

Regional Inspector General for Audit  
Cairo, Egypt

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**Audit of  
The Ministry of Health (MOH) Expenditures Incurred  
under Project Implementation Letters (PILs) Nos.  
4, 11, 13, 18 and 20 Related to the Child  
Survival Project No. 263-0203**

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**Report No. 6-263-94-015-N  
May 24, 1994**



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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

May 24, 1994

MEMORANDUM FOR D/USAID/Egypt, Henry H. Bassford  
FROM: RIG/A/Cairo, *Philippe L. Darcy*  
SUBJECT: Audit of the Ministry of Health (MOH) Expenditures Incurred under Project Implementation Letters (PILs) Nos. 4, 11, 13, 18 and 20 Related to the Child Survival Project No. 263-0203

The attached report dated December 7, 1993, by Allied Accountants presents the results of a financial audit of the Child Survival Project No. 263-0203 incurred costs under PILs No. 4, 11, 13, 18 and 20 funded by USAID/Egypt. Child Survival's purpose is to improve the health of the Egyptian people by reducing morbidity and mortality in infants, children and women of childbearing age. The project is focused on four areas of intervention that address the major causes of illness and death in infants and young children.

We engaged Allied Accountants to perform a financial audit of the Child Survival Project's incurred expenditures of LE7,674,803 (equivalent to \$2,689,411) for the period April 22, 1986, August 1, 1989, October 1, 1989, November 1, 1990, and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18 and 20, respectively. The purpose of the audit was to evaluate the propriety of costs incurred during those periods. Allied Accountants evaluated MOH internal controls and compliance with applicable laws, regulations and grant terms as necessary in forming an opinion regarding the Fund Accountability Statement.

Allied Accountants questioned \$178,803 in costs billed to USAID by MOH (including \$120,568 in unsupported costs). The questioned costs included salaries, communications, technical assistance, equipment and supplies and training. Allied Accountants noted material weaknesses in MOH internal controls relating to cash management, reconciliation of records, expenses and advances billed to USAID. Additionally, they noted three instances of noncompliance relating to host country contribution, source and origin requirements, and earmarking of funds.

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Allied Accountants reviewed MOH's response to the findings. Where applicable they have made adjustments in their reports or provided further clarification of their position.

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

**Recommendation No. 1:** We recommend that USAID/Egypt resolve questioned costs of \$87,440 consisting of ineligible costs of \$58,235 and unsupported costs of \$29,205 as detailed on pages 12 through 28 of the audit report except for finding No. 3 on page 21.

Based on the attached Mission response to finding No. 3 regarding the documentation of Bilbeis employees' time sheets, we reduced the questioned costs by \$91,363 to a new total of \$87,440.

This recommendation is considered unresolved and can be resolved when RIG/A/C receives 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 USAID/Egypt are paid by the MOH.

**Recommendation No. 2:** We recommend that USAID/Egypt require MOH to address the material internal control weaknesses as detailed in findings 1 through 4 on pages 31 and 32 of the audit report.

This recommendation is considered unresolved and can be resolved when the Mission provides our office with a copy of its request that MOH address its material internal control weaknesses. The recommendation can be closed when RIG/A/C has assessed MOH's response and USAID/Egypt's follow-up for adequacy. With regard to the non-material internal control weaknesses, these can be handled directly between the Mission and the grantee.

RIG/A/Cairo is not including recommendations relating to compliance in the Office of the Inspector General's audit recommendation follow-up system because none of the noncompliance issues were considered to be material. With regard to the non-material compliance issues, they can be handled directly between the Mission and the grantee.

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 Allied Accountants and to our office.

**Ministry Of Health  
Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letters No. 4, 11, 13, 18 and 20**

**Fund Accountability Statements  
For The Period April 22, 1986 to January 31, 1993**

## Ministry of Health

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letters No. 4, 11, 13, 18 and 20

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# ALLIED ACCOUNTANTS

Ragheb, Sherif, Istanbuli & El Kilany  
A Member Firm of ARTHUR ANDERSEN & Co. SC  
Public Accountants & Business Advisors  
Fellows & Members of the Egyptian Society of Accountants & Auditors



# المحاسبون المتضامنون

راغب ، شريف ، اسطنبولي والكيلاني  
مراشتر آرثر أندرسن وشركاه  
محاسبون قانونيون وخبراء تنظيم وإدارة  
زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

January 9, 1994.

Mr. Phillipe Darcy  
Regional Inspector General for Audit/Cairo  
United States Agency for  
International Development  
Cairo, Egypt

Dear Mr. Darcy :

This report presents the results of our financial incurred cost audit of the Child Survival Project under Grant Agreement No. 263-0203 funded by the United States Agency for International Development Mission in Cairo, Egypt. Funding is being provided through five Project Implementation Letters (PILs) covering the period April 22, 1986 to January 31, 1993.

## Background

The goal of the Child Survival Project is to improve the health of the Egyptian people by reducing morbidity and mortality in infants, children and women of childbearing age. The project is focused on four areas of intervention that address the major causes of illness and death in infants and young children.

The Child Survival Project (CSP) is a project of the Ministry of Health (MOH) jointly funded by the government of Egypt (GOE) and USAID/Cairo. The project emphasizes practical and cost effective interventions implemented through both the public and private sectors.

## Audit Objectives, Scope and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Cairo resources managed by the Ministry of Health pursuant to the Child Survival Project under Grant Agreement No. 263-0203. The specific objectives of this audit were to:

1. Express an opinion on whether the fund accountability statements for the USAID/Cairo financed project of MOH presents fairly, in all material respects, project revenues received and costs incurred for the period under audit in conformity with generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursements basis and modifications of the cash basis;
2. Determine if the costs reported as incurred under the PILs are in fact allowable, allocable, and reasonable in accordance with the terms of the PILs;
3. Evaluate and obtain a sufficient understanding of the internal control structure of MOH, assess control risk, and identify reportable conditions, including material internal control weaknesses; and

4. Perform tests to determine whether MOH complied, in all material respects, with PILs' terms and applicable laws and regulations.

The scope of our financial cost-incurred audit was all expenditures incurred and required counterpart contributions under the Child Survival Project under Grant Agreement No. 263-0203 for the periods from April 22, 1986, August 1, 1989, October 1, 1989, November 1, 1990, and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18 and 20, respectively.

The methodology of our audit consisted of an internal control evaluation, testing of expenditures incurred under the financing agreements, assessing the host country contribution and testing compliance by the MOH with specific provisions/requirements of various agreements and regulations/laws.

Our testing included sampling costs incurred for each budget line item within each financing agreement. We tested costs by financing agreement as follows :

<u>Agreement</u>	<u>Total cost</u>	<u>Tested Amt.</u>	<u>Percent</u>
PIL 4	\$ 1,795,185	\$ 456,389	25%
PIL 11	179,944	63,890	36%
PIL 13	628,245	505,799	80%
PIL 18	77,164	60,092	78%
PIL 20	8,873	8,873	100%

In addition we tested counterpart contributions provided by the Government of Egypt.

Our testing program encompassed, but was not limited to the following major steps :

1. Reviewed direct project costs billed to and reimbursed by USAID/Cairo. General ledgers and cash journals were reconciled to billings submitted to USAID/Cairo.
2. Reviewed travel costs to determine if they are adequately documented and approved.
3. Reviewed procurement procedures to determine that sound commercial practices including competition were used.
4. Determined whether advances of funds were justified with documentation, including reconciling funds advanced, disbursed and available.

We reviewed and evaluated the organization's internal control structure to obtain an understanding of the design of relevant control policies and procedures, and whether those policies and procedures have been placed in operation. We obtained a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed.

The agreement terms and pertinent laws and regulations applicable to the project were reviewed and audit procedures were designed to test for material noncompliance.

