PD-ABK-120

Regional Inspector General for Audit
Cairo, Egypt

Audit of the Cooperative for American Relief Everywhere (CARE) Local Expenditures Incurred Pursuant to Grant No. 263-0102-G-00-5008-00 under the High Dam Lake Project No. 263-0102

Report No. 6-263-95-007-N
December 22, 1994

FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.

INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

December 22, 1994

MEMORANDUM FOR D/USAID/Egypt, John R. Westley

FROM : A/RIG/A/Cairo, John J. Ottke

SUBJECT : **Audit of the Cooperative For American Relief Everywhere (CARE) Local Expenditures Incurred Pursuant to Grant No. 263-0102-G-00-5008-00 Under The High Dam Lake Project No. 263-0102.**

The attached report dated October 30, 1994, by Shawki & Co. presents the results of a financial audit of Cooperative For American Relief Everywhere (CARE) Local Expenditures Incurred Pursuant to Grant No. 263-0102-G-00-5008-00 Under The High Dam Lake Project No. 263-0102. CARE is an international, non-profit organization that provides many types of assistance to developing countries throughout the world. The High Dam Lake Basic Services project was signed on October 31, 1984 with support of a USAID grant. The purpose of the grant was to undertake, in cooperation with the Government of Egypt High Dam Lake Development Authority, activities to improve the living conditions of the Lake's fishermen, contribute to increase fish production and encourage future settlements on the lake shore.

We engaged Shawki & Co. to perform a financial audit of CARE's incurred expenditures of $479,602 (equivalent to LE581,158) for the period from November 1, 1984 through December 31, 1989. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Shawki & Co. evaluated CARE's internal controls and compliance with applicable laws, regulations and grant terms as necessary in forming an opinion regarding the Fund Accountability Statement.

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Shawki & Co. questioned $64,826 in incurred costs billed to USAID by CARE (including $63,991 in unsupported costs). The questioned costs included salaries, allowances, the medical health boat, construction expenses and evaluation. Shawki & Co. identified $7,952 in questioned unsupported indirect costs for the period from July 1, 1988 through December 31, 1989. These costs were included within the overhead pool and as such, have the effect of increasing the overhead rate applied to direct labor.

In response to the draft report, CARE provided documentation and/or additional explanations for the questioned costs and agreed to the nonmaterial non-compliance findings. Shawki & Co. reviewed CARE's response to the findings. Where applicable, they have made adjustments in their report or provided further clarification of their position.

The following recommendation is 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 $64,826 (including $63,991 in unsupported costs) as detailed on pages 12 through 18 of the audit report, and determine CARE's final indirect rate for the audited years.**

This recommendation is considered unresolved and can be resolved when RIG/A/C receives the Mission's final 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 CARE.

With regard to the non-material instances of noncompliance, 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 recommendation. We appreciate the courtesies extended to the staff of Shawki & Co. and to our office.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
FUND ACCOUNTABILITY
STATEMENT AND ADDITIONAL INFORMATION
NOVEMBER 1, 1984 TO DECEMBER 31, 1989

TABLE OF CONTENTS

	Page
Transmittal letter	1
Financial Statement	
Independent auditor's report	5
Fund accountability statement	
U.S. Dollars - November 1, 1984 to December 31, 1989	6
U.S. Dollars - July 1, 1988 to December 31, 1989	7
Schedule of computation of local indirect cost rate	8
Notes to the Fund Accountability Statement	9
Audit Findings	11
Internal Controls	
Independent Auditor's Report	19
Compliance with the Grant Agreement and Applicable Laws and Regulations	
Independent Auditor's Report	21
Schedule of Findings	22
APPENDICES	
Appendix A: Fund accountability statement in LE	
Appendix B: Schedule of computation of local indirect cost in LE	
Appendix C: Questioned local overhead costs	
Appendix D: CARE Management comments	
Appendix E: Auditor's comments	
Appendix F: Mission's comments	

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October 30, 1994

Mr. James Gaughran
NFA Coordinator
Office of the Regional Inspector-General
USAID/Egypt
106 Kasr El Aini Street
Garden City, Cairo

Dear Mr. Gaughran,

This report presents the results of our audit of Grant No. 263-0102-G-00-5008-00 between Cooperative for American Relief Everywhere (CARE) and the United States Agency for International Development (USAID) for the period November 1, 1984 to December 31, 1989.

Background

CARE is an international, non-profit organization that provides many types of assistance to developing countries throughout the world. CARE has been operating in Egypt since 1954 in a variety of projects. In the 1980s CARE Egypt development programming focused on playing a catalytic role in the institution building of Egyptian Non-Government Organizations (NGOs). One of the projects, to assist the Fishermen's General Services Society (an Egyptian NGO), was the High Dam Lake Basic Services project signed on October 31, 1984 with support of a USAID grant.

The purpose of the grant was to undertake, in cooperation with the Government of Egypt High Dam Lake Development Authority, activities to improve the living conditions of the lake's fishermen, contribute to increase fish production and encourage future settlements on the lake shore.

The effective date of the grant was November 1, 1984 with an estimated completion date three years later, on October 31, 1987. The total estimated amount of the grant, over its life, was LE 487,000 and US $ 282,700. At a later date the grant was extended to December 31, 1989, and the amount changed to LE 587,500 and US$ 250,300.

Audit and Studies

In late 1990 and early 1991, Shawki & Co. conducted a financial audit of the High Dam Lake Basic Services project. The audit encompassed all expenditures for the period November 1, 1984 through December 31, 1987 and included an examination of CARE's revenues and expenses, compliance with agreement terms and a review of CARE's internal control structure

During the audit, Shawki & Co., when assessing the internal control environment, placed little reliance on their substantive testing because records were not available to support the transactions and accounting personnel responsible for entering and calculating transactions were no longer available.

Consequently, in September 1991, when the draft report was issued, the firm found it could not express an opinion on the fund accountability statement, compliance with agreement terms, nor the internal control structure.

The Shawki & Co. draft report stated that the firm was unable to obtain adequate evidential matter due to the non-availability of appropriate accounting records. According to the report, CARE relocated its facilities and records upon completing the project and various records were misplaced

In May 1992, Shawki & Co. stated their interest in resolving the disclaimer of the audit opinion either by (a) having CARE try to find the records before starting any audit field work, or (b) extending the original audit work and reviewing the results based on the findings. A proposal for doing the additional work was attached to the letter. In July 1992, USAID requested a proposal for the work and in June 1993, almost a year later, Shawki & Co. received a request to do the work.

Audit Objectives and Scope

The objective is to perform sufficient work to express an opinion on the fund accountability statement and on compliance with agreement terms and applicable laws and regulations. Since the project no longer received USAID funds after December 31, 1989 it does not appear to be possible to evaluate the internal control environment.

Work was to be performed in accordance with Generally Accepted Auditing Standards and the Comptroller General's Government Auditing Standards (1988 Revision) and, accordingly, included such tests of the accounting records and such other auditing procedures as considered necessary under the circumstances to:

- Express an opinion on whether CARE's Egyptian pound fund accountability statement for the High Dam Lake Basic Services project for the period November 1, 1984 through December 31, 1989, presents fairly, in all materials respects, project revenues and costs incurred and reimbursed under the agreement in conformity with Generally Accepted Accounting Principals or another comprehensive basis of accounting This does not include the project revenues and costs of the United States dollars expended on the project

- Determine if the costs reported as incurred under the grant are in fact allowable, allocable and reasonable in accordance with the terms of the grant agreement, USAID contracting procedures and applicable OMB circulars.

