

PD-ABK-479

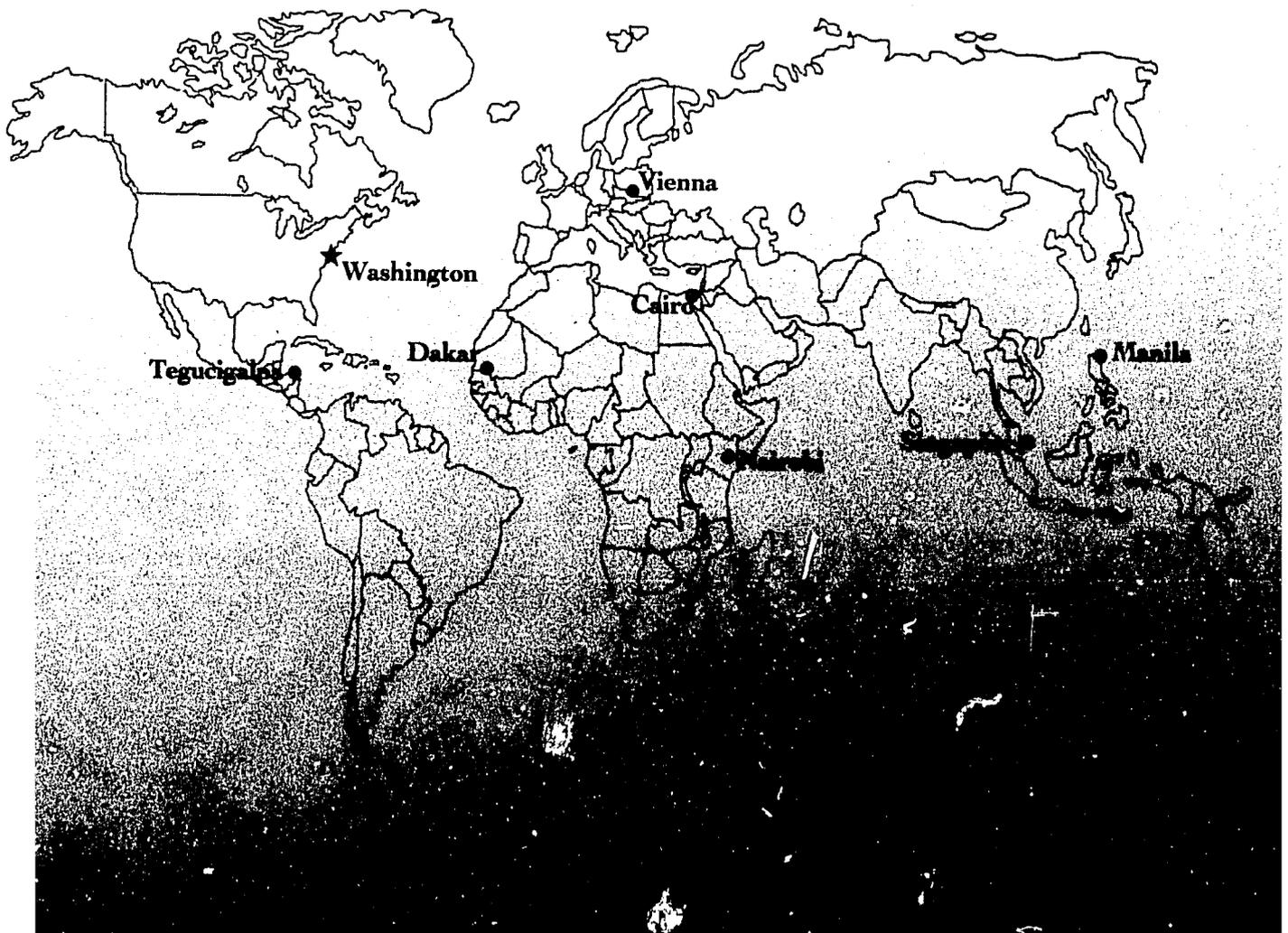
Regional Inspector General for Audit  
Cairo, Egypt

---

**Audit of the Agricultural Research Center on  
USAID/Egypt's National Agricultural Research  
Project No. 263-0152, Management/New  
Initiatives Component, Project Implementation  
Letters Nos. M/NI-001, M/NI-003 and M/NI-008**

---

Report No. 6-263-95-010-N  
February 2, 1995



**INSPECTOR  
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

February 2, 1995

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

FROM : RIG/A/Cairo, *Philippe L. Darcy*  
SUBJECT : Audit of the Agricultural Research Center on USAID/Egypt's National Agricultural Research Project No. 263-0152, Management/New Initiatives Component (M&NI), Project Implementation Letters Nos. M/NI-001, M/NI-003 and M/NI-008.

The attached report, dated August 24, 1994, by Allied Accountants, presents the results of a financial audit of the Agricultural Research Center (ARC). The audit concerns Project Implementation Letters (PILs) Nos. M/NI-001, M/NI-003 and M/NI-008 under the Management/New Initiatives component of the National Agricultural Research Project No. 263-0152. The component's objective is to develop the capability of the agricultural research community to provide a continuous flow of improved and appropriate agricultural technology. The objective is to be achieved through the improvement of the management, research methods and personnel development of ARC.

We engaged Allied Accountants to perform a financial audit of ARC incurred expenditures of LE6,658,934 (equivalent to \$1,999,680) for the period from December 1, 1990 to July 31, 1993. The purpose of the audit was to evaluate the propriety of costs incurred during that period. Allied Accountants also evaluated ARC's 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 LE543,330 (equivalent to \$163,162) in costs billed to USAID by ARC. The questioned costs included most of the budget line items for all of the three PILs under audit. The auditors noted no material weaknesses in ARC's internal controls, however, they noted two material instances of noncompliance.

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

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

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

*W*

In response to the draft report, ARC provided documentation and/or gave more explanation to the questioned costs, but no response was provided to the compliance findings. Allied Accountants reviewed ARC's response to the findings and where applicable, made adjustments to the report 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 \$163,162 consisting of ineligible costs of \$131,399 and unsupported costs of \$31,763 as detailed on pages 13 through 33 of the audit report.**

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 ARC.

**Recommendation No. 2: We recommend that USAID/Egypt require ARC to address the material noncompliance issues detailed on pages 38 and 39 of the audit report.**

This recommendation is considered resolved. The recommendation can be closed when RIG/A/C has assessed ARC's responses and USAID/Egypt's follow-up for adequacy.

