Maadi
Cairo, Egypt.

Dear Jeff,

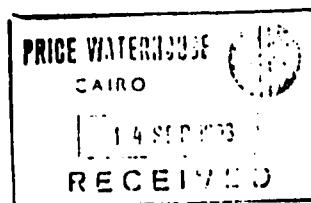
Reference to your draft report of auditing for PIL 87 of Survey and Mapping Component (S.&M.) of Irrigation Management System (I.M.S.) in Egyptian Survey Authority (E.S.A.) for the period from inception at January 1988 up till December 1992.

You will find attached our response to the above mentioned report with the proving supporting documentations.

If you want any further information or more details do not hesitate to contact with us.

We appreciate your cooperation, with our best regards.

Khaled El-Hosseiny
Financial Manager
Survey and Mapping Project



EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Finding A: USAID/Egypt funds received

- A.1. LE 193,192 reported to both USAID and the GOE:
Till December 1992 the project received 148,750 LE as the GOE contribution while the total expenditures through these funds was 248,983 LE.
On Feb. 25, 1993, GOE paid 100,000 LE for the 2nd quarter of 1992/93 which has been credited to the USAID cash book on the same time.
- A.2. LE 1,053 outstanding checks for more than one year:
These amount represents 2 checks and it has been cancelled on March 31, 1993 in the cash book.

Finding B: Support personnel

- B.1. LE 371 overtime was paid to GOE employees:
These amounts were paid against work was done by some of the ESA employees whom working for the project in a full-time basis using hourly rate of 5 LE.
- B.2. LE 48,371 employer share of project staff social insurance:
This amount was paid according to the contract before amendment no. 7, and starting from July 93 the employer share will be paid by the GOE funds.
- B.3. LE 800 payroll tax was paid without supported document:
The covering letter to the taxation department attached with the check was signed by their representative with the date of receiving.
- B.4. LE 261 petty cash payment without supporting documents:
Find attached a copy of the required supporting documents.

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Finding C: Training (in-country)

- C.1. LE 3,220 training in Alexandria without supporting documents:
Find attached a copy of the required supporting documents.
- C.2. LE 570 classes for English but the employees did not attend:
The project could not collect the class fee from the student whom did not attend the classes because he resigned from the work with ESA without notifying the project.

Finding D: Office equipment and supplies

- D.1. LE 7,014 without supporting documents:
Find attached a copy of the required supporting documents covered with your working sheet.
- D.2. LE 106 tearoom supplies:
These supplies are not for refreshments as it consists of cups, glasses and other supplies for the use of the project guests.
- D.3. LE 6,528 are not conform to the origin requirement:
This amount below the 5,000 dollar as a limit of non American origin items.

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Finding E: Professional equipment and supplies

- E.1. LE 12,144 without supporting documents:
Find attached a copy of the required supporting documents covered with your working sheet.
- E.2. LE 597 returned from vendor and was not credited back:
This amount was deducted from the vendor, as the check for 19,425 LE was replaced by check no. 116781 for 14,328 LE.
- E.3. LE 19,880 are not conform to the origin requirement:
This amount represents the cost of copier with special specifications and the price was less than the Americans.
- E.4. LE 1,067 sales taxes while the project exempted:
The sales taxes for this transaction was subtracted from the final payment to the vendor was issued by check no. 80574 dated November 4, 1992.

Finding F: Consultants office preparation

- F.1. LE 194 vehicle maintenance has to be paid by GOE:
See I.2.
- F.2. LE 2,554 added taxes while the project exempted:
This amount represents a consumption fees for the luxury equipment and consider as part of the unit price not type of taxes can be delayed.
- F.3. LE106,413 without supporting documents:
These amounts enclose 35,121 LE are keeping by the police department of the governmental funds. and the rest you will find attached a copy of the required supporting documents covered with your working sheet.