- Determine whether CARE complied, in all material respects, with the terms of the grant and applicable laws and regulations.

- Determine if the local indirect costs incurred for the period from July 1, 1988 to December 31, 1989, are reasonable

To accomplish these audit objectives, we have taken into account the work performed by Shawki & Co during the initial audit in December 1990 and early 1992 We have audited 100 percent of the actual expenditures incurred locally under CARE's control and over the four year period.

Results of the Audit

Fund Accountability Statement

Our audit identified $ 64,826 in questioned costs, including $ 63,991 in unsupported and $ 835 ineligible costs. The details of costs questioned are presented in the Fund Accountability Statement - Findings section of this report.

Internal Control Structure

Regarding the internal control structure, there was no assurance, since the grant was completed on December 31, 1989, that the internal control structure in place during our audit existed when the funds were expended. Accordingly, little reliance was placed on CARE's internal control structure for the purpose of determining the nature, timing and extent of audit compliance tests applied in connection with our audit of CARE's fund accountability statement. Further, there were no matters that came to our attention that we considered to be a material weakness

Compliance with the terms of the Grant and Applicable Laws and Regulations

Our tests of compliance disclosed two instances of non-compliance. (1) CARE's financial status report was not prepared on a quarterly basis using SF-269. (2) CARE exceeded the allowable indirect cost by $ 99, allowances by $ 359 and other direct costs by $ 847.

Management Comments

We discussed the findings and recommendations in this report with CARE management throughout the engagement. CARE management was concerned about the lack of supporting documentation for the High Dam Lake Project. CARE stated in their response to the draft report that many internal controls have been put into place since 1989 that should prevent such a situation from occurring again some time in the future. We neither reviewed nor evaluated the internal controls put into place by CARE to determine if such action by CARE was adequate

We wish to thank everyone at CARE for the time and full cooperation given to us during the audit

This report is intended solely for use by the United States Agency for International Development.

Yours sincerely,

Shawki & Co.

SHAWKI & CO.

Shawki & Co

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INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the accompanying fund accountability statement of the Cooperative for American Relief Everywhere (CARE) for the period November 1, 1984 to December 31, 1989, under the terms of the agreement between CARE and The United States Agency for International Development. The fund accountability statement is the responsibility of CARE's management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

Included in the fund accountability statements are questioned costs of $ 64,826 for the period from November 1, 1984 to December 31, 1989. The basis for questioning these costs is more fully described in the "Fund Accountability Statement - Audit Findings" section of this report.

In our opinion, and except for the effect of the questioned costs as discussed in the preceding paragraph, the fund accountability statement referred to above present fairly, in all material respects, the expenditures of CARE for the period from November 1, 1984 to December 31, 1989 in accordance with the terms of the agreement referred to above. The accompanying schedules only include CARE's expenditures and are not intended to present CARE's financial position, results of operations or changes in its fund balance in accordance with generally accepted accounting principles.

This report is intended solely for the use of the United States Agency for International Development and CARE. This restriction is not intended to limit the distribution of this report, which upon acceptance by the office of the Regional Inspector General, is a matter of public record.

Shawki & Co.

SHAWKI & CO.
October 30, 1994

Deloitte Touche Tohmatsu International

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
FUND ACCOUNTABILITY STATEMENT (U.S. DOLLARS)
NOVEMBER 1, 1984 TO DECEMBER 31, 1989

Line Item	Budget (Note 2)	Actual (Note 2)	Questioned Cost Ineligible (Note 4)	Questioned Cost Unsupported (Note 4)	Audit Finding Reference
Salary	$ 70,919	$ 69,643		$ 28,716	1. a
Fringe benefits	4,539	4,552			
Allowance	5,323	5,682	$ 835	1,645	2.
Consultants	0	0			
Travel & transportation	18,111	16,446		1,507	1. b
Overhead	12,120	11,558			
Other direct cost	2,476	3,323		2,051	1. c
Medical health boat	106,443	106,443		9,330	1. d
Construction expenses	235,526	235,526		5,935	1. e, 4.
Other equipment	0	0			
Evaluation	9,903	6,854		6,855	1. f
Local overhead	19,476	19,575		7,952	3.
Total	$ 484,836	$ 479,602	$ 835	$ 63,991	

The accompanying notes are an integral part of the fund accountability statement.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
FUND ACCOUNTABILITY STATEMENT (U.S. DOLLARS)
NOVEMBER 1, 1984 TO DECEMBER 31, 1989

Line Item	Budget	Actual
Salary	$ 70,919	$ 15,230
Fringe benefits	4,539	4,552
Allowance	5,323	855
Consultants	0	0
Travel & transportation	18,111	2,049
Overhead	12,120	4,637
Other direct cost	2,476	3,322
Medical health boat	106,443	0
Construction Expenses	235,526	0
Other equipment	0	0
Evaluation	9,903	6,854
Local overhead	19,476	19,575
Total	* $ 484,836	** $ 57,074

* This amount represents the budget allocated for CARE throughout the life of the grant.

** This amount represents the actual expenses for the period from July 1, 1988 to December 31, 1989 used to calculate the local overhead rate.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
SCHEDULE OF COMPUTATION OF LOCAL INDIRECT COST RATE
JULY 1, 1988 TO DECEMBER 31, 1989

Line Item	Expenses	Exclusion Unallowable Expenses	Direct Cost	Indirect Cost
Salary	$ 22,367	$ 1,462	$ 16,605	$ 4,300
Fringe benefits	6,408	282	5003	1,122
Allowance	2,165	41	1,659	465
Office supplies	1,634	-	977	657
Office furniture & equipment	1,041	16	93	932
Communication	1,717	135	329	1,253
Rent	107	2	(66)	171
Maintenance & repair	3,385	(841)	3,284	942
Car expenses	2, 717	47	1,833	836
Travel & lodging	2,188	25	2,240	(77)
Training	5	-	5	-
Representation	126	124	(1)	4
Consultant	6,557	-	6,557	-
Sundries	2,020	541	460	1,018
Overhead	4,637	-	4,637	-
Total	$ 57,074	* $ 1,834	$ 43,615	$ 11,623

Local Indirect Cost Rate Calculation

Local Indirect Cost = $ 11,623 = 26.64% (Note 6)
Direct Cost Base $ 43,615 (Note 5)

* See note 6 in schedule of audit findings.

The accompanying notes are an integral part of the fund accountability statement.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
NOTES TO THE FUND ACCOUNTABILITY STATEMENT
NOVEMBER 1, 1984 TO DECEMBER 31, 1989

Note 1 - Basis of Presentation:

The fund accountability statement of CARE includes all locally disbursed direct and indirect cost expenditures for the High Dam Lake project with USAID.

Note 2 - Sources of Data:

The column labeled "actual" is the responsibility of CARE and represents the cumulative charges billed and reimbursed from USAID for the period November 1, 1984 thru December 31, 1989.