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

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation  
Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Fund Accountability Statements  
and Additional Information  
For  
Project Implementation Letters Nos.  
M/NI-001 and M/NI-003  
For the Periods from  
December 1, 1990 to July 31, 1993,  
and M/NI-008  
For the Period from  
May 14, 1992 to June 30, 1993**

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Project Implementation Letters No. M/NI-001,  
M/NI-003 and M/NI-008**

**Table of Contents**

	<b><u>Page</u></b>
<b><u>Transmittal Letter</u></b>	
Background	1
Audit Objectives, Scope and Methodology	2
Results of Audit	4
Management Comments	4
<b><u>Fund Accountability Statements</u></b>	
Report of Independent Public Accountants	5
Fund Accountability Statement for PIL No. M/NI-001	7
Fund Accountability Statement for PIL No. M/NI-003	8
Fund Accountability Statement for PIL No. M/NI-008	9
Notes to the Fund Accountability Statements	10
Audit Findings	16
<b><u>Internal Control Structure</u></b>	
Report of Independent Public Accountants	34
<b><u>Compliance with Laws and Regulations</u></b>	
Report of Independent Public Accountants	36
Audit Findings	38

<b><u>Appendices</u></b>	<b><u>Page</u></b>
<b>Appendix A : Fund Accountability Statements as adjusted Presented in Egyptian Pounds and US Dollars</b>	<b>40</b>
<b>Appendix B : Agricultural Research Center of the Ministry of Agriculture and Land Reclamation Management Comments</b>	
<b>Appendix C : Auditor's Response to Management Comments</b>	
<b>Appendix D : United States Agency for International Development Mission in Egypt's Response to the Audit Report</b>	

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

**Dear Mr. Darcy:**

**This report presents the results of the financial incurred cost audit of the Management/New Initiatives Component (M/NI Component) funded by the United States Agency for International Development Mission in Egypt (USAID/Egypt). Funding was provided under National Agricultural Research Project (NARP) No. 263-0152 through Project Implementation Letters (PILs) No. M/NI-001, M/NI-003, and M/NI-008. We were engaged to perform an audit from December 1, 1990 to July 31, 1993 for PILs No. M/NI-001 and M/NI-003 and from May 14, 1992 to June 30, 1993 for PIL No. M/NI-008.**

#### **Background**

**Grant Agreement No. 263-0152 between the Arab Republic of Egypt and the United States of America for the National Agricultural Research Project was signed on September 12, 1985 with a completion date, as amended, of September 30, 1994. NARP is implemented by the Agricultural Research Center (ARC) of the Ministry of Agriculture and Land Reclamation, and is jointly funded by the Government of Egypt (GOE) and USAID/Egypt.**

**The purpose of the project is to develop the capability of the agricultural research community to provide a continuous flow of improved and appropriate agricultural technology. The goal is to be achieved through the improvement of the management, research methods and personnel development of ARC.**

**The NARP project has five components: Research, Technology Transfer, Policy Analysis, Seed Technology, and Management/New Initiatives. As part of the M/NI Component, PILs No. M/NI-001, M/NI-003 and M/NI-008 were issued.**

**PIL M/NI-001 (formerly PIL No. 16) signed on April 15, 1987 is for the funding of the operating budget of the Executive Office (EO) of NARP. The EO is responsible for preparing project plans and budgets; coordinating between GOE project implementors, Project Director, contractors and USAID/Egypt; and maintaining a computer project tracking system.**

PIL M/NI-003 was signed on January 28, 1990. It provides funding for project management to study and respond to crucial and emerging problems which might occur in Egypt's agricultural development and/or to undertake special initiatives. As of July 31, 1993, the PIL has provided funding for nine subprojects: Mullet Fish Production, Agroforestry Techniques, Poultry Biotechnology, Rinderpest Vaccine, Anaplasmosis and Babeosis, Soybean Processing, Machinery Testing, Agricultural Biotechnology for Sustainable Productivity, and Whitefly Control.

These subprojects are being implemented by Egyptian universities and other ARC institutes in collaboration with American universities funded directly through other USAID/Egypt agreements.

PIL M/NI-008 was signed on May 14, 1992. It finances procurement of air tickets for Egyptians traveling to the United States for short term training or the Professional Exchange Program under the M/NI Component.

#### Audit Objectives, Scope and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by ARC pursuant to PILs No. M/NI-001, M/NI-003 and M/NI-008 related to the M/NI Component of the NARP Project. The specific objectives of our engagement were to:

1. Express an opinion on whether the fund accountability statements for the USAID/Egypt financed projects of the M/NI Component present fairly, in all material respects, funds 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 ARC as it relates to the M/NI Component, assess control risk, and identify reportable conditions, including material internal control weaknesses; and
4. Perform tests to determine whether ARC complied, in all material respects, with PILs' terms and applicable laws and regulations.

The scope of the financial cost-incurred audit was all expenditures remitted and required counterpart contributions for the M/NI Component under NARP for the periods from December 1, 1990 to July 31, 1993 for PILs No. M/NI-001 and PIL No. M/NI-003, and from May 14, 1992 to June 30, 1993 for PIL No. M/NI-008.

We were requested to evaluate whether required counterpart contributions have been provided in accordance with the Grant Agreement. The Grant Agreement, as amended, does not require GOE contributions to be reported by project component. The reports on GOE contributions submitted to USAID/Egypt by ARC are global figures for NARP and a significant portion is in-kind contribution. As a result, we were unable to evaluate whether the GOE provided the required host country contribution as it relates to the M/NI Component. USAID/Egypt has been made aware of our inability to review the GOE contribution specific to the M/NI Component.

The methodology of the audit consisted of an internal control evaluation, testing of expenditures remitted under the financing agreement, and testing compliance by ARC with specific provisions/requirements of the Grant Agreement and applicable laws and regulations.

Our testing included a selection of costs incurred for each budget line item as disclosed in the fund accountability statements. We tested costs as follows:

<u>PIL</u>	<u>Total Cost</u>	<u>Tested Amount</u>	<u>Percent</u>
M/NI 001 (Equivalent in LE)	\$ 993,402 LE 3,308,029	\$ 483,029 LE 1,608,487	49%
M/NI 003 (Equivalent in LE)	908,968 LE 3,026,863	828,701 LE 2,759,574	91%
M/NI 008 (Equivalent in LE)	97,310 LE 324,042	68,069 LE 226,670	70%
Total (Equivalent in LE)	\$ <u>1,999,680</u> LE 6,658,934	\$ <u>1,379,799</u> LE 4,594,731	<u>69%</u>

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

1. A review of direct project expenditures billed to and reimbursed by USAID/Egypt. General ledgers and cash journals were reconciled to billings submitted to USAID/Egypt.
2. Preparation of a proof of cash to ensure the recording of all transactions and a review of procedures used to control cash.
3. A review of travel costs to determine if they are adequately documented and approved.
4. A review of procurement procedures to determine that sound commercial practices including competitive bids were used.
5. A determination of whether advances of funds were justified based on existing documentation, including reconciliation of funds advanced, disbursed and available.
6. An analytical review of all expenditures remitted in excess of LE 4,000, which were not selected when performing substantive tests. For those that appeared unusual based on our judgment, we tested the expenditures.

We reviewed and evaluated the ARC's internal control structure as it relates to the M/NI component 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 M/NI component were reviewed and audit procedures were designed to test for material noncompliance.

Initial planning began with an entrance conference attended by RIG/A/C personnel, ARC/NARP management staff and the USAID/Egypt Project officers. The Grant Agreement and related project implementation letters were reviewed to gain an understanding of the Agreement 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 \$ 163,162 (LE 543,330) in aggregate questioned costs. The details of costs questioned by respective PIL are presented in the Fund Accountability Statements - Findings Section of this report.

##### Internal Control

Our evaluation of internal control structure did not disclose matters which we believe are material weaknesses. We identified some matters that we will bring to the attention of NARP management and USAID/Egypt through a separate letter.