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Initial planning began with an entrance conference attended by RIG/A/C personnel, MOH/CSP management staff and the Mission project officer. The grant agreement and related project implementation letters were reviewed to gain an understanding of the agreements' terms and cost principles.

Except as discussed in the following 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality 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 Arthur Andersen & Co. worldwide internal quality control program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

#### Results of Audit

##### Fund Accountability Statements

Our audit identified \$ 178,803 in questioned costs, including \$ 120,568 in unsupported costs. The details of costs questioned are presented in the Fund Accountability Statements - Findings Section of this report.

##### Internal Control

In our evaluation of internal control we noted deficiencies in controls over cash management, fixed assets and advances. We assess these deficiencies as being material weaknesses in the system of internal control. The details of these weaknesses are presented in the Internal Control Structure - Findings Section of this report.

##### Compliance with Agreement Terms and Applicable Laws and Regulations

In performing our audit we noted that the Ministry of Health has not documented the required host country contribution, and has disregarded source and origin requirements for local purchases and has violated earmarking requirements. Details related to non-compliance are set forth in the Compliance - Findings Section of this report.

##### Management Comments

The Ministry of Health responded to our audit findings. Their response and our comments thereon are included in Appendices C and D.

*M. A. Alwan*

# ALLIED ACCOUNTANTS

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زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

Mr. Phillipe Darcy  
Regional Inspector General for Audit/Cairo  
United States Agency for  
International Development  
Cairo, Egypt

## Independent Auditor's Report

We have audited the fund accountability statements of the Ministry of Health related to project funds received and costs incurred by the Child Survival Project under Grant Agreement No. 263-0203 financed by the US Agency for International Development for the periods from April 22, 1986; August 1, 1989; October 1, 1989; November 1, 1990 and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18 and 20, respectively. These fund accountability statements are the responsibility of the Ministry of Health management. Our responsibility is to express an opinion on these fund accountability statements based on our audit.

Except as discussed in the following 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall fund accountability statements 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 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 Arthur Andersen & Co. worldwide internal quality control program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

As described in Note 1, the accompanying fund accountability statements have been prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Included in the fund accountability statements are questioned costs of \$ 178,803 relating to the Child Survival Project under Grant Agreement No. 263-0203. The basis for questioning costs are set forth in the Fund Accountability Statements - Findings Sections of this report.

In our opinion, except for the questioned costs of \$ 178,803, the fund accountability statements referred to above present fairly, in all material respects the Ministry of Health's project funds received and costs incurred for the Child Survival Project under Grant Agreement No. 263-0203 for the periods from April 22, 1986; August 1, 1989; October 1, 1989; November 1, 1990; and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18, 20, respectively, in conformity with the cash basis of accounting described in Note 1.

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

This report is intended for the information of the management and others within the Ministry of Health 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.

December 7, 1993

*Michael Accountants*

**Ministry of Health**

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letter No. 4  
Fund Accountability Statement  
(Note 1)  
For the Period April 22, 1986 to January 31, 1993

<u>Budget elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned cost</u>		<u>Findings</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Receipts	\$	\$ 1,798,322	\$	\$	*
Expenditures:					
Personnel	131,541	139,016		129	1
Office supplies	122,581	124,245			
Communications	32,258	23,086		1,021	2
Renovation	113,978	87,694			
Office equipment	360,215	330,627			
Technical assistance	53,763	28,195	11,041		3,4
Subcontracts for media & base line studies	810,753	486,992			
EPI component	97,406	97,331			
ARI component	95,378	60,674			
Nutrition component	57,993	58,005	1,280	1,451	5,6,7
Child spacing	229,391	192,203			
Travel and per diem	170,306	167,117			
Contingency	17,921				
Overbilling				4,264	8
Total expenditures	<u>2,293,484</u> =====	<u>1,795,185</u> -----	<u>12,321</u> =====	<u>6,865</u> =====	
Net balance		3,137 =====	19,186 =====		

\* Findings for PIL No. 4 start on page 13 of this report.

See accompanying notes to the fund accountability statements.

**Ministry of Health**

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letter No. 11  
Fund Accountability Statement  
(Note 1)  
For the Period August 1, 1989 to January 31, 1993

<u>Budget elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned cost</u>		<u>Findings</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Receipts	\$	\$ 179,906	\$	\$	*
Expenditures:					
Operations cost	4,013	4,428			
Equipment/supplies	114,716	50,727	11,011	14,393	1,2
Personnel	113,365	91,363		91,363	3
Facilities/renovation	33,445	33,129			
Therapy	10,033	297			
Miscellaneous	3,344	-			
Total expenditures	<u>278,916</u> =====	<u>179,944</u> _____	<u>11,011</u> =====	<u>105,756</u> =====	
Net balance		< 38 > =====		116,767 =====	

\* Findings for PIL No. 11 start on page 19 of this report

See accompanying notes to the fund accountability statements.

**Ministry of Health**

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letter No. 13  
Fund Accountability Statement  
(Note 1)  
For the Period October 1, 1989 to January 31, 1993

<u>Budget elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned cost</u>		<u>Findings</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Receipts	\$	\$ 628,245	\$	\$	*
Expenditures:					
Kitchen equipment	117,577	84,102			
Laboratory equipment	491,288	451,457	26,291	51	1,2,3
Quality control equipment (VACSERA)	6,212	5,261			
ARI media training equipment	29,727	58,202	8,055		3
Child spacing/nutrition training equipment	145,956	14,152			
EPI training equipment	35,708	15,071			
Total expenditures	<u>826,468</u> =====	<u>628,245</u> =====	<u>34,346</u> =====	<u>51</u> =====	
Net balance		(0) =====		34,397 =====	

\* Findings for PIL No. 13 start on page 22 of this report.

See accompanying notes to the fund accountability statements.

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**Ministry of Health**

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letter No. 18  
Fund Accountability Statement  
(Note 1)  
For the Period November 1, 1990 to January 31, 1993

<u>Budget elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned cost</u>		<u>Findings</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Receipts	\$	\$ 75,966	\$	\$	*
Expenditures:					
Cold chain related renovations at VACSERA	40,419	41,789			
Cold chain renovations in 18 governorates	13,204	12,213		7,896	1
Tools for governorate cold chain repair shops and technical training	12,487	12,170			
Refrigeration supplies	17,964	10,992			2
Total expenditures	<u>84,074</u> =====	<u>77,164</u> -----		<u>7,896</u> =====	
Net balance		<1,198> =====			

\* Findings for PIL No. 18 start on page 25 of this report.

See accompanying notes to the fund accountability statements.

**Ministry of Health**

Audit Of Local Expenditures Under  
Child Survival Project Under Grant Agreement No. 263-0203  
Project Implementation Letter No. 20  
Fund Accountability Statement  
(Note 1)

For the Period June 1, 1992 to January 31, 1993

<u>Budget elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned cost</u>		<u>Findings</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Receipts	\$	\$ 9,075	\$	\$	*
Expenditures:					
Senior management training	1,418	354	354		1
District level management training	11,194	457			
Health promotion training	8,507	0			
Training in computer use and data management systems	2,239	567			
Development of pre-service training for new PHC physicians for governorates	29,851	0			
A. Grant to governorates					
B. Training materials					
Development of curricula and training aids for medical and nursing schools	14,925	7,495	203		1
Total expenditures	<u>68,134</u> =====	<u>8,873</u> =====	<u>557</u> =====	<u>0</u> =====	
Net balance		202 =====	557 =====		

\* Findings for PIL No. 20 start on page 27 of this report.

See accompanying notes to the fund accountability statements.

## Ministry of Health

### Notes to the Fund Accountability Statements

#### Note 1: Basis of Presentation

The fund accountability statements have been prepared on the basis of cash receipts and disbursements. Consequently, receipts and expenditures are recognized when received or paid rather than when earned or incurred.