Budgeted amounts are determined by the grant agreement and according to the last amendment.

Note 3 - Basis of Accounting:

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

Note 4 - Questioned Costs:

Questioned costs are presented in two separate categories - ineligible and unsupported costs - and consist of audit findings proposed on the basis of the terms of the agreement, and the cost principles set forth in OMB circular A-122 (non-profitable organizations, other than education) which describe the nature and treatment of reimbursable cost not specifically defined in the grant agreement. Costs in the column labeled "ineligible" are supported by vouchers or other documentation but are ineligible for reimbursement because they are not project related, are unreasonable, or prohibited by the agreement or applicable laws and regulation. 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 the report.

Note 5 - Direct Cost Base:

The direct cost base consists of total local direct costs for the period from July 1, 1988 through December 31, 1989 and represents the allocation base by which the indirect cost pool is determined.

Note 6 - Indirect Cost Pool:

The indirect cost pool consists of the High Dam Lake (USAID) share of indirect costs net of the direct cost base and exclusions/unallowable costs.

Note 7 - Exchange Rate:

All reported amounts in the fund accountability statement are LE amounts converted in to US dollars using the average exchange rate for the period audited which is $ 1 = LE 1.21175.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
AUDIT FINDINGS

According to USAID applicable regulations, costs charged to a project must meet the following general criteria:

I Be reasonable for the performance of the project. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the same circumstances.

II Be allocable to the project. A cost is allocable in accordance with the relative benefits received.

III Conform to any limitations or exclusions set forth in the agreement in which the project is based.

IV Be adequately documented.

Ineligible costs are all those costs unallowable in accordance with the terms of the grant and applicable laws and regulations. Unsupported costs are costs not properly supported by receipts/documentation.

The following costs, which are described in the schedule of findings, were questioned because they were not in compliance with the grant, applicable laws or regulations.

Expenses	Ineligible Costs	Unsupported Costs	Total
263-0102-G-00-5008-00	$ 835 LE 1,012	$ 63,991 LE 77,542	$ 64,826 LE 78,554

1. **Certain costs were unsupported**

Condition

Expenditures in the amount of $ 54,394 (LE 65,913) did not have adequate documentation to permit a determination if they were allowable or documentation could not be located by CARE.

The following represents a break down of the unsupported amounts by line item:

a. Salaries: an amount of $ 28,716 (LE 34,797) was recorded in CARE books but was not supported by any documents either internal documents (check request) or external documents (payroll slip, contract, etc.)

b. Travel and transportation: an amount of $ 1,507 (LE 1,826) was recorded but supported only by check requests; no external supporting documents were attached.

Description	Destination	Ck Req #	Date	Amount $	Amount LE
Trans. and lodging	Cairo	26	04/04/85	25	30
4 Round trip tickets	Cairo	28	11/05/85	543	658
Air tickets	Cairo	38	02/11/86	61	74
Air tickets	Cairo	32	13/05/86	121	147
Air tickets	Cairo	43	15/06/86	161	195
Air tickets	Cairo	11	29/09/86	122	148
Air tickets	Cairo	49	14/10/86	132	160
Air tickets	Cairo	NCTJ	Feb 87	59	71
Air tickets	Cairo	56	24/02/87	132	160
Train tickets	Cairo	58	24/02/87	59	71
Train tickets	Cairo	8	03/01/87	61	74
Travel expenses	Cairo	68	26/03/87	31	38
Total				1,507	1,826

c. Other Direct Costs: an amount of $ 2,051 (LE 2,486) was recorded and included an amount of $ 1,401 (LE 1,699) unsupported by any documents while the rest of the amount of $ 650 (LE 787) was supported only by check requests and no external supporting documents.

Description	Destination	Ck Req. #	Date	Amount $	Amount LE
Purchases of materials	Aswan	21	09/11/85	1	1
Settlement of F.C.	Cairo	NCT	Oct 85	215	260
Local purchases	Cairo	27	02/04/87	206	250
Repairs	Cairo	-	19/06/89	75	91
Payment	Cairo	85	19/12/89	153	185
Total				650	787

d. Medical health boat: an amount of $ 9,330 (LE 11,306) was recorded, and included an amount of $ 5,961 (LE 7,224) unsupported by any documents while the rest of the amount of $ 3,369 (LE 4,082) was supported only by check requests.

Description	Destination	Ck Req. #	Date	Amount $	Amount LE
ABS Fees	Cairo	NCT # 1	Nov 86	3,336	4,042
Part of invoice for life jacket	Cairo	35	02/08/87	33	40
Total				3,369	4,082

e. Construction: an amount of $ 5,935 (LE 7,192) was recorded and included an amount of $ 1,231 (LE 1,492) unsupported by any documents while the rest of the amount $ 4,704 (LE 5,700) was supported only check requests.

Description	Destination	Ck Req. #	Date	Amount $	Amount LE
Erecting site # 41	Aswan	27	03/12/86	1,568	1,900
Erecting site # 42	Aswan	28	03/12/86	1,568	1,900
Erecting site # 44	Aswan	30	03/12/86	1,568	1,900
Total				4,704	5,700

f. Evaluation: an amount of $ 6,855 (LE 8,306) was recorded but not supported by any documents, either internal or external documents.

Criteria

Expenditures must be adequately supported to permit a determination if allowable and necessary in accordance with the terms of the grant.

Cause

During the relocation of CARE's facilities and records upon completing the project, various records were misplaced.

Effect

The allowability of the expenditures could not be determined.

Recommendation

CARE should maintain adequate documentation of expenditures to reduce the likelihood of questioned costs. In addition, it should maintain books and records for 3 years from the completion date of the project.

Management Comments

a. Salaries: CARE stated in their response to the draft report that their Overseas Financial System had a mechanism for converting direct costs for staff assigned to a number of projects. CARE indicated that subsequent to completion of the audit LE 23,093 in costs charged to the High Dam Lake Project had been identified, including the supporting documentation. CARE believed that the remaining amount of LE 11,704 was incorrectly reported staff salaries and the costs, in fact, were related to staff benefits and allowances. Further, all costs related to staff benefits and allowances were documented and exceeded the amount reported to USAID. CARE could not explain why management in Egypt had not proposed a revision to the budget for such line item overruns.

b. Travel & Transportation: Management believed that even though the supporting documentation was not available, because all travel was between Cairo and Aswan for staff assigned directly or supporting the project, it could be reasonably presumed the costs were reasonable and allocable to the project.

c. Other Direct Costs: As was the case for "salaries". management identified costs with supporting documentation amounting to LE 11,720 related to the conversion of direct costs of staff assigned to support a number of projects. The amount of these costs exceeds the amount of costs questioned by our auditors.

d. Medical Health Boat: Management could not locate documentation supporting $ 9,330 (LE 11,306) in costs for the medical health boat. Relative to the $ 3,369 (LE 4,082) in costs for the commission of the boat and a life jacket management believed the costs were reasonable and allocable.

e. Construction: Management believed the costs should be accepted because they were consistent with the costs associated with numerous other construction sites for which adequate documentation exists.

f. Evaluation: Management stated that two evaluations were conducted on the project.