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

In performing our engagement, we identified matters of material non-compliance. These matters are: a) inadequate monitoring of sub-receptients, and b) use of project funds to grant loans and pay costs on behalf of other NARP components. Details related to these noncompliances are set forth in the Compliance - Findings Section of this report.

##### Management Comments

Management has provided comments on the results of the audit findings. The entire response of management is included in Appendix B. ARC management did not provide any responses to the matters concerning the compliance with applicable laws and regulations. We provided responses to management's comments in Appendix B. We deleted questioned costs relating to findings that were adequately responded to by ARC management.

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

**Report of Independent Public Accountants**

We have audited the accompanying fund accountability statements of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation relating to funds received and costs incurred by the Management/New Initiatives Component of the National Agricultural Research Project No. 263-0152 financed by the United States Agency for International Development pursuant to Project Implementation Letters (PILs) No. M/NI-001 and M/NI-003 for the period December 1, 1990 to July 31, 1993 and PIL No. M/NI-008 for the period May 14, 1992 to June 30, 1993. These fund accountability statements are the responsibility of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality 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 2, 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. Consequently, revenues and expenditures are recognized when received or paid rather than when earned or incurred. Accordingly, the accompanying fund accountability statements are not intended to present results in accordance with generally accepted accounting principles.

Our testing identified the following aggregate questionable costs as detailed in the accompanying fund accountability statements for each respective PIL: i) US\$ 131,399 in costs that are ineligible because they are not program related, unreasonable, or prohibited by the terms of the agreements; and ii) US\$ 31,763 that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The basis for questioning costs are set forth in the Fund Accountability Statements-Audit Findings section of this report.

In our opinion, except for the questioned costs of \$ 163,162, the fund accountability statements referred to above present fairly, in all material respects, the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation's funds received and costs incurred for the Management/New Initiatives Component of the National Agricultural Research Project No. 263-0152 under PILs No. M/NI-001 and M/NI-003 for the period December 1, 1990 to July 31, 1993 and PIL M/NI-008 for the period May 14, 1992 to June 30, 1993, in conformity with the cash basis of accounting described in Note 2.

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 Agricultural Research Center of the Ministry of Agriculture and Land Reclamation 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.

August 24, 1994.

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letter No. M/NI-001**  
Fund Accountability Statement (Note 2)  
For the period December 1, 1990  
to July 31, 1993

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Cost (Note 6)</u>	
	<u>US \$</u>	<u>US \$</u>	<u>Ineligible</u>	<u>Unsupported</u>
			<u>US \$</u>	<u>US \$</u>
Receipts:				
USAID/Egypt		\$ 1,020,645		
USAID/Egypt Disallowed Costs Reimbursed by ARC		11,057		
Total Receipts		<u>1,031,702</u>		
Expenditures:				
Contract Services	\$ 634,870	596,592	\$ 44,032	\$ 18
Communications	18,021	20,727	2,454	0
Other Direct Costs	304,035	289,259	12,711	2,774
Equipment	71,623	86,824	16,090	0
Audit	99,099	0		
Total Expenditures	\$ <u>1,127,648</u> =====	<u>993,402</u>	<u>75,287</u>	<u>2,792</u>
Net Balance (Note 3)		\$ 38,300 =====	\$ 78,079 =====	

See accompanying notes to the Fund Accountability Statement.

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letter No. M/NI-003**  
Fund Accountability Statement (Note 2)  
For the period December 1, 1990  
To July 31, 1993

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Cost (Note 6)</u>	
	<u>US \$</u>	<u>US \$</u>	<u>Ineligible</u>	<u>Unsupported</u>
			<u>US \$</u>	<u>US \$</u>
Receipts:				
USAID/Egypt		\$ 1,001,819		
Disbursements:				
Revolving Fund (Note 4)		73,574		
Expenditures:				
Mullet Fish Production	\$ 187,276	187,276	\$ 0	\$ 0
Agroforestry Techniques	48,168	42,338	285	18,853
Poultry Biotechnology	124,024	81,099	12,464	0
Rinderpest Vaccine	87,087	40,542	2,948	0
Anaplasmosis and Babesiosis	97,371	37,009	0	3,115
Soybean Processing	146,021	91,472	11,411	0
Machinery Testing	45,796	23,420	6,530	3,545
The Agricultural Biotechnology for Sustainable Productivity	611,283	332,238	2,402	3,458
Whitefly Control	294,285	0	0	0
<b>Total Expenditures</b>	<b>\$ 1,641,311</b>	<b>835,394</b>	<b>36,040</b>	<b>28,971</b>
	=====	_____	_____	_____
<b>Total of Expenditures and Disbursements</b>		<b>908,968</b>		
		_____		
<b>Net Balance (Note 3)</b>		<b>\$ 92,851</b>	<b>\$ 65,011</b>	
		=====	=====	

See accompanying notes to the Fund Accountability Statement.

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letter No. M/NI-008**  
Fund Accountability Statement (Note 2)  
For the period May 14, 1992  
To June 30, 1993

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Cost (Note 6)</u>	
	<u>US \$</u>	<u>US \$</u>	<u>Ineligible</u>	<u>Unsupported</u>
			<u>US \$</u>	<u>US \$</u>
Receipts:				
USAID/Egypt		\$ 123,123		
Expenses:				
Airline Tickets	\$ 135,135	97,310	\$ 20,072	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>
Net Balance (Note 3)		\$ 25,813	\$ 20,072	
		=====	=====	

See accompanying notes to the Fund Accountability Statement.

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letters  
No. M/NI-001, M/NI-003 and M/NI-008**

Notes to the Fund Accountability Statements

Note 1: Project Activities

The Government of Egypt (GOE) and the United States Agency for International Development Mission in Egypt (USAID/Egypt) jointly fund the National Agricultural Research Project (NARP) No. 263-0152 which is under the auspices of the Ministry of Agriculture and Land Reclamation. USAID/Egypt funds the Management/New Initiatives Component (M/NI Component) of NARP through Project Implementation Letters (PILs) No. M/NI-001, M/NI-003 and M/NI-008 (the "Project"). The purpose of M/NI Component is to study and respond to crucial and emerging problems which might occur in Egypt's agricultural development and to undertake special initiatives as needed.