#### Note 2: Project Activities

The USAID/Cairo Mission financed certain Child Survival Activities to decrease the mortality rate of infants, children and mothers. The funds provided under PILs No. 4, 11, 13, 18 and 20 were for the purpose of financing operating costs of CSP, acute respiratory infection clinical studies at Bilbeis, local procurement, renovation of cold chain facilities, and training respectively.

#### Note 3: Net Balance

The net balances of \$ 3,137 for PIL 4, <\$ 38> for PIL 11, (\$ 0) for PIL 13, <\$ 1,198> for PIL 18 and \$ 202 for PIL 20 should represent the balance of cash in the bank at January 31, 1993. Because CSP has combined these PILs just mentioned and other PILs not included in the statement of work into one bank account, we were not able to verify these balances of cash on hand.

#### Note 4: Source of Data

The data included under "actual" was taken from the books of the Child Survival Project, PILs 4, 11, 13, 18 and 20 as implemented by the Ministry of Health.

#### Note 5: Exchange Rate

Expenditures incurred in local currency (LE) have been converted to US Dollars at an average exchange rate of LE 2.79/\$1 for PIL 4, LE 2.99/\$1 for PIL 11, LE 2.93/\$1 for PIL 13, LE 3.34/\$1 for PIL 18 and LE 3.35/\$1 for PIL 20.

#### Note 6: Questioned Cost

Incurred questioned costs are presented in two categories: ineligible and unsupported costs. Questioned costs are those expenditures we have determined to not be in accordance with the project agreement, the Project Implementation Letter or other applicable USAID/Cairo regulations or because they are not supported with adequate documentation. "Ineligible" costs are deemed to be unallowable because they are prohibited by the project agreement, PILs or USAID/Cairo regulations/policies. These costs are supported by adequate documentation. "Unsupported" costs are expenditures which are not supported by adequate documentation or were not authorized/approved by the proper officials.

The basis for questioning specific costs are set forth in the "Finding Sections" of this report.

**Ministry of Health**  
**Audit Findings Summary**

<u>PIL No.</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
4	\$ 12,321	\$ 6,865
11	11,011	105,756
13	34,346	51
18	- 0 -	7,896
20	557	- 0 -
	58,235	120,568
	=====	=====
		178,803
		=====

**Ministry of Health**

**Audit Findings**

**PIL 4**

**Questioned Cost Summary**

<u><b>Budget element</b></u>	<u><b>Questioned Costs</b></u>	
	<u><b>Ineligible</b></u>	<u><b>Unsupported</b></u>
Personnel/Salaries Finding 1	\$	\$ 129
		<u>129</u>
Communications Finding 2		1,021
		<u>1,021</u>
Technical assistance Finding 3	468	
Finding 4	10,573	
	<u>11,041</u>	
Nutrition component Finding 5		627
Finding 6		824
Finding 7	1,280	
	<u>1,280</u>	<u>1,451</u>
General unsupported Finding 8		4,264
		<u>4,264</u>
<b>Totals</b>	<u>12,321</u> =====	6,865 =====
		19,186 =====

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Finding 1 : Personnel/Salaries

Condition

A photocopy of an employee salary increase memorandum shows salary of LE 160 per/month. The amount has been crossed out in red and a new amount of LE 190 was written in. The salary history reports show LE 160 per month. The photocopy with the changes is not initialed or signed as approved by CSP administrative staff.

Criteria

Per the grant agreement, CSP should maintain adequate supporting documentation in accordance with generally accepted accounting principles and prudent financial management practices.

Cause

CSP staff did not adequately document the change in salary with appropriate approvals. Also, the salary history record was not changed to reflect the increase in salary.

Effect

USAID/Cairo was invoiced for unsupported costs.

Per revised, unapproved contract	LE	190	
Per original contract		160	
		<u>30</u>	x 12 months = LE 360
			( \$ 129 )

Finding 2 : Communications

Condition

For the following communication costs payment could not be verified because the bank statements were not available.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
353	12/31/90	774
1443	4/8/92	<u>2,076</u>
		2,850
		=====

Criteria

Per the Grant Agreement, CSP should maintain adequate supporting documentation in accordance with generally accepted accounting principles and prudent financial management practices.

Cause

CSP staff did not maintain adequate supporting documentation for USAID/Cairo financed expenditures.

Effect

USAID/Cairo was billed for unsupported costs of LE 2,850 (\$ 1,021).

Finding 3 : Technical Assistance

Condition

Short-term technical assistants are paid without contracts or USAID/Cairo approval as required by PIL No. 4, Amendment 2.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
103	4/27/89	LE 1,305

Criteria

Per PIL 4, Amendment 2, "requests for the technical services should be submitted to USAID Project Officer for approval prior to executing any contracts."

Cause

CSP staff did not adhere to PIL No. 4 requirements.

Effect

USAID/Cairo was billed for unallowable cost of LE 1,305 ( \$ 468 ).

Finding 4 : Technical Assistance

Condition

Four consultants were paid as technical assistants without bids or USAID/Cairo approval.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
735	18/11/92	LE 7,250
736	18/11/92	7,500
737	18/11/92	7,250
738	18/11/92	7,500
		<u>29,500</u>
		=====

Criteria

As per USAID regulations, selection of technical assistants should be based on bids and proposals.

According to PIL No. 4, Amendment 2, "requests for the technical services should be submitted to USAID Project Officer for approval prior to executing any contracts."

Cause

The CSP staff appointed four consultants without following USAID regulations and PIL No. 4 requirements.

Effect

USAID/Cairo was billed unallowable cost of LE 29,500 ( \$ 10,573)

Finding 5 : Nutrition Component

Condition

The Form 50 voucher which shows approvals and the bank statements concerning payment of the expenditures were not available for adjusting entry 1, dated May 4, 1989. Of the LE 12,899 originally questioned, we were not able to find adequate support for LE 1,750.

Criteria

Per the Grant Agreement, CSP should maintain adequate supporting documentation in accordance with generally accepted accounting principles and prudent financial management practices.

Cause

CSP staff did not maintain adequate supporting documentation of USAID financial expenditures.

Effect

USAID/Cairo was billed for unsupported costs of LE 1,750 ( \$ 627 ).

Finding 6 : Nutrition Component

Condition

An invoice relating to the nutrition component expenditures was not available for audit.

Voucher  
595

Date  
5/22/90

Amount  
LE 2,300

Criteria

Per the Grant Agreement, CSP should maintain adequate supporting documentation in accordance with generally accepted accounting principles and prudent financial management practices.

Cause

CSP staff did not maintain adequate supporting documentation of USAID financed expenditures.

Effect

USAID/Cairo was billed for unsupported costs of LE 2,300 ( \$ 824 )

Finding 7 : Nutrition

Condition

Lunches were provided to attendees of nutrition component training courses.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
560	5/2/90	LE 1,995
612	5/29/90	1,575
		<u>3,570</u>
		=====

Training allowances were provided to attendees.

Criteria

According to the November 22, 1988 transmittal letter signed by the USAID/Cairo Project Officer, "... these rates training allowances as you confirmed, will be in lieu of transportation, per diem and related incidentals." Per diem would include lunch.

Cause

The CSP staff did not adhere to the agreed policy.

Effect

USAID/Cairo was billed for unallowable costs of LE 3,570 ( \$ 1,280 )

Finding 8 : General Unsupported

Condition

The CFR's do not agree with the ledger. During the course of the audit the general ledger was reconciled to the CFRs. A schedule of these differences is presented in Appendix B.

Criteria

Per the Grant Agreement, CSP should maintain adequate records in accordance with generally accepted accounting principles. USAID should not be billed for expenditures not recorded.

Cause

CSP did not reconcile the billings to the general ledger.

Effect

USAID/Cairo was overbilled a total amount of LE 11,897 (\$ 4,264). See Appendix B for the breakdown by budget line.