Auditor's Comments

The costs reviewed by us were reimbursed to CARE by USAID and it is for this reason only such costs were included during our review. Other costs generated from CARE's Overseas Financial System that were not presented in the fund accountability statement at the time of the audit, in our opinion, should not now be allowed as substitutes to satisfy OMB Circular A-122 requirements.

2. **Allowances**

Condition

CARE has charged USAID an amount of $ 835 (LE 1,012) as representation allowances to cover expenses incurred by senior management at various organizational functions. In addition, an amount of $ 1,645 (LE 1,993) was not supported by adequate documentation.

Description	Destination	Ck Req. #	Date	Amount $	Amount LE
H.H. quarter all.	Cairo	25	18/09/86	41	50
Quarter all. Nov. 84	Cairo	2	28/10/84	105	127
Quarter all. Dec. 84	Cairo	4	26/11/84	105	127
Quarter all. Jan. 85	Cairo	1	26/12/84	105	127
Quarter all. Feb 85	Cairo	7	27/01/85	105	127
Utilities + HH all.	Cairo	58	18/02/85	43	52
Quarter all. Mar. 85	Cairo	30	03/02/85	47	57
H.H. allowance	Cairo	34	14/03/85	14	16
Quarter all. Mar. 85	Cairo	53	24/03/85	579	702
Quarter all. Apr. 85	Cairo	6	28/03/85	14	16
H.H. allowance	Cairo	23	04/03/85	14	16
Quarter all. Feb. 87	Aswan	14	03/03/87	68	82
H.H. allowance	Cairo	-	May 89	109	132
Quarter all.	Cairo	-	19/06/89	21	26
H.H. all.	Cairo	-	29/06/89	7	8
Quarter all. Jul-Aug.	Cairo	12	07/04/89	51	62
Quarter all. Aug-Sep.	Cairo	64	15/08/89	51	62
Quarter all. Sep-Oct.	Cairo	-	17/09/89	51	62
Quarter all. Oct-Nov.	Cairo	-	15/10/89	51	62
H.H. allowance	Cairo	-	15/10/89	7	9
H.H. allowance	Cairo	-	19/10/89	2	3
H.H. allowance	Cairo	-	21/11/89	2	3
Quarter all. Dec-Jan	Cairo	76	14/12/89	51	62
H.H. all.	Cairo	87	21/12/89	2	3
Total				$ 1,645	LE 1,993

H.H. = Household allowance.

Criteria

According to OMB Circular A-122 the nature of the expense is unallowable except when it is consistent with the organization policy, however, this requires a prior approval from the project officer.

Cause

Management at that time was unaware of the requirements.

Recommendation

Inform appropriate CARE employees of the restrictions regarding unallowable costs as stated in OMB Circular A-122.

Management Comment

CARE contends that the term "representation" allowance is a misnomer because the money is paid to senior management to compensate them for added responsibilities.

Auditor's Comments

CARE's records showed that senior management was reimbursed by USAID for a "representation" allowance which is not allowed according to OMB Circular A-122. Since the auditors could not determine for what purpose the money was actually used the auditors must rely on the description of the account as shown in CARE's records.

3. **Local indirect cost**

Condition

CARE has disbursed an amount of $ 168,214 (LE 203,833) associated with functioning of the Cairo office for the period from July 1, 1988 to December 31, 1989. As CARE held various grants, management has allocated 8% of the total amount to the USAID Grant (High Dam Lake) as it represents actual time spent and actual charges disbursed on the project. CARE then added the above mentioned percentage to the direct costs incurred for the same period and included it in the CFR submitted to the USAID for reimbursement as a separate line item called local overhead.

The following tabulation represents the High Dam Lake share of the local indirect costs and the related ineligible costs:

Description	Total Indirect Cost $	Total Indirect Cost LE	High Dam Lake Share (8%) $	High Dam Lake Share (8%) LE
Local indirect cost for the period from July 1, 1998 to December 31, 1989	168,214	203,833	13,457	16,306
Ineligible per Shawki & Co	** (22,930)	** (27,785)	*** (1,834)	*** (2,222)
Eligible local indirect cost	145,284	176,048	* 11,623	* 14,084

CARE has billed USAID an amount of $ 19,575 (LE 23,720), while per Shawki & Co., the eligible amount of local indirect costs that should be billed amounts to *$ 11,623 (LE 14,084), and accordingly, Shawki & Co. has questioned the amount of $ 7,952 (LE 9,636) included in the fund accountability statement $ 19,575 (LE 23,720) - $ 11,623 (LE 14,084)

Criteria

Expenditures must be adequately supported to permit a determination if allowable in accordance with the terms of the grant. In addition, expenditures incurred should be in compliance with the cost principles stated in the grant agreement.

Cause

During the relocation of CARE's facilities and records upon completing the project various records were misplaced In addition, management at that time was unaware of the cost principles governing the allowability of expenditures.

Effect

The allowability of unsupported expenditures could not be determined.

Recommendation

CARE should maintain adequate documentation for the expenditures to reduce the likelihood of questioned costs In addition, inform appropriate CARE employees of the restrictions regarding unallowable costs as stated in OMB Circular A-122.

** Due to the large amount of questioned local overhead costs, the analysis is shown on Appendix C to the report

*** This amount represents the $ 124 (LE 150) for unallowable representation allowances and $ 1,710 (LE 2,072) in unsupported costs distributed over the different accounts Refer to the schedule of the computation of local indirect cost

Management comments

Management was not able to find additional information that explained the reason why CARE billed USAID for more than the allowable amount

Shawki & Co

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the fund accountability statement of the Cooperative for American Relief Everywhere (CARE) for the period from November 1, 1984 to December 31, 1989, and have issued our report thereon dated October 30, 1994.

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.

In planning and performing our audit of CARE's fund accountability statement for the year ended December 31, 1989, we considered its internal control structure 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 CARE 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 cost 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 financial statements in accordance with the terms of the grant between CARE and the U.S. Agency for International Development. Because of risks inherent 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions

However, there was no assurance, since the grant was completed on December 31, 1989, that the internal control structure in place during our audit existed when the funds were expended.

Accordingly, little reliance was placed on CARE's internal control structure for the purpose of determining the nature, timing, and extent of audit compliance tests applied in connection with our audit of CARE's fund accountability statement. Further, there were no matters that came to our attention that we consider to be a material weakness as defined above.

This report is intended solely for the use of CARE and the U.S. Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the office of the Regional Inspector General, is a matter of public record.

Shawki & Co

SHAWKI & CO.

October 30, 1994

Shawki & Co

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GRANT AGREEMENT AND APPLICABLE LAWS AND REGULATIONS

We have audited the fund accountability statement of Cooperative for American Relief Everywhere (CARE) for the period from November 1, 1984 to December 31, 1989 and have issued our report thereon dated October 30, 1994.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in 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 statement is free of reportable conditions.

Compliance with laws, regulations, grants, and binding policies and procedures applicable to CARE is the responsibility of CARE's management. As part of our audit, we performed tests of CARE's compliance with certain provisions of laws, regulations, 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 statement is free of reportable conditions; 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 programs to which they relate are identified in the accompanying schedule of findings and questioned costs.