Note 2: Basis of Presentation

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

Note 3: Net Balance

The net balance of receipts less expenditures represent the M/NI Component funds available in cash and accounts receivables as follows:

<i>PIL No. M/NI-001</i>	
<i>(as of July 31, 1993)</i>	
National Investment Bank	LE 315,777
Petty Cash	2,479
Cash Available	<u>318,256</u>
Less: Loans outstanding, net of loans due, from other NARP components (refer to finding no. 2 in the Compliance with Laws and Regulations - Audit Findings section of this report)	(246,068)

Plus: Accounts receivables for expenses paid by PIL No. M/NI-001 on behalf of other NARP Components (refer to finding no. 2 in the compliance with Laws and Regulations - Audit Findings section of this report)		55,352
Net Balance	LE	<u>127,540</u>
(Equivalent in US\$)	\$	<u>38,300</u>
<i>PIL No. M/NI-003</i> (as of July 31, 1993)		
National Investment Bank	LE	309,195
(Equivalent in US\$)	\$	<u>92,851</u>
<i>PIL No. M/NI-008</i> (as of June 30, 1993)		
Commercial International Bank	LE	85,958
(Equivalent in US\$)	\$	<u>25,813</u>

**Note 4: Revolving Fund - PIL No. M/NI-003**

The M/NI Component made available funds to implementing agencies for subprojects under this PIL. As of July 31, 1993 the outstanding revolving fund are as follows:

Subproject:		<u>Amount</u>
Agroforestry Techniques	LE	15,000
Poultry Biotechnology		20,000
Rinderpest Vaccine		40,000
Anaplasmosis and Babeosis		70,000
Soybean Processing		30,000
Machinery Testing		20,000
The Agricultural Biotechnology for Sustainable Productivity		50,000
Total	LE	<u>245,000</u>
(Equivalent in US\$)	\$	<u>73,574</u>

These are recorded as disbursements for PIL No. M/NI-003 at July 31, 1993 and not expenditures since these represent available funds awaiting to be expended by the subprojects.

**Note 5: Exchange Rate**

Expenditures incurred in local currency (LE) have been converted into US dollars (\$) at an average exchange rate of LE 3.33 to US\$ 1.

**Note 6: Questioned Costs**

Incurred questioned costs are presented in the fund accountability statements in two separate categories: ineligible and unsupported. Questioned costs are expenditures that we have determined are not in accordance with the Grant Agreement, the PILs or other applicable USAID/Egypt regulations or are not supported by adequate documentation. "Ineligible" costs are deemed to be unallowable because they are not program related, unreasonable, or prohibited by the agreement or applicable laws and regulations. "Unsupported" costs are expenditures which are not supported by adequate documentation or did not have required prior approval or authorizations.

Our audit identified \$ 163,162 in aggregate questioned costs, \$ 131,399 as ineligible costs and \$ 31,763 as unsupported costs. The summary of questioned costs follows and the basis for questioning specific costs by respective PIL are set forth in the "Audit Findings" section of this report.

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letters  
No. M/NI-001, M/NI-003 and M/NI-008**

Summary of Questioned Costs

PIL No. M/NI-001

Budget Elements

	<u>Questioned Cost</u>	
	<u>Ineligible</u> US \$	<u>Unsupported</u> US \$
<b>Contract Services:</b>		
Finding No. 1		\$ 18
Finding No. 2	\$ 58	
Finding No. 3	35,124	
Finding No. 6	2,723	
Finding No. 12	6,127	
	<u>44,032</u>	<u>18</u>
<b>Communications:</b>		
Finding No. 2	2,454	
	<u>2,454</u>	
<b>Other Direct Costs:</b>		
Finding No. 1		1,201
Finding No. 2	155	
Finding No. 9	2,469	
Finding No. 10		1,573
Finding No. 11	408	
Finding No. 12	9,679	
	<u>12,711</u>	<u>2,774</u>
<b>Equipment:</b>		
Finding No. 1		
Finding No. 12	9,664	
Finding No. 5	6,426	
	<u>16,090</u>	
<b>Total PIL No. M/NI-001</b>	<b>\$ 75,287</b> =====	<b>\$ 2,792</b> =====

PIL No. M/NI-003

Budget Elements

<u>Subproject</u>	<u>Questioned Cost</u>	
	<u>Ineligible</u> <u>US \$</u>	<u>Unsupported</u> <u>US \$</u>
<b>Agroforestry Techniques:</b>		
Finding No. 14		1,605
Finding No. 15		4,022
Finding No. 16		13,226
Finding No. 17	\$ 50	
Finding No. 22	235	
	<u>285</u>	<u>18,853</u>
<b>Poultry Biotechnology</b>		
Finding No. 22	1,271	
Finding No. 23	11,193	
	<u>12,464</u>	
<b>Rinderspest Vaccine</b>		
Finding No. 21	2,948	
	<u>2,948</u>	
<b>Anaplasmosis and Babeosis</b>		
Finding No. 16		3,115
		<u>3,115</u>
<b>Soybean Processing</b>		
Finding No. 25	11,411	
	<u>11,411</u>	
<b>Machinery Testing</b>		
Finding No. 16		3,545
Finding No. 23	6,530	
	\$ <u>6,530</u>	\$ <u>3,545</u>

<u>Budget Elements</u>	<u>Questioned Cost</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
<u>Subproject</u>	<u>US \$</u>	<u>US \$</u>
Agricultural Biotechnology for Sustainable Productivity Whitefly Control Finding No. 16 Finding No. 26	2,402	\$ 3,458
	<u>2,402</u>	<u>3,458</u>
Total PIL No. M/NI-003	\$ 36,040 =====	\$ 28,971 =====
<u>PIL No. M/NI-008</u>		
Finding No. 27 Finding No. 28	\$ 10,313 9,759	
Total PIL No. M/NI-008	\$ <u>20,072</u> =====	
<u>Total Questioned Costs</u>		
PIL No. M/NI-001	\$ 75,287	\$ 2,792
PIL No. M/NI-003	36,040	28,971
PIL No. M/NI-008	20,072	0
	\$ <u>131,399</u> =====	\$ <u>31,763</u> =====
<b>Total</b>	<b>\$ 163,162</b> =====	

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letters  
No. M/NI-001, M/NI-003 and M/NI-008**

Fund Accountability Statements

Audit Findings

PIL No. M/NI-001

Finding No. 1: Unsupported Expenses

Condition:

The Executive Office (EO) incurred disbursements without any supporting invoices as follows:

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount LE</u>	<u>Equivalent US\$</u>
<i>Contract Services</i> 7/11/92	PC	LE 60	\$ 18
		—	
<i>Other Direct Costs</i> 12/6/90	015378	3,000	
7/1/93	81751	1,000	
		<u>4,000</u>	1,201
		—	—
<b>Total</b>		<b>LE 4,060</b>	<b>\$ 1,219</b>
		=====	=====

Criteria:

Project Grant Standard Provisions Annex II, section B.5, requires the grantee to maintain books and records adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant.

Cause:

The EO did not provide any justification regarding these matters. Accordingly, the EO failed to follow Grant Agreement requirements.

**Effect:**

USAID/Egypt was billed unsupported costs of LE 4,060 (US\$ 1,219).

**Finding No. 2: Payments for Other NARP Components and/or ARC Institutes**

**Condition:**

The EO incurred expenditures related to other NARP Components and/or other ARC institutes as follows:

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount LE</u>	<u>Equivalent US\$</u>
<i>Contract Services</i> 7/4/92	PC	LE 195	
		<u>195</u>	\$ 58
<i>Communications</i> 12/30/90	PC	59	
6/25/92	28758	4,056	
6/25/92	28759	4,056	
		<u>8,171</u>	2,454
<i>Other Direct Costs</i> 1/12/92	1030347	515	
		<u>515</u>	155
Total		LE 8,881 =====	\$ 2,667 =====

**Criteria:**

According to PIL M/NI-001, as amended, funding provided through this PIL is to support only those costs specifically related to the overall coordination and monitoring aspects of the Project through the EO.