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Finding G: Communications / reports

- G.1. LE 4,089 sales taxes while the project exempted:
The total amount of 39,452 LE being sales taxes for the telephones monthly expenses was credited to the USAID account in July 1993 to be paid by GOE fund.
- G.2. LE 45 not related to the project business:
The amount was for a telephone call to Morocco for arrangements of the business trip for the project director.
- G.3. LE 5,406 without supporting documents:
Find attached a copy of the required supporting documents covered with your working sheet.
- G.4. LE 19,948 billed twice to USAID:
This amount was credited back to the USAID in the new ledger as part of final reconciliation in December 1992.

Finding H: Travel and per diem

- H.1. LE 20,270 without supporting documents:
Find attached a copy of the required supporting documents covered with your working sheet.

EGYPTIAN GENERAL SURVEY AUTHORITY

PROJECT IMPLEMENTATION LETTER NO.87 RELATED TO
THE SURVEY AND MAPPING COMPONENT OF
USAID/EGYPT IRRIGATION MANAGEMENT SYSTEMS
PROJECT NO. 263-0132

FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Finding I: Other support costs

- 1.1. LE 56,158 *personal use of project vehicles using non USAID rate:*
Find attached the correspondences in this respect to support the rate used for personal usage of the project vehicles.
- 1.2. LE 517,617 *considered GOE contribution:*
According to the approved budget for the fiscal years 1990/91, 1991/92 and 1992/93, USAID accept to finance "the balance of the total estimated budget" as per the letters of approval of budget amendment enclosing all line items not specified one or more of them.
And according to the analysis of the tenth line item, GOE financed 40% of 1990/91, 30% of 1991/92 and 30% of half of 1992/93.
- 1.3. LE 39,660 *without supporting documents:*
Find attached a copy of the required supporting documents covered with your working sheet.

EGYPTIAN GENERAL SURVEY AUTHORITY

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FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

MANAGEMENT COMMENTS ON THE FINANCIAL-RELATED AUDIT

Recommendation 1:

According to the IMS steering Committee the salary scale for the components staff are very low comparing with the salary of the free market to be tied with the level of the governmental staff whom the project deal with. Therefore the available candidates has to be limited experiences and the good one can not continued with the project for a long time.

Recommendation 2:

To control the project time usage and the staff working hours the project depending on an attendance sheets which have all the names of the project staff and the arrival and departure time in each day. on a monthly basis these attendance sheets submitted to the personnel officer to write his comments and register the individuals leaves and then he give it to the Administration manager to approve

Recommendation 3:

Because of the number of accountants have by the project, more than one job tasks have been kept by one of the available accountants. Starting from January 1993 , one of the accountant are preparing the monthly bank reconciliation which review by the financial manager

Recommendation 4:

The project have already a stamp "PAID" in English and Arabic and each invoice had been paid by cash or check has to be stamp by that by the cashier who is keeping the project petty cash and the signed checks.

EGYPTIAN GENERAL SURVEY AUTHORITY

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FOR THE PERIOD FROM JANUARY 1, 1988 THROUGH DECEMBER 31, 1992

AUDITOR COMMENTS

This appendix presents our comments on ESA's response to the draft audit report issued on August 15, 1993. In response to the comments, we reviewed additional supporting documents and evaluated management's comments. Where applicable we have noted where adjustments were made in the final report or provided further clarification of our position relating to items discussed in Appendix C. Please note that the numbering of this appendix follows the numbering of the findings as presented in Appendices B and C.

Questioned Costs

A. USAID/Egypt funds received

1. Although the GOE may have remitted funds to settle outstanding billings, this amount was remitted after our audit period. Our assertion that amounts are initially charged to USAID/Egypt even though they are also billed to the GOE has not been refuted. As such, our position is unchanged.
2. These events occurred outside of our audit period. As such, our position for the period under audit is unchanged.

B. Support personnel

1. Management's comments and additional information do not change our position.
2. Although Amendment 7 specifically discusses social insurance employer taxes, Section B.4 of Annex 2 of the umbrella grant agreement specifies that the project should not charge USAID for any identifiable duties, taxes, tariffs or duties on project personnel. Therefore our position is unchanged.
3. Based on our review of supporting documentation, this finding has been removed from our final report.
4. Management's comments and additional information do not change our position.