Except as described above, the results of our tests indicate that with respect to the items tested CARE complied, in all material respects, with the provisions referred to in the third paragraph of this report, with respect to items not tested, nothing came to our attention that caused us to believe that CARE had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the U.S. Agency for International Development and CARE. This restriction is not intended to limit the distribution of this report, which upon acceptance by the office of the Regional Inspector General, is a matter of public record.

SHAWKI & CO

October 30, 994

Deloitte Touche
Tohmatsu
International

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)

Compliance With the Terms of the Agreement and Applicable Law and Regulations
Schedule of Findings

1. **Quarterly financial status report**

Condition

CARE's financial status report was not prepared on a quarterly basis using Standard Form 269, instead, it was done monthly, semi-annually or sometime annually.

Criteria

According to the terms of the agreement, CARE should submit quarterly to USAID a financial report using SF-269.

Cause

Prior management left the organization and we could not readily identify the reason behind the condition.

Recommendation

CARE in other future grants should comply with reporting requirement as set forth in the grant agreement.

Management comments

SF-269 reports are submitted regularly on the current grant with USAID.

2. **Excess over the budget**

Condition

CARE has exceeded the following budget line items.

Description	Amount
Local indirect cost	$ 99
Allowances	$ 359
Other direct cost	$ 847

Criteria

CARE should not exceed the approved budget as per the terms of the agreement.

Cause

Prior management left the organization and we could not identify the reason for the condition

Effect

CARE, in future grants, should not exceed the budget unless it is approved by USAID.

Management comments

CARE noted that even though there were budget line item overruns the project was implemented for less than the amount budgeted. Under the present grant with USAID, CARE is allowed some flexibility on exceeding the budgeted line items provided the costs are reasonable and allocable.

Appendix A

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
FUND ACCOUNTABILITY STATEMENT IN EGYPTIAN POUNDS
NOVEMBER 1, 1984 TO DECEMBER 31, 1989

Line Item	Budget	Actual	Questioned Cost		Audit
			Ineligible	Unsupported	Finding Reference
Salary	LE 85,936	LE 84,390		LE 34,797	1. a
Fringe benefits	5,500	5,516			
Allowance	6,450	6,885	LE 1,012	1,993	2.
Consultants	0	0			
Travel & transportation	21,946	19,929		1,826	1. b
Overhead	14,687	14,006			
Other direct cost	3,000	4,025		2,486	1. c
Medical health boat	128,982	128,982		11,306	1. d
Construction expenses	285,399	285,399		7,192	1. e
Other equipment	0	0			
Evaluation	12,000	8,306		8,306	1. f
Local overhead	23,600	23,720		9,636	3.
Total	LE 587,500	LE 581,158	LE 1,012	LE 77,542	

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
FUND ACCOUNTABILITY STATEMENT IN EGYPTIAN POUNDS
JULY 1, 1988 TO DECEMBER 31, 1989

Line Item	Budget	Actual
Salary	LE 85,936	LE 18,455
Fringe benefits	5,500	5,517
Allowance	6,450	1,036
Consultants	0	0
Travel & transportation	21,946	2,483
Overhead	14,687	5,619
Other direct cost	3,000	4,025
Medical health boat	128,982	0
Construction expenses	285,399	0
Other equipment	0	0
Evaluation	12,000	8,305
Local overhead	23,600	23,720
Total	LE 587,500	LE 69,160

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
SCHEDULE OF COMPUTATION OF LOCAL INDIRECT COST IN EGYPTIAN POUNDS
JULY 1, 1988 TO DECEMBER 31, 1989

Line Item	Expenses	Exclusion Unallowable Expenses	Direct Cost	Indirect Cost
Salary	LE 27,102	LE 1,771	LE 20,121	LE 5,210
Fringe benefits	7,764	342	6,062	1,360
Allowance	2,623	50	2,010	563
Office supplies	1,980	0	1,184	796
Office furniture & equipment	1,262	19	113	1,130
Communication	2,081	164	399	1,518
Rent	131	3	(80)	207
Maintenance & repair	4,102	(1,019)	3,979	1,142
Car expenses	3,292	57	2,221	1,013
Travel & lodging	2,652	30	2,715	(93)
Training	6	0	6	0
Representation	153	150	(2)	5
Consultant	7,946	0	7,946	0
Sundries	2,447	656	558	1,233
Overhead	5,619	0	5,619	0
Total	LE 69,160	LE 2,223	LE 52,851	LE 14,084

APPENDIX C

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
QUESTIONED LOCAL OVERHEAD COSTS
JULY 1, 1988 TO DECEMBER 31, 1989

Period	Check#	Description	Unsupported $	Unsupported LE	Ineligible $	Ineligible LE
Jul 88	951398	Overtime national staff	41	50		
	955305	National staff salaries	3,742	4,535		
	955309	Medical insurance	5	6		
	955307	Social insurance	229	277		
	955305	National staff salaries	70	85		
	955301		12	15		
	955301	Transportation	20	24		
	955301	Sundries	113	137		
	951387	Renewing visas	14	17		
Aug 88	955353	Transportation	45	55		
	955385	Postage	62	75		
	CR#182	International phone call	54	65		
	955352		21	25		
	955385	Transportation	91	110		
	955385	Sundries	161	195		
	955353	Sundries	163	197		
Sep 88	955398	National staff salaries	3,742	4,535		
	956521	Medical insurance	153	185		
	905396		295	358		
	956522	Medical insurance	5	6		
	956520	Social insurance	221	268		
	955398	National staff salaries	70	85		
	956552	Postage	63	76		
	956537	Cleaning car	16	20		
	CR#197		152	184		
	956511	Farewell party			1,087	1,317
	956522	Sundries	198	240		
Oct 88	958307	National staff salaries	1,069	1,295		
	958307	Social insurance	227	275		
	958307		26	32		
	958306	Postage	26	31		
	958306	Transportation	15	18		
	958306	Sundries	135	163		
	958319	Consultancy fees			82	100
		Carried forward	*11,254*	*13,639*	*1,169*	*1,417*

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
QUESTIONED LOCAL OVERHEAD COSTS
JULY 1, 1988 TO DECEMBER 31, 1989

Period	Check#	Description	Unsupported $	Unsupported LE	Ineligible $	Ineligible LE
		Brought forward	*11,256*	*13,639*	*1,169*	*1,417*
Nov 88	958355	Office maintenance	38	46		
	958365		33	40		
	958385		138	167		
Dec 88	962613	National staff salaries	3,237	3,922		
	AD#17		1,804	2,186		
	962613	National staff salaries	153	185		
	AD#15		683	828		
	962629	Office maintenance	13	16		
	962602		149	181		
	962629	Transportation	45	54		
	962663	Transportation	41	50		
	CR#1127		45	55		
	962652		22	27		
	962658	Truck rented to move Mr. Jackson's things	25	30		
	962629	Sundries	149	181		
	962642	Consultancy fees	198	240		
	962663	Sundries	101	122		
Jan 89	962678	National staff salaries	3,198	3,875		
	962678	National staff salaries	153	185		
	AD#14		57	69		
	AD#11		5	6		
	966339	Bonus for work during 88	836	1,013		
	966324	Sundries	137	166		
Feb 89	AD#15		2	3		
	AD#18		38	46		
	956716		4	5		
	AD#15		112	136		
	966392	Sundries	177	215		
	Debt Note	Bank charges	17	20		
		Carried forward	*22,866*	*27,708*	*1,169*	*1,417*