**Cause:**

When funds or budget were not available for these components or institutes, the Executive Office approved these payments from PIL No. M/NI-001 funds.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 8,881 (US\$ 2,667).

**Finding No. 3: Social Insurance**

**Condition:**

Payments associated with social insurance for Executive Office staff were incurred from October 1, 1991 through July 31, 1993 in the amount of LE 116,963, (equivalent in US\$ 35,124). Before September 30, 1991, social insurance assessments were allowable costs as interpreted by reading the Grant Agreement.

**Criteria:**

The Fourth Amendment to the Grant Agreement No. 263-0152, signed on September 30, 1991, section 5.16, states that identifiable taxes, tariffs, duties or other levies, including social insurance assessments, imposed under the laws in effect in Egypt will be paid with other than Grant funds.

**Cause:**

According to the Executive Office, social insurance is a fringe benefit. EO's interpretation regarding the above-mentioned Amendment is that it is applicable to contractors and their personnel only. They informed us that USAID/Egypt is in the process of issuing a PIL amendment to allow social insurance as a Project expense.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 116,963 (US\$ 35,124).

**Finding No. 4: Procurement of Generator and Spare Parts**

Finding deleted.

**Finding No. 5: Procurement of Equipment**

**Condition:**

The Executive Office purchased with Project funds a computer. The procurement plan for 1991 could not be located. Therefore, we could not determine if the purchase was approved by USAID/Egypt.

<b><u>Budget Line Item/Date</u></b>	<b><u>Check #</u></b>	<b><u>Amount</u></b>
<i>Equipment</i> 9/29/91	1027798	LE 21,400
(Equivalent in US\$)		\$ <u>6,426</u> =====

Criteria:

Grant Agreement section 5.6 requires the grantee to provide a procurement plan with a list of specific commodities. PIL No. M/NI-001, Amendment no. 3, stipulates that equipment and commodities will not be reimbursed by USAID unless a detailed justification and acceptable procurement plan is accompanied.

Cause:

The Executive Office could not locate, the procurement plan for 1991 and, therefore could not provide approval information of the purchase.

Effect:

USAID/Egypt was billed for ineligible costs of LE 21,400 (US\$ 6,426).

Finding No. 6: Bonus

Condition:

Performance and annual bonuses were remitted by the Executive Office as follows:

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Contract Services</i>		
7/19/92 (performance)	PC	LE 1,000
7/19/92 (performance)	PC	1,000
1/5/92 (annual)	1030342	7,069
		LE <u>9,069</u>
		====
(Equivalent in US\$)		\$ 2,723
		====

Criteria:

Third Amendment to the Grant Agreement, section 5.12, states that neither grant funds nor special account funds may be used to pay salary supplements to grantee personnel except pursuant to mutually agreed upon criteria.

Cause:

For the first two questioned amounts, the Executive Office did not provide any explanation. For the third amount (LE 7,069), it stated that the payment was in accordance with USAID/Egypt policies and they provided, as support, a list taken from the USAID/Egypt Foreign National compensation plan that mentions bonus payments. No other documents were provided to evidence that this payment was part of NARP's compensation policies.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 9,069 (US\$ 2,723).

**Finding No. 7: Long Distance Telephone Calls**

Finding deleted.

**Finding No. 8: Unrelated Project Expenses**

Finding deleted.

**Finding No. 9: Payment of Taxes**

**Condition:**

Project funds are not to be used for in-country assessed fees. The Executive Office remitted with Project funds costs associated with vehicle registration, sales taxes and penalties as follows:

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Other Direct Costs</i>		
8/9/92 (vehicle registration)	PC	LE 216
8/15/92 (vehicle registration)	PC	1,172
12/18/91 (penalties)	PC	10
12/29/91 (penalties)	PC	5
6/21/92 (taxes)	1130132	160
6/23/93 (taxes)	PC	20
1/15/92 (taxes)	1030344	6,640
		LE <u>8,223</u>
		====
(Equivalent in US\$)		\$ 2,469
		====

**Criteria:**

Project Grant Standard Provisions, Annex II, section B.4 states that the grantee will be free from any taxation or fees imposed under the laws in effect in Egypt. Also PIL No. M/NI-001, Amendment 3, indicates that Project funds should not be used to meet government registration and insurance requirements for Project vehicles.

**Cause:**

According to the Executive Office, the GOE did not grant the Project with tax exemption until August 23, 1992.

**Effect:**

USAID/Egypt was billed ineligible cost of LE 8,223 (US\$ 2,469).

**Finding No. 10: Payment of Meals and Drinks**

**Condition:**

The Executive Office paid with Project funds the cost of meals and drinks for a conference held at a hotel in Cairo. Documentation supporting the payment does not exist, such as the names of attendees and the date and purpose of the conference.

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Other Direct Costs</i> 10/18/92	1130125	LE 5,237
		====
(Equivalent in US\$)		\$ 1,573
		====

**Criteria:**

PIL No. M/NI-001 allows payment for conferences, but according to Grant Agreement Standards Provisions, Annex II, section B.5 the grantee should keep records adequate to show the receipt and use of goods and services acquired under the grant.

**Cause:**

These expenses were identified as questionable costs as part of a financial review performed by USAID/Egypt Financial Analysis Support Team (FAST) but according to the Executive Office those expenses were verbally approved by USAID/Egypt Agriculture Office.

**Effect:**

USAID/Egypt was billed for unsupported costs of LE 5,237 (US\$ 1,573).

**Finding No. 11: Entertainment Costs**

**Condition:**

Project funds were used to pay for a visit to the Pyramids, alcoholic beverages, and coffee and tea as follows:

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Other Direct Costs</i>		
6/2/92 (Pyramids trip)	PC	LE 23
6/23/93 (Alcoholic beverages)	PC	22
12/17/91 (Coffee, tea)	PC	203
6/29/92 { " " }	PC	200
10/18/92 { " " }	PC	500
6/5/93 { " " }	PC	39
6/13/93 { " " }	PC	72

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Other Direct Costs (cont.)</i>		
6/22/93 ( " " )	PC	94
6/22/93 ( " " )	PC	206
		LE <u>1,359</u>
		====
(Equivalent in US\$)		\$ 408
		====

Criteria:

The USAID/Egypt Financial Management Guidance for NARP indicates that entertainment costs of these types are unallowable.

Cause:

Coffee and tea was provided for the three officers of the Executive Office. No additional explanation was provided.

Effect:

USAID/Egypt was billed ineligible costs of LE 1,359 (US\$ 408).

Finding No. 12: Repair and Maintenance of Building

Condition:

The EO paid with Project funds for janitorial and security salaries, repairs for central air conditioning and a generator, and repairs and maintenance for the building that is being shared by the EO and another ARC Institute, the Agricultural Genetic Engineering Research Institute (AGERI). A M/NI Component civil engineer provided us with the building area respectively used by the M/NI Component and AGERI. AGERI uses 1,904.5 square meters of the total building area of 3,929 square meters. Therefore 48% of the total paid for these services should not be paid by Project funds since these expenses are for services outside of the Project.