**PIL 11**

Questioned Cost Summary

Budget element

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
Equipment/Supplies	\$	\$
Finding 1		14,393
Finding 2	11,011	
	<u>11,011</u>	<u>14,393</u>
Personnel		
Finding 3		91,363
		<u>91,363</u>
<b>Totals</b>	<u>11,011</u>	<u>105,756</u>
	=====	=====
		\$ 116,767
		=====

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Finding 1 : Equipment/Supplies

Condition

The invoice pertaining to the following voucher was not attached to the approved Form 50 or otherwise available to be examined.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
40	6/16/90	LE 43,035

Criteria

Per the Grant Agreement, project grant standard provisions annex section B.5, accounting records should be maintained in accordance with generally accepted accounting principles and practices with adequate supporting documentation.

Cause

Inadequate safeguarding of accounting documents.

Effect

LE 43,035 (\$ 14,393) was invoiced to USAID/Cairo without adequate supporting documentation.

Finding 2 : Equipment/Supplies

Condition

Generators were purchased by CSP which had a country of origin of Japan. No waiver was obtained from USAID.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
1658	5/27/92	LE 32,922

Criteria

USAID Handbook 1B defines source and origin requirements for local procurements. Waivers need to be obtained from USAID if geographic code 935 goods are purchased when US or Egyptian goods should be purchased.

Cause

CSP staff did not follow USAID regulations.

Effect

USAID/Cairo was billed LE 32,922 (\$ 11,011) for equipment not purchased according to USAID Handbook 1 B.

Finding 3 : Personnel

Condition

No time or attendance sheets were available to verify work attendance of employees at Bilbeis.

Criteria

PIL 11 and the Grant Agreement require CSP to maintain adequate documentations and records to allow audit of expenditures.

Cause

CSP did not require Belbeis work attendance records to be provided to CSP as documentation of payroll costs.

Effect

All salaries paid from Belbeis are not supported by adequate documentation. Therefore, we question total salary expenditure of LE 273,174 (\$ 91,363).

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**PIL 13**

**Questioned Cost Summary**

**Budget element**

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
Laboratory equipment	\$	\$
Finding 1	2,400	
Finding 2		51
Finding 3	23,891	
	<u>26,291</u>	<u>          </u>
ARI media training equipment		
Finding 3	8,055	
	<u>8,055</u>	
<b>Totals</b>	<u>34,346</u>	<u>51</u>
	=====	=====
	\$ 34,397	
	=====	

26

Finding 1 : Laboratory Equipment

Condition

Stop watches with a country of origin of Russia were purchased and paid on voucher No. 36 in March 1990. Although the total cost of the 29 watches is only LE 551, it is not believed that Russia was on the approved geographic code list. (USAID/Cairo has not been able to provide information regarding the status of Russian origin equipment as of the transaction date).

Criteria

Handbook 1B and the Geographic Codes determine, country of origin requirements and the waivers that must be obtained to deviate from purchasing US goods or locally produced goods.

Cause

Although the lowest price was selected, the issue of country of origin did not appear to be addressed. It appears that the personnel who are in charge of purchasing are not familiar with USAID Handbook 1 B.

Effect

Russian equipment totaling LE 551 (\$ 188) of a total voucher of LE 7,032 (\$ 2,400) was purchased and billed to USAID/Cairo.

Finding 2 : Laboratory Equipment

Condition

When vendors did not provide a warranty or LOC to ensure one year's maintenance of the equipment purchased, CSP deducted 10% of the equipment cost and withheld this amount from the vendor. The total invoice amount was billed to USAID/Cairo. After one year the vendor submits a request for the amount withheld less any repairs. LE 149 had not been liquidated at the close of the PIL.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
36	3/90	LE 149

Criteria

According to USAID regulations only those expenditures actually incurred should be billed to USAID.

Cause

GOE Law 9 requires the deduction of 10% of the equipment cost to ensure the purchaser has recourse if the equipment fails. MOH followed this requirement. However, the staff did not understand that even though they must adhere to Law 9, it does not automatically follow that these costs/methods are allowable/billable according to USAID regulations.

Effect

USAID/Cairo funded monies were used as vendor guarantees for one year. USAID/Cairo funded equipment repairs for that period, this should have been the responsibility of the vendor. An amount of LE 149 (\$ 51) was not liquidated at the close of the PIL.

Finding 3 : Laboratory Equipment and ARI Media Training Equipment

Condition

Local procurement purchases were made of free world origin equipment. There is no documentation available that USAID granted a waiver for purchases of non US, non-Egyptian goods.

<u>Budget Line</u>	<u>Voucher</u>	<u>Date</u>	<u>LE Amount</u>	<u>US \$ Amount</u>	<u>Country of Origin</u>
Lab. Equipment	37	3/90	70,000	23,891	England
ARI Media from Child Spacing	1,794	6/92	23,600	8,055	Germany
			<u>93,600</u>	<u>\$ 31,946</u>	
			=====	=====	

Criteria

The original PIL 13 documentation described USAID local purchasing regulations as defined in USAID Handbook 1B.

Cause

CSP staff did not adhere to USAID Handbook 1B when purchasing equipment.

Effect

USAID/Cairo was billed for equipment that had not received the required USAID waiver from country of origin requirements.

**PIL 18**

**Questioned Cost Summary**

**Budget element**

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
Cold chain renovations in the governorates	\$	\$
Finding 1		7,896
<b>Totals</b>	<u>                    </u> =====	<u>                    </u> \$ 7,896 =====

Finding 1 : Cold Chain Renovations in the Governorates

Condition

Amounts paid to the governorates for cold chain renovations were based on engineering estimates. These amounts are in effect advances, and supporting documentation liquidating these amounts are not on file at CSP. USAID/Cairo was billed for these advances.

Criteria

PIL 18 does not allow the invoicing of USAID/Cairo for advances.

Cause

CSP staff did not require the governorates to provide documentation necessary to liquidate the advances. Also, CSP staff did not adhere to USAID policy and the advances were billed to USAID/Cairo when paid, not upon liquidation.

Effect

USAID/Cairo paid for governorate cold chain renovations that are not supported with adequate documentation. We question the entire amount under this budget line, LE 26,372 (\$ 7,896)

**PIL 20**

Questioned Cost Summary

Budget element

	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
Senior Management Training		
Finding 1	\$ 354	
Development of curriculum for Medical and Nursing Schools		
Finding 1		203
<b>Totals</b>		<u>557</u> =====

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**Finding 1 : Senior Management Training and Development of Curriculum for Medical and Nursing Schools**

**Condition**

Food costs were charged to Senior Management Training (45 people received allowance for training)

<u>Voucher</u>	<u>Date</u>		<u>Total</u>
987	1/5/93	45 breaks @ LE 4 61 lunches @ LE 16.50	LE 180 1,006
			<u>1,186</u> =====

**Curriculum development workshop**

<u>Voucher</u>	<u>Date</u>	<u>Total</u>
1020	1/13/93	LE 680 =====

**Criteria**

USAID/Cairo did not approve in PIL 20 food costs as a part of training. Also, for voucher no. 987, sixteen (16) more lunches were purchased than the number of authorized trainees who were in attendance.

**Cause**

Lack of control and knowledge/adherence to USAID regulations allowed these costs to be invoiced to USAID/Cairo.