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
QUESTIONED LOCAL OVERHEAD COSTS
JULY 1, 1988 TO DECEMBER 31, 1989

Period	Check#	Description	Unsupported $	Unsupported LE	Ineligible $	Ineligible LE
		Brought forward	*22,866*	*27,708*	*1,169*	*1,417*
Mar 89	AD#2	Skypack mail	112	136		
	AD#3	Long distance calls	40	48		
	967237	Loading and unloading electric equipment - Mr. Jackson	49	60		
	967236	Sundries	144	175		
Apr 89	971610	Sundries	158	191		
May 89	971689	National staff social insurance	554	671		
	971690	Car fuel	18	22		
Jun 89	975580		<557>	<675>		
	975556		38	46		
	975558	Alex. guest house rent	30	36		
	975566	Car repair	39	47		
	975564	Transportation allowance	68	82		
	975592	Welcome party			275	334
	975631	Visas	68	82		
	975635	Cartoon purchase	46	56		
	975551	Law service during May 89			978	1,185
	975649	Legal consulting fees			2,028	2,458
	975564	Sundries	180	219		
	975615	Law service during May 89			395	479
		Carried forward	*23,853*	*28,904*	*4,845*	*5,871*

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00
QUESTIONED LOCAL OVER HEAD COSTS
JULY 1, 1988 TO DECEMBER 31, 1989

Period	Check#	Description	Unsupported $	Unsupported LE	Ineligible $	Ineligible LE
		Balance forward	23,853	28,904	4,845	5,871
Jul 89	AD# 1/1	Settlement office renovations (no sup. docs.)	<12,095>	<14,656>		
		Bank charges (no sup. docs.)	1	1		
		Bank charges (no sup. docs.)	17	20		
	980720	Releasing CARE computer (no sup. docs.)	35	42		
	980764	Final payment for air and repairs (no sup. docs.)	1,238	1,500		
	979172	Donation for armed force party (no sup. docs)	83	100		
Aug 89	AD# 13	Vehicle expenses (no sup. docs.)	29	35		
Sep 89	AD# 5	Settlement of advance (NSD)	495	600		
	983525	Remuneration for managerial services (NSD)	1,457	1,765		
	983593	Clearing personal effects	97	118		
	983597	Cost of 2 data transfer switches (NSD)	198	240		
		Amount incorrectly directed to A/c No.1 (NSD)	10	12		
		Bank charges (NSD)	1	1		
Oct 89		Bank charges (NSD)	11	13		
Nov 89	987432	Cairo vehicles expenses (NSD)	204	247		
	987445	Remuneration for managerial service (NSD)	1,498	1,815		
	987500	Gift (NSD)	37	45		
	990839	Decoration for Cairo office	248	300		
Dec 89	990860	Cost of making curtains (NSD)	21	25		
	990864	Replacing glass of windows (NSD)	25	30		
	990867	Cost of sessions (NSD)	425	515		
	990887	Lunch and dinner (SD)	162	196		
			50	60		
		Total	18,100	21,928	4,845	5,871

GRAND TOTAL FOR THE PERIOD FROM JULY 88 TO DECEMBER 89		
Questioned	**US$ 22,945**	**LE 27,799**
Immaterial Difference	**<15>**	**<14>**
	US$ 22,930	**LE 27,785**

APPENDIX D

CARE Management Comments

September 26, 1994
#6973

Mr. Hatem El Khodary
Audit Senior
Shawki & Co.
Bank Misr Tower
153 Mohamed Farid Street
Cairo, 11511, Egypt

Subject: Response to Draft HDL Audit Report

Dear Mr. Hatem,

I would like to thank you for your cooperation and diligence in completing the audit of CARE Egypt's High Dam Lake Project. We have reviewed your draft report, and following is a response to your findings in the order in which they are presented in the report.

FUND ACCOUNTABILITY

UNSUPPORTED COSTS

Salaries. We have found additional costs over the period June 1988 through April 1990 of LE 23,093 that have been charged to the HDL Project and appear not to have been considered in the audit. CARE's Overseas Financial System has a mechanism for converting costs for staff assigned to support a number of projects to direct costs for each of the projects which they support. Much of these new costs identified are related to this conversion, and all have supporting documents that are available whenever you or your staff would like to review them.

There remains a balance of LE 11,704 that does not have any documentation. Our review has discovered that costs related to staff benefits and allowances supported by documentation exceeds the amount reported to USAID. It is likely that these costs which exceed the line item budgets for benefits and allowances may have been reported as staff salaries. It is not clear why CARE Egypt management did not propose a budget revision to accommodate these line item overruns, as would be normal practice.

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Travel & Transportation. It is recognized that adequate supporting documentation is missing from the check requests in question. CARE Egypt currently requires the following documentation for all cash disbursements related to travel and transportation.

1. A clear description on the Cash Disbursement Voucher indicating who/why/where/when pertaining to the travel.

2. Used air ticket coupons or copies of train tickets.

3. Invoice from the travel agent.

4. Receipt for payment from the payee.

5. An approved Travel Expense Report for travel expenses not related to air or train travel.

For the costs in question, all travel is between Cairo and Aswan for staff assigned directly or supporting the HDL Project, and it can be reasonably presumed that the costs are reasonable and allocable to the HDL Project.

Other Direct Costs. We have identified costs amounting to LE 11,720 over the period July 1988 through April 1990, again related to the conversion to direct costs of staff assigned to support a number of projects. The supporting documents for these costs are available whenever you or your staff would like to review them.

Medical Health Boat. For the amount of LE 7,224 in costs without any form of supporting documentation, we are at a loss to explain. Given the time that has passed since these expenses were recorded, and the movement of the office in Aswan, there is the possibility that some records have been misplaced.

On the other expenses that have been reported without satisfactory documentation, it is again recognized that adequate supporting documentation is missing from the check requests in question. CARE Egypt currently requires the following documentation for all cash disbursements of this sort.

1. A clear description on the Cash Disbursement Voucher indicating who/what/why/where/when pertaining to the transaction.

2. An invoice from the supplier of the good or service.

3. A receipt or endorsement on the Cash Disbursement Voucher indicating that payment has been made.

For the two transactions in question, the ABS fees represent the payment for commissioning of the medical service boat provided by the project. The commissioning was done by the American Bureau of Shipping and is required

32

in order to obtain a license for the boat. A life jacket is part of the normal kit for a boat. It can reasonably be presumed that both of these costs are reasonable and allocable.

Construction Costs. For the amount of LE 1,492 in costs without any form of supporting documentation, we are again unable to provide a full explanation, and it is possible that some records have been misplaced.

For the remaining construction costs, it is recognized that adequate documentation was not attached to the check requests, and we have described current practice above. These sites are valid construction sites, however, and the costs are consistent with the costs associated with numerous other construction sites for which adequate documentation exists.

Evaluation. Two evaluation exercises were conducted on the project, sometime in January or February of 1987, and again in December of 1989. Consultants were hired to participate in these evaluations and their costs have been charged to account code 4522/4580. It is not clear whether or not your audit team considered these costs as evaluation expenses.