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Equivalent</u>
		<u>LE</u>	<u>US\$</u>
<i>Contract Services</i>			
9/92-7/93	(Total payments per G/L)	LE 28,203	
6/22/93	81833	2,893	
7/21/93	206063	2,993	
12/31/90	PC	620	
6/30/91	1027757	2,232	
12/31/91	PC	3,325	
7/30/92	PC	1,826	
Total Tested		<u>42,092</u>	
Questioned Amount		<u>20,403</u>	
(LE 42,092 + 3929 m <sup>2</sup> ) x 1904.5 m <sup>2</sup>	=		\$ 6,127

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount LE</u>	<u>Equivalent US\$</u>
<i>Other Direct Costs</i>			
12//23/91	1030334	9,194	
12/3/92	28825	14,085	
5/12/91	87926	4,629	
8/11/92	28776	18,632	
8/18/92	28778	4,800	
8/9/92	28777	5,000	
7/19/93	206060	5,000	
12/24/91	1030324	2,253	
12/18/91	1030330	2,900	
Total Tested		<u>66,493</u>	
Questioned amount:			
(LE 66,493 + 3929 m <sup>2</sup> ) x 1904.5 m <sup>2</sup> =		32,231	9,679
<i>Equipment</i>			
5/9/91	87925	52,372	
1/15/92	1030344	14,017	
Total Tested		<u>66,389</u>	
Questioned Amount			
(LE 66,389 + 3929 m <sup>2</sup> ) x 1904.5 m <sup>2</sup> =		32,181	\$ 9,664
Total Questioned		LE 84,815	\$ 25,470
		=====	=====

**Criteria:**

PIL M/NI-001, Amendment no. 3, indicates that funds are to support only those costs specifically related to the overall coordination and maintaining aspects of the Project through the Executive Office. Other Project support costs should be met by the recurrent cost budget of the Ministry or, when separately identifiable and approved by USAID/Egypt, under the local cost implementation budget of each individual NARP component.

**Cause:**

According to the EO's Senior Administrative and Financial Officer, these expenses were paid with PIL No. M/NI-001 funds because the building was built using funds provided by USAID/Egypt for use by ARC projects. Since the Executive Office's role is to support ARC with the implementation of NARP, payment of such expenses is considered by EO as part of this support role.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 84,815 (US\$ 25,470).

**PIL No. M/NI-003**

**Finding No. 13: Mullet Fish Production Expenditures**

Finding deleted.

**Finding No. 14: Payment of Unsupported Training Expenses**

**Condition:**

The M/NI component reimbursed the Agroforestry Techniques subproject for training expenses which were not supported by adequate documents such as lists of participants, dates, agendas and purpose of training. The only supporting documents consisted of a list signed by the trainers for their remuneration of LE 1,200, and cash receipts issued by a third company of LE 4,145 which did not indicate that services related to training were provided.

<u>Project/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Agroforestry Techniques</i> 6/7/92	1088120	LE 5,345
(Equivalent in US\$)		==== \$ 1,605 ====

**Criteria:**

The budget for this Project allows training costs, but the lack of sufficient documents does not enable us to determine whether only Project related participants attended and that expenses were incurred in compliance with the PIL and agreement terms. Grant Agreement Standards Provisions, section B.5, requires the grantee to maintain books and records to show the use and receipt of goods and services funded by the Grant.

**Cause:**

The M/NI Component did not exercise adequate review of the supporting documents provided by the subproject. Expenses were reimbursed as billed by the subproject.

**Effect:**

USAID/Egypt was billed unsupported costs of LE 5,345 (US\$ 1,605).

**Finding No. 15: Unsupported Expenses**

**Condition:**

During our audit, we identified that the M/NI Component reimbursed the Agroforestry Techniques subproject for expenses that were not adequately documented with invoices, bids or any other acceptable documents as follows:

<u>Sub-Project/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Agroforestry Techniques</i>		
11/21/91	1088103	7,906
2/4/92	1088107	2,043
3/26/92	1088111	577
5/11/92	1088115	989
6/7/92	1088120	578
9/30/92	1088131	44
11/25/92	1088136	169
12/21/92	1088139	33
2/22/93	123915	1,259
5/1/93	123942	85
8/5/92 (Unpaid)	1088126	(61)
3/21/93 ( " )	123928	(36)
6/10/93 ( " )	123975	(193)
		LE <u>13,393</u>
		=====
(Equivalent in US\$)		\$ 4,022
		=====

**Criteria:**

Project Grant Standard Provision, Annex II, section B.5, requires the grantee to keep books and records adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant.

**Cause:**

Expenses billed by the subproject were reimbursed without an adequate review of documents by M/NI management.

**Effect:**

USAID/Egypt was billed unsupported costs of LE 13,393 (US\$ 4,022).

**Finding No. 16: Unsupported Casual Labor**

**Condition:**

The M/NI Component reimbursed casual labor costs for the various subprojects based on the payroll sheets invoiced by the implementing entities and or ARC institutes

implementing these subprojects. There were no other documents available to support the payroll sheets such as attendance sheets or similar supportive evidence, or any other supporting documents that described the work done.

<u>Budget Line Item/Date</u>	<u>Check #</u>	<u>Amount</u> <u>LE</u>	<u>Equivalent</u> <u>US\$</u>
<i>Agroforestry Techniques</i>			
3/26/92	1088111	LE 4,259	
6/7/92	1088120	1,449	
5/1/93	123942	3,345	
6/10/93	123975	6,244	
2/4/92	1088107	2,054	
5/11/92	1088115	2,537	
8/5/92	1088126	3,274	
9/30/92	1088131	2,768	
11/25/92	1088136	2,206	
12/21/92	1088139	5,452	
2/22/93	123915	3,022	
3/21/93	123928	7,433	
		<u>44,043</u>	\$ 13,226
<i>Anaplasmosis and Babeosis</i>			
6/17/93	123989	9,025	
3/7/93	123921	1,349	
		<u>10,374</u>	3,115
<i>The Agricultural Biotechnology for Sustainable Productivity</i>			
6/17/93	123988	11,514	3,458
<i>Machinery Testing</i>			
2/23/93	123913	2,789	
4/30/93	123939	3,429	
7/27/93	205957	2,703	
6/28/93	123995	2,885	
		<u>11,806</u>	3,545
<b>Total</b>		<b>LE 77,737</b> =====	<b>\$ 23,344</b> =====

**Criteria:**

Project Grant Standard Provision, Annex II, section B.5, requires the grantee to keep books and records adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant.

**Cause:**

According to M/NI Financial Division, payroll sheets were considered as adequate supporting documentation.

**Effect:**

USAID/Egypt was billed for unsupported costs of LE 77,737 (US\$ 23,344)

**Finding No. 17: Consultants Not Approved by the M/NI Component**

**Condition:**

The Agroforestry subproject incurred costs for a consultant who was not included in M/NI's records of approved consultants.

<u>Project/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Agroforestry Techniques</i> 6/7/92	1088120	LE 165 ===
(Equivalent in US\$)		\$ 50 ===

**Criteria:**

M/NI component's internal policies require that all consultants working for the subprojects should be approved by M/NI.

**Cause:**

Inadequate review of supporting documents when reimbursing subproject expenses.

**Effect:**

USAID/Egypt was billed ineligible cost of LE 165 (US\$ 50).

**Finding No. 18: Expenditures Exceeded Approved Budget for Equipment**

Finding deleted.