C. Training (in-country)

1. Management's comments and additional information were not sufficient to change our position.
2. Management's comments do not change our position.

D. Office equipment and supplies

1. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 1,190 (\$ 425) to LE 4,824 (\$2,080).
2. Management's comments do not change our position.
3. We concur with management's comments. As such this finding has been removed from our final report.

E. Professional equipment and supplies

1. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 3,378 (\$1,206) to LE 8,766 (\$3,131).
2. Management's comments and additional information were not sufficient to change our position.
3. Price considerations can not override the source and origin requirements of USAID agreements. As such, our position is unchanged.
4. Based upon documentation provided by management we have removed this finding from the final report.

F. Consultants office preparation

1. Management's comments do not change our position.
2. Whether it is called a consumption fee on luxury items or a tax, the amount is levied by the GOE and is ineligible.
3. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 7,236 (\$2,585) to LE 99,177 (\$35,420).

G. Communications/reports

1. Management's comments do not change our position for the period under audit.
2. Management's comments do not change our position.
3. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 1,350 (\$482) to LE 4,056 (\$1,449).
4. As the December 1992 reconciliation was prepared outside of our audit period, our position for the period under audit is unchanged.

H. Travel and per diem

1. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 4,040 (\$1,443) to LE 16,230 (\$5,796).

I. Other support costs

1. Management's comments and additional correspondences do not change our position.
2. Management's comments do not change our position.
3. Based on our review of supporting documents provided subsequent to the issuance of our draft report, we have reduced this finding by LE 20,600 (\$7,357) to LE 19,060 (\$6,807).

**INTERNAL CONTROL AND
COMPLIANCE FINDINGS**

We have no additional comments and re-assert our position concerning the recommendations and findings as presented in the reports on internal control structure and compliance with laws and regulations.

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UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

November 1, 1993

MEMORANDUM

2 NOV 1993

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

FROM: Amanda Levenson, OD/FM/FA *All attached*

SUBJECT: NFA Report on the Egyptian General Survey Authority (ESA) Audit of Local Expenditures Under Project Implementation Letter (PIL) No. 87 Related to the Survey and Mapping Project No. 263-0132.9, a component of USAID/Egypt's Irrigation Management Systems Project No. 263-0132 - Draft Report

Mission is working with ESA to resolve the questioned costs identified under Recommendation No. 1 of the subject audit report, and have no comments to offer at this time.

Under Recommendation Nos. 2 & 3 of the subject audit report, it is stated that these recommendations can be resolved when Mission provides RIG/A/C with a copy of its request to ESA to address its inadequate internal control procedures and non-compliance issues. Attached is a copy of a letter dated November 1, 1993, from the OD/FM/FA to ESA, requesting them to address these two recommendations. Based on this action, Mission requests that Recommendation Nos. 2 and 3 be resolved.

Please issue the final report.

Att: a/s

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CAIRO EGYPT

November 1, 1993

Dr. Mona El-Kady
Project Director
IMS-Survey and Mapping Component
Egyptian Survey Authority (ESA)
1 Abdel Salam Aref Street
Orman, Giza

Subject: Draft Audit Report on the
Egyptian Survey and Mapping Authority
(ESA) dated September 27, 1993

Dear Dr. El-Kady:

You have previously been provided with a copy of the subject audit report by the Project Officer, and requested to respond to all recommendations. We are now requesting you to advise us of the actions you have taken or plan to take to address Recommendation No. 2 regarding inadequate internal control procedures, as well as Recommendation No. 3 regarding non-compliance issues identified in the audit report.

Please submit to me your response by November 30, 1993, explaining the corrective actions planned or taken by ESA to address these two recommendations, in order to enable us respond to our Regional Inspector General for Audits.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads 'Amanda Levenson'.

Amanda Levenson
Office Director
Financial Analysis Division
USAID/Cairo

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APPENDIX F

REPORT DISTRIBUTION

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