ALLOWANCES

Representation. The term "representation" allowance is a misnomer, suggesting that this allowance is used to cover expenses associated with representation. In fact, it is a responsibility differential provided to senior management staff to reflect the added responsible of their positions. CARE Egypt has been working toward dispelling this idea of the representation allowance being used to cover "representation" expenses. Attached are recent communications related to this effort.

Household/Quarters Allowance. The household/quarters allowance is intended to cover rent, utilities and a household contingency for international staff as per CARE's Personnel Manual. A copy of the pages of the manual in effect at the time of the HDL Project are attached.

LOCAL OVERHEAD COST

The local overhead line item added to the budget during the last phase of the project is unusual, and there is substantial confusion regarding its application. The grant amendment clearly indicates that local overhead should be calculated much like administrative overhead, as a percentage of direct costs. The time period indicated in the grant amendment for this overhead is the last phase of the project from July of 1988. Since the budget remaining for this period was about LE 75,500, one would expect the budget line item for local overhead to be about LE 3,340. But, the budget shown in the grant amendment indicates an

33

amount of LE 23,600 approved for local overhead. This is much higher than the expected amount of LE 3,340 and represents over 45% of the funds remaining for the project at the time this line item was introduced. This is obviously inconsistent with the calculation of local overhead as 5% of direct costs beginning from July, 1988. It is closer, in fact, to a calculation of local overhead as 5% of life of project direct costs. The grant amendment is inconsistent, and it is still not clear how local overhead was calculated. Unfortunately, we have not been able to find any communications or other documentation that might help clarify the situation.

DUPLICATION IN CONSTRUCTION COST

An additional document related to the non-cash transaction journal has been identified that includes an adjustment made in May of 1985 to correct the apparent duplication of costs. A copy of the document is attached and the original is available whenever you or your staff would like to review it.

GRANT COMPLIANCE

Quarterly Submission of SF-269

Although SF-269 reports were submitted irregularly, all information was provided for the life of the project. CARE Egypt is presently adhering to reporting requirements for the current grant received from USAID.

Budget Line Item Overruns

CARE Egypt should not have exceeded the budget on the line items in questioned. It should be noted, however, that on the total budget, the project was implemented for less than the amount budgeted. A budget revision could have been proposed to accommodate the relatively minor overruns on certain line items. With the present grant from USAID, CARE Egypt is authorized flexibility on line item budgets as long as costs are reasonable and allocable.

Again, we appreciate the extraordinary efforts you and your staff have taken to complete this audit. We are all interested in completing this task as soon as possible, therefore please do not hesitate to ask us for any assistance or cooperation needed to finish the audit.

Sincerely,

Michael D. DeVries
Assistant Country Director

34

INTERNATIONAL CARE EGYPT

November 24, 1993
USAID #688

Mr. Karim Y. Gohar
PVO Liaison Officer
HRDC Directorate
USAID Egypt
Garden City, Cairo

Subject: National Staff Representation Allowance

Dear Karim,

As part of CARE Egypt's benefit/allowance package for national staff, senior staff receive what is called a representation allowance. In the CID Program, this allowance was described as follows in documents prepared and submitted to you describing the budget.

> "National Staff management level employees (Grades 1 and 2) receive a representation allowance equal to 20% (Grade 1) and 10% (Grade 2) of their base salary."

In the CRM Program Proposal, the allowance is described in the appendix under budget line item descriptions as follows.

> "National staff senior management employees receive a representation allowance reflecting higher levels of responsible [sic]. The allowance ranges from 5% to 10% of basic salary depending on grade."

Our concern is that we have called this a representation allowance when, in fact, it is a responsibility differential. The allowance is not tied in any way, presently or historically, to representation expenses that would be disallowed by USAID. We would like to change the name of the allowance, but this would involve revising our Work Organization Regulation Document (WORD) and having it approved by the Ministry of Labor. This is an arduous process which we have just completed. As an alternative to doing this, could you please confirm your understanding of the allowance and that it is allowable relative specifically to the concept of representation expenses.

If you have any questions or comments, please feel free to contact us. Thanks.

Sincerely,

Mike

Michael D. DeVries
Assistant Country Director

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Quarters Allowance - International Personnel

Quarters Allowance is to cover only the cost of rent and utilities for International Staff members in their countries of assignment.

The formula for calculating the Quarters Allowance for each staff member is his/her actual rent plus actual average utilities plus a ten percent factor on utilities (to compensate for fluctuations in variable utility charges) plus a Household contingency amount established by Overseas Operations.

The residence to which Quarters Allowance is to be applied must be approved by the Country Director or, in the case of his/her extended absence, by Headquarters. Staff members are to maintain appropriate housing standards and neither live in a pretentious manner, nor in substandard quarters. Discretion is to be exercised in the use of utilities.

The amount requested for Quarters Allowance should be forwarded to Overseas Operations under numbered letter for review and approval. Requests should be documented with copies of the lease and utility bills (either at the time of request or, if not feasible, then forwarded later).

Once a Quarters Allowance amount is established for an employee it is to be applied to that employee only for as long as that employee is expending the set amount.

Variations due to changes in rental amounts or greater than a ten percent change in average utility bills should follow the same procedure as that outlined in 14.4.2b and d.

Quarters Allowance is provided to Regular and Contract International Personnel who are assigned to a country and incur rent and utility charges.

New Contract International Personnel departing for their first assignment overseas will be on expenses per Section 14.5.

Regular and Contract International Personnel on approved official travel outside the Country of Assignment (for conferences, TDY assignments, etc.) continue to receive full Quarters Allowance of the Country of Assignment as long as residence is maintained, in addition to full expenses. The Quarters Allowance is paid in the Country of Assignment and charged to the country and project where the employee is performing TDY.

Regular and International Personnel continue to receive full Quarters Allowance while on Home Leave and maintain residence.

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Regular and Contract International Personnel departing from country of assignment will stop receiving Quarters Allowance on the date of departure and will commence receiving a Transfer Allowance, established by Headquarters, from that date until the date of arrival in the new country of assignment, prorating the monthly Transfer Allowance by the number of remaining days in the month.

International Personnel taking Leave Without Pay (LWOP) will not receive Quarters Allowance while they expend any unused Annual Leave.

Terminating Regular and Contract International Personnel will be paid Quarters Allowance of the Country of Assignment up through the day before departure. They will not receive Quarters Allowance for any unused Annual Leave.

Full Quarters Allowance is paid to the Employee during Local Leave.

Quarters Allowance paid to U.S. Citizens is an income factor in computing FICA taxes and Withholding Taxes.

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Exhibit 2-2

CARE-Egypt

CHECK REQUEST # 32

DATE : 10th of April 1985.

* AMOUNT 5000.000

ACCOUNTING PERIOD: April 1985.

Payee : Name Mohamed N. H. Abu Shanab

Address Shanabco Co., Alex.

EXPLANATION : First payment to contractor Mohamed Mohamed Hussien Abo Shanab for the construction of 4 shelters # 28,29,30 & [illegible] item # 2- (1))

PREPARED BY : Henna Luka Henna

APPROVED BY : Nabil Kamel

ACCOUNT CODE DISTRIBUTION :

FIELD	1	2	3	4	5	7	AMOUNT
	2103	023	5		4002		5000.000
				TOTAL :			* 5000.000

CHECK # 213641

CHECK DATE 10-4-1985

AUDITED BY : Dalal G. Hanna D.G.