**Effect**

USAID/Cairo was invoiced for unallowable food costs of :

<u>Budget element</u>	<u>Voucher No.</u>	<u>Date</u>	<u>LE Amount</u>	<u>US \$ Amount</u>
Senior Management Training	987	1/5/93	1,186	354
Curriculum Development Workshop	1020	1/13/93	680	203
			<u>1,866</u> =====	<u>557</u> =====

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# ALLIED ACCOUNTANTS

Ragheb, Sherif, Istambouli & El Kilany  
A Member Firm of **ARTHUR ANDERSEN & Co. SC**  
Public Accountants & Business Advisors  
Fellows and Members of the Egyptian Society of Accountants and Auditors



# المحاسبون المتضامنون

راعف ، شريف ، استنبولي والكيلاني  
مراسلو آرثر أندرسن وشركاه  
محاسبون قانونيون وخبراء تنظيم وإدارة  
زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

Mr. Phillipe Darcy  
Regional Inspector General for Audit/Cairo  
United States Agency for  
International Development  
Cairo, Egypt

## Report on Internal Control Structure Independent Auditor's Report

We have audited the fund accountability statements of the Ministry of Health related to project funds received and costs incurred by the Child Survival Project under Grant Agreement No. 263-0203 financed by the US Agency for International Development for the periods from April 22, 1986; August 1, 1989; October 1, 1989; November 1, 1990 and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18 and 20, respectively, and have issued our report thereon dated December 7, 1993.

Except as discussed in the following 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality 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 Arthur Andersen & Co. worldwide internal quality control program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

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

The management of the Ministry of Health 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 the fund accountability statements in accordance with generally accepted accounting principles. 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 have classified the significant internal control structure policies and procedures as being: cash receipts, cash disbursements, financial reporting and procurement. For the control categories listed above, 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 judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our audit disclosed the following matters which we believe are material weaknesses as defined above.

The Child Survival Project commingles funds between several USAID/Cairo financed projects, does not reconcile the general ledger with the CFR's, invoices USAID/Cairo for expenditures that are included in the grant agreement as a part of the MOH contribution, and invoices USAID/Cairo for advances.

This report is intended for the information of the management and others within the Ministry of Health organization and the US Agency for International Development. This restriction is not intended to limit the distribution of this report which is a matter of public record prior to their liquidation.

December 7, 1993.

*AMed Accountants*

## **Ministry Of Health**

### **Audit Findings**

#### **Finding 1 : Cash Management**

CSP has established one bank account at NIB for all USAID/Cairo financed PILs. This account has been in place since 1990 which is when USAID/Cairo changed the funding of PILs from advances to the revolving credit accounts negotiated with NIB.

Prior to the establishment of the NIB accounts PILs No. 4, 11 and 13 had individual accounts at CIB. These accounts should have been closed when the NIB account was opened, however it took until July 1992 to finally close the accounts. During this time over LE 100,000 of USAID advances were not used and did not draw interest. It was also identified during the audit that funds from one PIL were used to pay expenses of another PIL.

We were unable to prepare a proof of cash because all PILs, including those not in our scope of work, have their funds in one bank account and CSP does not have reconciliations of the bank statements to the books by PIL.

#### **Recommendation**

We recommend that CSP open separate accounts for each PIL and that monthly reconciliations be made of the bank statements to the books.

#### **Finding 2 : Reconciliation of Records**

CSP does not perform a reconciliation of the general ledger to the billings and to the receipts from USAID/Cairo. Because of the omission of this control procedure the general ledger does not agree to what was billed to USAID/Cairo by budget line and in total for PIL No. 4. A detail of the differences can be found in the schedule in Appendix B.

Also, it was identified during the audit that in one month USAID/Cairo reimbursed CSP less funds than they requested or were entitled to. A timely reconciliation of receipts to the billings and the ledger would have identified this error.

#### **Recommendation**

We recommend that CSP prepare monthly reconciliations of the ledger to both the billings and the receipts in a timely manner. We have adjusted the fund accountability statement to the general ledger documents for the purpose of this report.

**Finding 3 : MOH Expenses Billed to USAID/Cairo**

MOH expenses included in the grant agreement as part of the host country contribution, specifically vehicle maintenance and repair, have been invoiced to USAID/Cairo. The procedure has been to pay these costs from the USAID/Cairo funds and bill USAID/Cairo if the MOH is not able to provide timely approval/funds for these expenditures. The MOH later reimburses the funds to the USAID/Cairo account and a credit is applied to the billings to USAID/Cairo. This procedure, in effect, provides interest free loans to the MOH using USAID/Cairo funds.

**Recommendation**

We recommend the MOH, CSP staff, discontinue this procedure and work with the MOH to implement an appropriate alternate solution to the problem of timely availability of approvals and funds for MOH expenditures.

**Finding 4 : Advances Billed to USAID/Cairo**

Advances for training renovations, film making and clinical studies were made by the CSP staff to approved vendors, trainees. However, these advances were invoiced to USAID/Cairo prior to being liquidated. According to original discussions with CSP staff, all advances should be liquidated within one month. We identified a number of advances that took several months to liquidate, one that took more than one year to liquidate and two advances that had unliquidated balances when the PILs were closed.

During the audit we did not locate any documentation which approved the invoicing of USAID/Cairo for advances.

**Recommendation**

We recommend that CSP discontinue this procedure at the present time and hold discussions with USAID/Cairo to develop and document procedures regarding advances.

**Finding 5 : Account Classification**

During our audit we noted several misclassifications. For PIL No. 4 the reclassifications are detailed in the schedule presented in Appendix B. For PIL No. 11, LE 674 should be reclassified from operation cost to equipment/supplies. For PIL No. 13, LE 29,380 should be reclassified from child spacing/nutrition to ARI and LE 57,200 should be reclassified from EPI to ARI. For PIL No. 18, LE 5,027 should be reclassified from cold chain renovation in the governorates with LE 5,000 to cold chain renovations at VACSERA and LE 27 to tools for cold chain repairs shops. For PIL No. 20, LE 1,530 should be reclassified from senior management training to district level management training.

**Recommendation**

We recommend that CSP reclassify these costs on their books. We have done so for fund accountability statement purposes.

**Finding 6 : Inventory Control**

CSP has no central inventory function which would allow monitoring of CSP equipment, its cost, location, usage. Without a central inventory it becomes difficult to project equipment requirements and determine if there are any pieces that are unused/under utilized that could satisfy equipment requirements in other locations.

**Recommendation**

We recommend that CSP install a central inventory function which would be able to track all USAID/Cairo provided equipment throughout Egypt.

# ALLIED ACCOUNTANTS

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# المحاسبون المتضامنون

راغب ، شريف ، اسطنبولي والكيلاني  
مراسلو آرثر أندرسن وشركاه  
محاسبون قانونيون وخبراء تنظيم وإدارة  
زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

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

## Report on Compliance With Agreement Terms and Applicable Laws and Regulations Independent Auditor's Report

We have audited the fund accountability statements of the Ministry of Health related to project funds received and costs incurred by the Child Survival Project under Grant Agreement No. 263-0203 financed by the US Agency for International Development for the periods from April 22, 1986; August 1, 1989; October 1, 1986; November 1, 1990 and June 1, 1992 through January 31, 1993 for PILs No. 4, 11, 13, 18 and 20, respectively, and have issued our report thereon dated December 7, 1993.

Except as discussed in the following 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality 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 Arthur Andersen & Co. worldwide internal quality control program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

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

Our testing of transactions, and records selected disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found and the matters to which they relate, are identified in the accompanying schedule of findings.

Except as described above, the result of our tests indicate that with respect to the items tested the Ministry of Health 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 the Ministry of Health had not complied, in all material respects, with those provisions.

This report is intended for the information of the management and others within the Ministry of Health 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.

December 7, 1993

*Allied Accountants*

## Ministry Of Health

### Audit Findings

#### Finding 1 : Host Country Contribution

The host country cash contribution of LE 9,403,000 is only approximately 11% of the total required in the grant agreement of LE 81,944,000. With the current PACD of August 15, 1995 the grant is approximately 80% complete.

The GOE in-kind contribution has been evaluated and a report was issued in July 1992. There were numerous limitations placed on the gathering of accurate and relevant data and the validity of applying this incomplete and possibly non representative data to the entire population can be questioned. Also, the issue of fees received for services rendered, which would reduce the in-kind contribution, is not addressed.

#### Recommendation

We recommend the MOH increase the rate which it is funding cash to CSP, in order to more effectively align its required cash contributions with the projects needs and the Grant Agreement Budget. This would preclude the MOH providing large amounts of cash at the end of the project when it is not needed.