**Finding No. 19: Purchase of Fuel**

Finding deleted.

**Finding No. 20: Unsupported Payment of Facility Improvement**

Finding deleted.

**Finding No. 21: Consultants Payment**

**Condition:**

Payments for consulting fees remitted to the Rinderpest vaccine subproject's two consultants, were not supported by time sheets or any report to evidence that services were performed.

<u>Subproject/Date</u>	<u>Check #</u>	<u>Amount</u>
<i>Rinderpest Vaccine</i> 6/28/93	123994	LE 9,818
(Equivalent in US\$)		===== \$ 2,948 =====

**Criteria:**

Project Grant Standard Provisions, Annex II, section B.5, requires the grantee to keep books and records adequate to show without limitation, the receipt and use of goods and services acquired under the Grant.

**Cause:**

When approving payment, the Financial Division assumed that additional supporting documents were available at the implementing project agency's premises.

**Effect:**

USAID/Egypt was billed for ineligible costs of LE 9,818 (US\$ 2,948).

**Finding No. 22: Payment of Taxes**

**Condition:**

The M/NI component remitted from Project funds expenditures for GOE taxes.

<u>Subproject/Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Equivalent in US\$</u>
<i>Poultry Biotechnology</i> 7/28/92	1088123	LE 10,820	
8/5/92	1088125	1,096	
9/22/92	PC	280	
<b>Total Payment</b>		<u>12,196</u>	

<u>Subproject/Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Equivalent in US\$</u>
<i>Poultry Biotechnology (cont.)</i>			
Cost, net of sales taxes		10,392	
Difference related to sales taxes		1,804	
7/28/92	1088124	2,430	
Total		4,234	\$ 1,271
<i>Agroforestry Techniques</i>			
11/21/91	1088104	781	235
Total Questioned		LE 5,015	\$ 1,506
		=====	=====

**Criteria:**

Project Grant Standard Provisions, Annex II, section B.4, states that the grant will be free from any taxation or fees imposed under the laws in effect in Egypt.

**Cause:**

According to M/NI component tax exemption from GOE was not obtained until August 23, 1992.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 5,015 (US\$ 1,506).

**Finding No. 23: Purchase of Equipment not Included in Procurement Plan**

**Condition:**

M/NI Component paid with Project funds for the acquisition of equipment that was not included in the procurement list of the USAID approved budget.

<u>Subproject/Date</u>	<u>Check #</u>	<u>Amount LE</u>	<u>Equivalent US\$</u>
<i>Poultry Biotechnology</i>			
7/25/93	124000	35,000	
5/16/93	123949	2,271	
Total		37,271	\$ 11,193
		=====	

<u>Subproject/Date</u>	<u>Check #</u>	<u>Amount LE</u>	<u>Equivalent US\$</u>
<i>Machinery Testing</i>			
2/17/93	123912	13,900	
1/31/93	123909	4,100	
7/27/93	205957	3,745	
Total		<u>21,745</u>	6,530
Total		LE 59,016 =====	\$ 17,723 =====

Criteria:

PIL No. M/NI-003, Amendment no. 1, Annex C, indicates that USAID will not reimburse costs for equipment and commodities unless accompanied by a needs assessment, a detailed justification and an acceptable procurement plan.

Cause:

The M/NI Technical Division's understanding is that as long as the total amount budgeted for equipment is not exceeded, acquisition of equipment not included in the procurement plan can be made with Project funds without prior approval from USAID. Furthermore, the Financial Department did not ensure whether disbursements were done in agreement with the approved procurement plan.

Effect:

USAID/Egypt was billed ineligible costs of LE 59,016 (US\$ 17,723).

Finding No. 24: Training Costs to a Non-Project Employee

Finding deleted.

Finding No. 25: Equipment Purchased Did Not Meet Source and Origin Requirements

Condition:

Equipment acquired under the Soybean Processing subproject was made in Germany.

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
6/10/93	123982	LE 38,000
(Equivalent in US\$)		=====
		\$ 11,411
		=====

**Criteria:**

Project Grant Agreement, section 6.2, requires that local currency cost will be used to finance costs of goods and services having their source and origin in Egypt. Also, USAID Handbook 1, Chapter 18, supplement B, states that waiver is not required if commodity is locally available and the value of the transaction does not exceed US\$ 5,000.

**Cause:**

According to the M/NI Component's Financial Department, the selection was based on the recommendation by the technician evaluating proposals.

**Effect:**

USAID/Egypt was billed for ineligible costs of LE 38,000 (US\$ 11,411).

**Finding No. 26: Rent of Green House**

**Condition:**

The Agricultural Biotechnology for Sustainable Productivity subproject remitted, with Project funds, the rent of two green houses owned by ARC.

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
6/20/93	123992	LE 8,000
		====
(Equivalent in US\$)		\$ 2,402
		====

**Criteria:**

PIL No. M/NI-003 states that public sector companies will not be utilized for any of the contracting activities. Furthermore, we considered this amount unreasonable because ARC is implementing the Project and the cost of the green house should be considered as an in-kind GOE contribution.

**Cause:**

No explanation was provided by the M/NI management.

**Effect:**

USAID/Egypt was billed for ineligible costs of LE 8,000 (US\$ 2,402).

**PIL No. M/NI-008**

**Finding No. 27: Airline Tickets Paid for Non-Short Term Training Participants**

**Condition:**

Airline tickets were paid with funds provided under PIL No. M/NI-008 for participants whose training period was longer than nine months as follows (nine months or less is considered short-term):

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
5/5/93	357013	LE 28,174
8/3/92	357002	6,169
Total		LE <u>34,343</u>
Equivalent in US\$		\$ <u>10,313</u>

**Criteria:**

PIL No. M/NI-008 approved funds are for short-term training participants only. According to USAID Project Officer the participants eligible for this PIL are described in the USAID contract with Social Consultants International (SCI). The SCI contract (section C.3) indicates that training programs/observation tours are expected to run from 2 weeks to 9 months.

**Cause:**

SCI Agricultural Management specialist indicated that even though PIL No. M/NI-008 indicates funding is for short-term or the Professional Exchange Program, USAID has from the beginning of the Project insisted on the use of Project funds for all Egyptians traveling overseas for NARP purposes.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 34,343 (US\$ 10,313).

**Finding No. 28: Use of Other than Egyptian or U.S. Airlines**

**Condition:**

Airline tickets for project participants were paid to other than Egyptian or American air carriers, without a USAID waiver.

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
8/3/92	357002	LE 32,499
Equivalent in US\$		\$ <u>9,759</u>

**Criteria:**

PIL No. M/NI-008 requires that when travel on Egypt Air is not possible, a waiver must be submitted to USAID for approval prior to the purchase of ticket.

**Cause:**

SCI Agricultural Management Specialist indicated that procedures were not well defined at the time the disbursement occurred. There was not a clear understanding of the proper use of PIL funds.

**Effect:**

USAID/Egypt was billed ineligible costs of LE 32,499 (US\$ 9,759).