APPROVED BY : Nabil Kamel

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38

Exhibit 2-2

CARE-Egypt

CHECK REQUEST # 4

DATE : May 20, 1985

* AMOUNT

ACCOUNTING PERIOD: June 1985

Payee : Name Mohamed Mohamed Husien Abu Shanab

Address Shanabco Co. Alex.

EXPLANATION : Final Payment for the erecting of site #28 (Tushka 1)

Total Costs	5000.000	
		- 1250.000 (25% down payment CK 21364 dated April 10,1985)
		- 50.000 1% taxes
	- 1300.000	1300.000
This payment	3700.000	

PREPARED BY : Nabila Boutros N.B

APPROVED BY : Nabil Kamel NC

ACCOUNT CODE DISTRIBUTION :

FIELD 1	2	3	4	5	7	AMOUNT
2100				1653		(1250.000)
2103	023	5		4002		5000.000
2100				2103		(50.000)
			TOTAL :			3700.000

CHECK # 213684

CHECK DATE 28-5-1985

AUDITED BY : Dalal Hanna D.G.

APPROVED BY : Nabil Kamel NC

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31

Exhibit 2-2

CARE-Egypt

CHECK REQUEST # 5

DATE May 28, 1985

AMOUNT LE. 3700.000

ACCOUNTING PERIOD: June 1985

Payee : Name Mohamed Mohamed Husien Abu Shanab

Address Shanabco Co. Alex.

EXPLANATION : Final Payment for the erecting of site #29 (Tushka 2)

Total Costs	5000,000	
		- 1250.000 (25% down payment CK 21 dated April 10,1985)
		- 50.000 1% taxes
	- 1300.000	1300.000
This payment	3700.000	

PREPARED BY : Nabila Boutros

APPROVED BY : Nabil Kamel

ACCOUNT CODE DISTRIBUTION

FIELD	1	2	3	4	5	7	AMOUNT
	2100				1653		(1250.000)
	2103	023	5		4002		5000.000
	2100				2103		(50.000)
							3700.000

CHECK # 213685

CHECK DATE 28-5-1985

AUDITED BY : Dalal Hanna

APPROVED BY : Nabil Kamel

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40

Exhibit 2-2

CARE-Egypt

CHECK REQUEST # 6

DATE : May 28, 1985

AMOUNT LE. 3700.000

ACCOUNTING PERIOD: June 1985

Payee : Name Mohamed Mohamed Husien Abu Shanab

Address Shanabco Co. Alex.

EXPLANATION : Final Payment for the erecting of site #30 (Tushka 3)

Total Costs	5000,000	
		- 1250.000 (25% down payment CK 2 dated April 10,1985)
		- 50.000 1% taxes
	- 1300,000	1300.000
This payment	3700.000	

PREPARED BY : Nabila Boutros

APPROVED BY : Nabil Kamel

ACCOUNT CODE DISTRIBUTION

FIELD	1	2	3	4	5	7	AMOUNT
	2100				1653		(1250.000)
	2103	023	5		4002		3000.000
	2100				2103		(50.000)
				TOTAL			3700.000

CHECK # 21368

CHECK DATE 28-5-1985

AUDITED BY : Dalal Hanna

APPROVED BY : Nabil Kamel

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41

Exhibit 2-2

CARE-Egypt

CHECK REQUEST # 7

DATE : May 28, 1985

AMOUNT LE. 3700.000

ACCOUNTING PERIOD: June 1985

Payee : Name Mohamed Mohamed Husien Abu Shanab

Address Shanabco Co. Alex.

EXPLANATION : Final Payment for the erecting of site #31 (Forgond)

Total Costs	5000.000	
		- 1250.000 (25% down payment CK dated April 10, 190
		- 50.000 7% taxes
	- 1300.000	1300.000
This payment	3700.000	

PREPARED BY : Nabila Boutros

APPROVED BY : Nabil Kamel

ACCOUNT CODE DISTRIBUTION :

FIELD	1	2	3	4	5	7	AMOUNT
	2100				1653		(1250.000)
	2103	023	5		4002		5000.000
	2100				2103		(50.000)
			TOTAL				3700.000

CHECK # 21368 7

CHECK DATE 28-5-1985

AUDITED BY : Dalal Hanna

APPROVED BY : Nabil Kamel

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Exhibit 2-4

NON-CASH TRANSACTION JOURNAL

SAMPLE FORM

COUNTRY: Aswan-Egypt

MONTH/YEAR May 1985

PREPARED BY: Dalal Hanna D. G.

APPROVED BY: Nabil Kamel

NCT #	EXPLANATION	ACCOUNT CODE DISTRIBUTION FIELD # 1	2	3	4	5	7	DEBIT	CREDIT
1	Settlment of	2104	023	5		4515		5.520	
	advance paid	2100				1573			5.520
	to Magdi via								
	Ck #213643								
2	Nat. Staff's	2103				4505		3.400	
	transportation	2104				4505		140.500	
	allowance for	2105				4505		107.000	
	Feb. & March85	2103				4515			3.400
		2104				4515			140.500
		2105				4515			107.000
3	25% down pay	2100				1653		5000.000	
	contractor Abo	2103				4002			5000.000
	Shanab for the								
	construction of								
	4 shelters								
	CR#32 dated								
	April 10,85								
						PAGE TOTAL		5256.420	5256.420

Field Number

1 2 3 4 5 7

FUND-COUNTRY-PROJECT-(SPECIAL REPORT CODE)-ACCOUNT CODE-(REPORTING CATEGORY)

BOTH REPORTING CATEGORY AND SPECIAL REPORT CODE ARE USED ONLY WHERE REQUIRED

13

APPENDIX E

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00

AUDITOR'S COMMENTS

Management comments provided by CARE did not cause the auditors to change the amount of the questioned costs in the draft report for audit findings 1 through 3. Audit finding number 4 was dropped from the draft report because CARE management provided evidence that a correction had been made for the duplication of an amount of $ 1,031 (LE 1,249) for the construction of farm sites. This adjustment resulted in changing the total amount of ineligible costs from $ 1,866 (LE 2,261) to $ 835 (LE 1,012) and to the total questioned costs from $ 65,857 (LE 79,803) to $ 64,826 (LE 78,554).

APPENDIX F

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)
HIGH DAM LAKE PROJECT
GRANT NO. 263-0102-G-00-5008-00

MISSION'S COMMENTS

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

USAID

CAIRO, EGYPT

December 19, 1994

MEMORANDUM

RECEIVED
19 DEC 1994

TO: John Ottke, A/RIG/A/C

FROM: Syed Ali, A/OD/FM/FA

SUBJECT: Audit of the Cooperative for American Relief Everywhere (CARE) Local Expenditures Incurred Pursuant to Grant No. 263-0102-G-00-5008 Under the High Dam Lake Project No. 263-0102 - Draft Report

Mission is working with the grantee to resolve and close Recommendation No. 1 under the subject report, and has no comments to offer at this time. Please issue the final report.

46

APPENDIX G

REPORT DISTRIBUTION

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