We recommend also that MOH, CSP and USAID/Cairo staff discuss the merits of the GOE in-kind contribution report and determine/document the criteria that should be used for the in-kind contribution valuation.

#### Finding 2 : Source and Origin Requirements

USAID Handbook 1B defines source and origin requirements for purchases of goods and services. Also, the project Grant Agreement Section 6.2 states "disbursements... will be used exclusively to finance the costs of goods and services required for the project having their source and, except as the parties may otherwise agree in writing, their origin in Egypt." Purchases were made in PILs No. 11 and 13 where the country of origin was not Egypt. No written documentation requesting or approving a waiver from the Grant Agreement was available.

#### Recommendation

We recommend CSP, in conjunction with USAID/Cairo, give additional training to CSP procurement and financial staff regarding source and origin requirements.

**Finding 3 : Earmarking of Funds**

Funds provided by USAID/Cairo in the PILs are earmarked and committed based on budgets submitted by CSP. When adequate funds are not available in one budget line, CSP staff recorded expenditures in other budget lines. We have identified instances in PIL No. 4 where adjustments were made to correct the errors when the appropriate budget line was increased, however, we also located instances in PIL No. 13 where the errors were never corrected because the appropriate budget line was never increased sufficiently to cover total expenditures.

**Recommendation**

We recommend that CSP request budget adjustments in advance from USAID/Cairo to accommodate the required expenditures or refrain from making the purchase until funding has been approved by USAID/Cairo.

## Appendix A

Ministry of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 4  
 Fund Accountability Statement  
 Expressed in Egyptian Pounds and US Dollars

For the period April 22, 1986 to January 31, 1993

Budget Element	Budget		Actual		Questioned Cost			
	Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	Ineligible		Unsupported	
					Amount in LE	Amount in US \$	Amount in LE	Amount in US \$
Receipts			5,017,320	1,798,322				
Expenditures								
Personnel/salaries	367,000	131,541	387,855	139,016			360	129
Office supplies	342,000	122,581	346,644	124,245				
Communications	90,000	32,258	64,410	23,086				
Renovation	318,000	113,978	244,667	87,694			2,850	1,021
Office equipment	1,005,000	360,215	922,448	330,627				
Technical assistance	150,000	53,763	78,664	28,195	30,805	11,041		
Sub-contract media and baseline studies	2,262,000	810,753	1,358,708	486,992				
EPI component	271,764	97,406	271,554	97,331				
ARI component	266,104	95,378	169,280	60,674				
Nutrition component	161,800	57,993	161,835	58,005	3,570	1,280	4,050	1,451
Child spacing component	640,000	229,391	536,245	192,203				
Travel and per diem	475,153	170,306	466,257	167,117				
Contingency	50,000	17,921						
Overbilling							11,897	4,264
Total expenditures	<u>6,398,821</u>	<u>2,293,484</u>	<u>5,008,567</u>	<u>1,795,185</u>	<u>34,375</u>	<u>12,321</u>	<u>19,157</u>	<u>6,865</u>
Net balance			<u>8,753</u>	<u>3,137</u>				

Conversion rate is LE 2.79/\$1.

Ministry of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 11  
 Fund Accountability Statement  
 Expressed in Egyptian Pounds and US Dollars

For the period August 1, 1989 to January 31, 1993

Budget Element	Budget		Actual		Questioned Cost			
	Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	Ineligible		Unsupported	
					Amount in LE	Amount in US \$	Amount in LE	Amount in US \$
Receipts			537,919	179,906				
Expenditures								
Operation cost	12,000	4,013	13,239	4,428				
Equipment/supplies	343,000	114,716	151,673	50,727	32,922	11,011	43,035	14,393
Personnel/salaries	338,960	113,365	273,174	91,363			273,174	91,363
Facilities renovation	100,000	33,445						
Therapy	30,000	10,033	99,055	33,129				
Miscellaneous	10,000	3,344	890	297				
Total expenditures	<u>833,960</u>	<u>278,916</u>	<u>538,031</u>	<u>179,944</u>	<u>32,922</u>	<u>11,011</u>	<u>316,209</u>	<u>105,756</u>
Net balance			<u>&lt;112&gt;</u>	<u>&lt;38&gt;</u>				

Conversion rate is LE 2.99/\$1.

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Ministry of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 13  
 Fund Accountability Statement  
 Expressed in Egyptian Pounds and US Dollars

For the period October 1, 1989 to January 31, 1993

Budget Element	Budget		Actual		Questioned Cost			
	Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	Ineligible		Unsupported	
					Amount in LE	Amount in US \$	Amount in LE	Amount in US \$
Receipts			1,840,759	628,245				
Expenditures								
Kitchen equipment	344,501	117,577	246,420	84,102				
Laboratory equipment:								
Quality control equipment (VACSERA)	1,439,474	491,288	1,322,770	451,457	77,032	26,291	149	51
ARI media training equipment	18,200	6,212	15,415	5,261				
Child spacing/nutrition equipment	87,100	29,727	170,533	58,202	23,600	8,055		
EPI training equipment	427,650	145,956	41,464	14,152				
	104,625	35,708	44,157	15,071				
Total expenditures	<u>2,421,550</u>	<u>820,468</u>	<u>1,840,759</u>	<u>628,245</u>	<u>100,632</u>	<u>34,346</u>	<u>149</u>	<u>51</u>
Net balance			<u>0</u>	<u>0</u>				

Conversion rate is LE 2.93/\$1.

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Ministry of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 18  
 Fund Accountability Statement  
 Expressed in Egyptian Pounds and US Dollars

For the period November 1, 1990 to January 31, 1993

Budget Element	Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	Questioned Cost			
					Ineligible		Unsupported	
				Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	
Receipts			253,725	75,966				
Expenditures								
Cold chain related renovations at VACSERA	135,000	40,419	139,575	41,789				
Cold chain renovations in 18 governorates	44,100	13,204	40,791	12,213				
Tools for governorate cold chain repairs shops and for training of technicians	41,705	12,487	40,647	12,170			26,372	7,896
Refrigeration supplies	60,000	17,964	36,712	10,992				
Total expenditures	<u>280,805</u>	<u>84,074</u>	<u>257,725</u>	<u>77,164</u>			<u>26,372</u>	<u>7,896</u>
Net balance			<4000>	<1198>				

Conversion rate is LE 3.34/\$1.

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Ministry of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 20  
 Fund Accountability Statement  
 Expressed in Egyptian Pounds and US Dollars

For the period June 1, 1992 to January 31, 1993

Budget Element	Budget		Actual		Questioned Cost			
	Amount in LE	Amount in US \$	Amount in LE	Amount in US \$	Ineligible		Unsupported	
					Amount in LE	Amount in US \$	Amount in LE	Amount in US \$
Receipts			30,402	9,075				
Expenditures								
Senior management training	4,750	1,418	1,186	354	1,182	354		
District level management training	37,500	11,194	1,530	457				
Health promotion training	28,500	8,507	0	0				
Training in computer use and data management systems	7,500	2,239	1,898	567				
Development of pre-service training for new PHC physicians for governorates	100,000	29,851	0	0				
A. Grants to governorates								
B. Training materials								
Development of curricula and training aids for medical and nursing schools	50,000	14,925	25,107	7,495	680	203		
Total expenditures	<u>228,250</u>	<u>68,134</u>	<u>29,721</u>	<u>8,873</u>	<u>1,866</u>	<u>557</u>		
Net balance			<u>681</u>	<u>202</u>				

Conversion rate is LE 3.35/\$1.

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## Appendix B

## Appendix B

Ministry Of Health  
 Child Survival Project Under Grant Agreement No. 263-0203  
 Project Implementation Letter No. 4  
 Reconciliation of Fund Accountability Statement  
 to General Ledger and Reclassifications (Note 1)

For the period April 22, 1986 to January 31, 1993

( In Egyptian Pounds )

Budget Element	Fund Accountability Statement	Adjustment to General Ledger	Reclassific- ations	Adjusted Fund Accountability Statement
Receipts	5,017,320			5,017,320
Expenditures				
Personnel/salaries	390,920	2,000	(5,065)	387,855
Office supplies	340,140	6,504		346,644
Communications	61,901	2,901	(392)	64,410
Renovation	249,667	(5,000)		244,667
Office equipment	925,190	(2,742)		922,448
Technical assistance	80,667	(3)	(2,000)	78,664
Sub-contract media and baseline studies	1,355,972	(4,329)	7,065	1,358,708
EPI component	271,764	(210)		271,554
ARI component	180,684	(11,796)	392	169,280
Nutrition component	161,835			161,835
Child project component	535,469	776		536,245
Travel and per diem	466,255	2		466,257
Total Expenditures	5,020,464	(11,897)	0	5,008,567
Net Balance	<3,144> =====	11,897 =====		8,753 =====

Note 1:

The reconciliation of the fund accountability statement to the general ledger is discussed in internal control Finding 2 and the reclassification is discussed in internal control Finding 5.

## Appendix C

MINISTRY OF HEALTH  
CHILD SURVIVAL PROJECT



وزارة الصحة  
مشروع الحفاظ على حياة الطفل

Feb. 28th, 93

Mr. Eugene E. Smith  
Arthur Andersen & Co SC  
37, ElAhrar St.,  
Mobica Tower, Mohandeseen  
Giza, Egypt.

Subject: Financial Audit Report For Local Expenditures  
Under PILs No. 4, 11, 13, 18 and 20

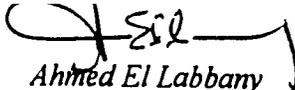
Dear Mr. Smith,

Enclosed herewith, please find our response to the findings mentioned in your subject report, along with copies of the supporting documents.

Please do not hesitate to contact us in case of any clarifications required.

Appreciate your cooperation,

Sincerely Yours

  
Ahmed El Labbany  
Project Administrator

TELEPHONE NO, 3545102 - 3551230  
FAX NO : 02 - 3564649  
TELEX NO, 21333 CSP UN  
ADDRESS : 1, ABD EL MEGEED ELREMALY STR,  
BAB EL - LOUK - CAIRO - EGYPT.

تليفون رقم: ٣٥٤٥١٠٢ - ٣٥٥١٢٣٠  
فاكس رقم: ٣٥٦٤٦٤٩ - ٢  
تلکس رقم: ٢١٣٣٣ CSPUN  
اش عبد المجيد الرمالي باب اللوق القاهرة

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## Answers to the Financial Audit to CSP Following PILs

### PIL 4

#### Finding 1:

There was a 15% salary raise granted by the Government Of Egypt to State and Public Service employees, that Dr. James Sarn, Director of USAID health office approved to apply to the Host Country Personnel Services Contracts funded under the USAID Child survival project. (Copies of the referenced increase memorandum and the approval memo dated Jan.09th,89 and signed by Mr.Sarn is attached). Our accounts section used to write this raise in a separate column adjacent to the salary column. This went on since the start in Jan.89 untill the project administrator crossed out the raise and the salary amounts in red, and wrote them as one amount asking to integrate both columns to be only one. (A copy of this subject memo is also attached.)

#### Finding 2:

Reclassification to PIL 11 is made (Copy of the adjusting entry attached, along with a copy of the amended CFR to AID reflecting the adjustment.)

#### Finding 3:

Copies of the subject time sheets are available and hereby attached.

#### Finding 4:

Ramadan and Kurban bairams' bonuses are allowed as per USAID project officer memo dated Feb.04th,88 concerning "Employment Policy for Child Survival Project" which stated that "Full time employees are entitled to a one month bonus divided at Kurban and Ramadan Bairams." (Copy attached.) Termination bonus is something different that was paid to only two employees that had this clause in their contracts. Later when we applied the Ramadan and Kurban bairams' bonuses according to the referenced AID memo, we deleted the termination bonus clause from the employees' contracts.

#### Finding 5:

Nine (9) bank statements of the subject 10 are now available and hereby attached.

#### Finding 6:

A one check was issued for this voucher No.362 plus voucher No.361 to the supplier Xerox for the total amount of LE 41,864.65. Copy of the bank statement is hereby attached.

#### Finding 7:

This advance payment of LE 12,500 in addition to LE 17,500 for renovations made at the roof of CSP building, was liquidated from the GOE contribution when the invoice was presented. The total amount of LE 30,000 was then returned back to the PIL 4 funds with check No. 5049 dated Jun.02nd,91. (A copy of the adjusting reconciliation and the bank statement No. 30753 dated Jul.07th,91, that credits the amount to PIL 4 account is attached.) (We also attach a copy from the PIL ledger that shows the reconciliation made to the CFR)

#### Finding 8:

Accepted, This amount of LE 1,305 will be paid from GOE contribution & refunded to PIL 4.

**Finding 9:**

*These four consultants for mid-term Evaluation were selected from other candidates and were discussed and approved by AID because of their technical qualifications that fit the job. (Attached, please find our letter to AID on Sep.14th,92 nominating the four consultants to assist in the evaluation, AID Letter dated Sep.15th approving the nomination and our letter to AID forwarding their biographical data sheets and CVs, along with the consulting rates.)*

**Finding 10:**

*The total amount of LE 49,500 was liquidated as per attached documents.*

**Finding 11:**

*The referenced voucher No. 332 is a canceled one. It was canceled because the check amount of LE 247 was less than the actual invoice of LE 254, so another check was then issued. The correct voucher No. 358 is hereby attached, along with all supporting documents including the invoice. (We also attach a copy from the PIL ledger that shows the reconciliation made to the CFR.)*

**Finding 12:**

*As these were adjusting entries (from line item Renovation to line item Nutrition), form 50 shall not be used. The correct form is form 61 which we attach herewith along with bank statements and forms 50 for the original expenditures.*

**Finding 13:**

*Need more time to locate the missing invoice. @@@@@@*

**Finding 14:**

*This training allowance that ranges from LE 15 - 50 is far below the regular Per diem commonly used by AID that is usually above LE 100.*

*According to AID training allowances approved policy, we're allowed to provide LE 20.00 in addition to training allowance, so we used the LE 20 for lunch. (Pls. see the attached letter from Dr. James Sarn, Director of USAID health office, dated Nov.22nd,88, in which he agrees to the policy that says in article No. 4 " Cost of LE 20.00 as a maximum per person for sundry expenses for each day of the training course.")*

**Finding 15:**

*PIL 4 has a line item for child spacing activities including purchase of equipment as it was the only PIL available at the beginning of the project to cover component activities as well as operating support to the secretariat office. However, reclassification of the finding expend. is now made to PIL 13 (Copy of the adjusting entry attached, along with a copy of the amended CFR to AID reflecting the adjustment.)*

**Finding 16:**

*The reason CFRs did not agree with the ledger is because at that time some adjusting entries were made after the CFR was sent to AID. This is no longer the case now.*

## PIL 11

### Finding 1:

The invoice is requested from Belbeis, should be available soon.@@@@@

### Finding 2:

The referenced voucher No. 20 is a canceled one. The correct voucher No. 22 dated Nov.26,90 is herewith attached along with all supporting documents for the correct amount of LE 16,250. (We also attach a copy from the PIL ledger that shows the reconciliation made to the CFR.)

### Finding 3:

Accepted. A refund will be made from GOE contribution to the PIL 11.

### Finding 4:

There is a register book at Belbeis where employees sign IN and OUT. This register is kept and monitored at site level by the Admin. Coordinator. At the end of each month we receive from Belbeis a list of employees and their due salaries. This list is authorized and approved by the Belbeis Center Executive Director (Copy Attached). However, we sent for copies of this register from Belbeis. (Pls. find attached copies of the signed In and Out register, along with a covering letter from the Center Director stating that an employee signing In and Out means that he stayed at work for 10 hours " 7 am : 5 pm ".)

### Finding 5:

Form 50 showing approvals is now available and attached herewith along with supporting documents.

## **PIL 13**

### **Finding 1:**

*Accepted, a refund will be made to from GOE contribution to the PIL account.*

### **Finding 2:**

*The 10% warranty that we withhold is actually the vendor's money and not the USAID's. It's as if he received his total dues, then paid us back the 10% warranty. We only make in one step and withhold this 10% directly off his dues. Later when the warranty period is over, the vendor claims this money and we pay it back. As for the LE 9,499 (9,350 - 149) that had not been liquidated at the close of the PIL, the amount of LE 9,350 has been liquidated on Jan. 22nd, 94, voucher No. 1161. (Copy attached)*

*However, in future contracts, CSP will insist on an L/C of the 10% to cover warranty period so as to avoid such a situation.*

### **Finding 3:**

*Accepted. A refund from GOE contribution will be made to the PIL 13.*

**PIL 18:**

**Finding 1:**

*Attached please find copies of the liquidation of LE 14,418.69 out of the LE 40,791 advances for cold chain renovations. Supporting documents to liquidate the remaining balance are not yet available. Need more time to collect from Governorates. @@@@*

**Finding 2:**

*Reclassification to the correct PIL No.13 is made. (Copy of the adjusting entry attached, along with a copy of the amended CFR to AID reflecting the adjustment.)*



**PIL 20:**

**Finding 1:**

*This training allowance that ranges from LE 15 - 50 is far below the regular Per diem commonly used by AID that is usually above LE 100.*

*According to AID training allowances approved policy, we're allowed to provide LE 20.00 in addition to training allowance, so we used the LE 20 for lunch. (Pls. see the attached letter from Dr. James Sarn, Director of USAID health office, dated Nov.22nd,88, in which he agrees to the policy that says in article No. 4 " Cost of LE 20.00 as a maximum per person for sundry expenses for each day of the training course.")*

*As for the extra meals, we paid meal costs for the actual number of attendees.*

## Appendix D

**Ministry of Health**

**Auditors' Response to  
Management Comments**

**PIL 4**

**Finding 1**

The documentation provided by CSP is related to the annual increase for July 1988 not the July 1991 increase. Also, if the employee was making LE 160, a 15% increase would only bring the salary to LE 184. Additional documentation needs to be provided.

**Finding 2**

We are deleting the finding since an adjustment has been made to the appropriate PILs. We recommend AID confirm that adjusted CFRs have been submitted.

**Finding 3**

We accept the documentation as presented and delete the finding.

**Finding 4**

As stated in the original finding, the CSP contracts and the administrative manual, which was updated after 1988, do not address the Ramadan and Kurban Bairam bonuses. However, a letter from the project officer discusses employee wages and benefits to include the Ramadan and Kurban Bairam bonuses. Since these bonuses have the approval of AID we will delete the finding.

**Finding 5**

We have reduced the questioned cost to LE 2,850 (\$ 1,021)

**Finding 6**

The documentation is adequate, the finding is removed.

**Finding 7**

The documentation is adequate, the finding is removed.

**Finding 8**

Finding 9

Although AID approved the selection of the four consultants, no documentation was submitted which shows that the consultants contracts were approved by AID prior to their execution. Therefore, the finding remains.

Finding 10

The additional documentation is adequate and the finding is removed.

Finding 11

We accept the documentation, the finding is deleted.

Finding 12

The documentation provided by CSP allowed us to trace

<u>Voucher #</u>	<u>Date</u>	<u>Amount</u>
17	11/87	4,000.00
128	6/88	5,649.26
222	8/88	1,500.00
		<u>11,149.26</u>

These items are being deleted from the finding.

We are not able to trace the LE 1,750 (\$ 627) except in the adjusting entry. We are leaving this amount as questioned cost.

Finding 13

The questioned cost remains as no documentation was provided.

Finding 14

We have read the documentation provided. Our interpretation of the letter states the training allowance is in lieu of per diem, which would include lunch. We do not believe that using the LE 20 for sundry expenses to purchase lunch is in agreement with Dr. Sarn's intent and the finding remains.

Finding 15

We are deleting the finding since an adjustment has been made to the appropriate PILs. We recommend AID confirm that adjusted CFR's have been submitted.

Finding 16

Sufficient documentation was not presented by CSP; therefore, the finding remains.

**PIL 11**

**Finding 1**

No additional documentation was presented by CSP, therefore the finding remains.

**Finding 2**

We accept the additional documentation presented. The finding is deleted.

**Finding 3**

The finding was accepted by CSP. We recommend AID confirm that adjusted CFR's are submitted.

**Finding 4**

The documentation submitted by CSP did not allow us to adequately audit for allowability or reasonableness. In fact, some of the entries do not appear reasonable such as an employee working 300 hours per month. Without complete original documentation the finding remains.

**Finding 5**

We accept the additional documentation provided by CSP and the finding is deleted.

**PIL 13**

**Finding 1**

The finding was accepted and CSP will refund the money to PIL 13.

**Finding 2**

The documentation presented reduced the questioned cost to LE 149. The finding has been adjusted.

**Finding 3**

The finding was accepted and CSP will refund the money to PIL 13.

**PIL 18**

**Finding 1**

We accept the additional documentation presented by CSP as adequate support for liquidating LE 14,418.69 of advances. The questioned cost is reduced to LE 26,372 (\$ 7,896)

Finding 2

The finding is deleted since the adjustment to the CFR's have been made. We recommend that AID ensure the corrected CFR's have been submitted.

**PIL 20**

Finding 1

We have read the documentation provided. Our interpretation of the letter states the training allowance is in lieu of per diem, which would include lunch. We do not believe that using the LE 20 for sundry expenses to purchase lunch is in agreement with Dr. Sarn's intent. The finding remains.



May 8, 1994

## MEMORANDUM

**TO:** Timothy Cox, A/RIG/A/C

**FROM:** Amanda Levenson, OD/FM/FA *Alleviusen*

**SUBJECT:** Audit of the Ministry of Health (MOH) Expenditures Incurred under Project Implementation Letters (PILs) Nos. 4, 11, 13, 18 and 20 related to the Child Survival Project No. 263-0203 (Draft Report).

Following is the Mission response to the subject audit report:

### Recommendation No. 1 (Questioned Costs)

#### **PIL 11, finding No. 3 (salaries totaling \$91,363)**

This amount represents salaries paid to Bilbeis employees questioned because no time sheets were available to verify the daily attendance.

HRDC/Health has responded that the project employees are full time salaried employees and therefore not required to sign in and out time sheet on a daily basis. However, at the end of month, each employee's payroll is duly approved by the Bilbeis Executive Director before it is paid.

Mission believes that the procedures mentioned above are appropriate and in concert with the USAID policy.

Based on the above, Mission requests that the amount questioned by the auditors be reduced by \$91,363 to a new total of \$87,440, and that this part of the recommendation be deleted from the report.

*63*  
*RSJ*  
*05/9/94*

**Recommendation No. 2 (Internal control)**

Mission is working with the implementing agency to resolve and close the recommendation, and therefore, provides no comments at this time.

**Recommendation No. 3 (Non-Compliance)**

**Host Country Contribution**

HRDC/Health has responded that the amounts included in the audit report regarding the budgeted and expended Host Country Contribution do not agree with either the project agreement budget (amendment No. 4) or the actual expenditures reported by the project.

**Mission will further review the discrepancy after the issuance of the final report.**

Mission is working with the implementing agency to resolve and close the remaining issues.

Based on the above comments, please issue the final report.

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## APPENDIX F

REPORT DISTRIBUTION

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