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

**Report of Independent Public Accountants**  
**On Internal Control Structure**

We have audited the fund accountability statements of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation relating to funds received and costs incurred by the Management/New Initiatives Component of the National Agricultural Research Project No. 263-0152 financed by the United States Agency for International Development pursuant to Project Implementation Letters (PILs) No. M/NI-001 and M/NI-003 for the period December 1, 1990 to July 31, 1993 and PIL No. M/NI-008 for the period May 14, 1992 to June 30, 1993 and have issued our report thereon dated August 24, 1994.

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 engagement, we considered the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation's internal control structure as it relates to the Management/New Initiatives Component to determine our procedures for the purpose of expressing an opinion on the fund accountability statements and not to provide assurance on the internal control structure.

The management of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation 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. Among the objectives of the 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; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement referred to above in conformity with the basis of accounting described in Note 2 to the fund accountability statements. 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 in the following categories: cash control, procurement practices, personnel and payroll, and general accounting records. For the internal 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.

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 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, we noted no matters involving the internal control structure that we consider to be material weaknesses, as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Agricultural Research Center and the United States Agency for International Development Mission in Egypt in a separate letter dated August 24, 1994.

This report is intended for the information of the management and others within the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation 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.

**August 24, 1994**

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

**Report of Independent Public Accountants  
On Compliance With Laws and Regulations**

We have audited the fund accountability statement of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation relating to funds received and costs incurred by the Management/New Initiatives Component under the National Agricultural Research Project No. 263-0152 financed by the United States Agency for International Development pursuant to Project Implementation Letters (PILs) No. M/NI-001 and M/NI-003 for the period December 1, 1990 to July 31, 1993, and PIL No. M/NI-008 for the period May 14, 1992 to June 30, 1993 and have issued our report thereon dated August 24, 1994

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 and grants applicable to the Management/New Initiatives component is the responsibility of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation's management. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of misstatements resulting from those failures or violations could be material to the fund accountability statement. The effects of Finding No. 1 relating to the lack of monitoring of sub-projects under PIL No. M/NI-003 and of Finding No. 2 relating to the use of Project funds for non Project activities under PIL No. M/NI-001 are included as questioned costs in the fund accountability statement referred to above.

We considered these material instances of noncompliance in forming our opinion on whether the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation's fund accountability statements are presented fairly, in all material respects, in conformity with the basis of accounting described in Note 2 to the fund accountability statements, and this report does not affect our report on the fund accountability statements dated August 24, 1994.

Except as described above, the result of our tests of compliance indicate that with respect to the items tested, the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation complied, in all material respects, with the provisions referred to in the fourth paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation had not complied, in all material respects, with those provisions.

This report is intended for the information of the management and others within the Agricultural Research Center of the Ministry of Agriculture and Land Reclamation 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.

August 24, 1994

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Local Expenditures Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Project Implementation Letters  
No. M/NI-001, M/NI-003 and M/NI-008**

**Compliance With Laws and Regulations**

**Audit Findings**

**Finding No. 1: Monitoring of Subprojects**

**Condition:**

The management of the M/NI component failed to monitor subprojects under PIL No. M/NI-003 and to provide the implementing agencies with the appropriate guidance to ensure that they expended grant funds in accordance with PIL terms and applicable laws and regulations. As a result, during our audit, we identified that the subprojects funded under PIL No. M/NI-003 remitted with Project funds: unsupported expenses; labor and consulting costs supported with only payroll sheets and not with credible supporting documents such as time sheets or some other evidence of labor performance; equipment purchases not listed in procurement plans approved by USAID/Egypt; and ineligible expenses according to agreement terms. In addition, the Financial Division, at times, was not aware of correspondence between the M/NI Component's technical coordinating unit, the subprojects, and USAID/Egypt that had a direct effect on the financial aspect of the M/NI Component.

**Recommendation No. 1:**

We recommend that ARC:

- a) **take action to ensure that the subprojects provide proper documents to support expenses remitted with Project funds and that the expenses are in compliance with terms and applicable laws and regulations,**
- b) **require the M/NI Component's financial division to monitor the entities or ARC institutes implementing the subprojects to ensure that records are kept to support expenses remitted with Project funds, and**
- c) **require the M/NI Component's technical coordinating unit to provide its financial department with documents supporting subproject activity.**

**Finding No. 2: Use of Grant Funds**

**Condition:**

During the period subject to audit, the M/NI Component granted loans from funds provided under PIL No. M/NI-001 and M/NI-003 in the amount of approximately LE 1,609,000 (\$ 483,183) to other NARP components and ARC institutes. In addition, funds from PIL No. M/NI-001 were used to pay expenses for other NARP components or expenses in the amount of LE 55,352 (\$ 16,622) that should have been provided by ARC as part of the GOE contribution.

As of the completion date of our audit, the M/NI Component has taken action to collect all of the outstanding loans and to repay project expenses paid on behalf of other NARP components. For outstanding expenses paid on behalf of other NARP components; refer to Finding Nos. 2 and 12 in the Fund Accountability Statement - Audit Findings Section of this report for a further discussion.

**Recommendation No. 2:**

ARC should discontinue the practice of using M/NI Component funds to pay for expenditures outside the scope of the related PILs.

**Appendix A.1**

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Project Implementation Letter No. M/NI-001**

**Fund Accountability Statement  
For the period December 1, 1990  
To July 31, 1993**

**(Expressed in Egyptian Pounds "LE" and US Dollars "\$")**

<u>Budget Elements</u>	<u>Actual LE</u>	<u>Actual \$</u>
<b>Receipts:</b>		
USAID/Egypt	3,398,748	1,020,645
USAID/Egypt Disallowed Costs Reimbursed by ARC	36,821	11,057
<b>Total Receipts</b>	<u>3,435,569</u>	<u>1,031,702</u>
<b>Expenditures:</b>		
Contract Services	1,986,650	596,592
Communications	69,022	20,727
Other Direct Costs	963,232	289,259
Equipment	289,125	86,824
Audit	0	0
<b>Total Expenditures</b>	<u>3,308,029</u>	<u>993,402</u>
<b>Net Balance</b>	<u>127,540</u> =====	<u>38,300</u> =====

Appendix A.2

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component

**Project Implementation Letter No. M/NI-003**

Fund Accountability Statement  
For the period December 1, 1990  
To July 31, 1993

(Expressed in Egyptian Pounds "LE" and US Dollars "\$")

<u>Budget Elements</u>	<u>Actual LE</u>	<u>Actual \$</u>
Receipts:		
USAID/Egypt	3,336,058	1,001,819
Disbursements:		
Revolving Funds (Note 4)	245,000	73,574
Expenditures:		
Mullet Fish Production	623,628	187,276
Agroforestry Techniques	140,987	42,338
Poultry Biotechnology	270,058	81,099
Rinderpest Vaccine	135,006	40,542
Anaplasmosis and Babeosis	123,241	37,009
Soybean Processing	304,601	91,472
Machinery Testing	77,987	23,420
The Agricultural Biotechnology for Sustainable Productivity	1,106,355	332,238
Whitefly Control	0	0
<b>Total Expenditures</b>	<b>2,781,863</b>	<b>835,394</b>
<b>Total Disbursements</b>	<b>3,026,863</b>	<b>908,968</b>
<b>Balance</b>	<b>309,195</b> =====	<b>92,851</b> =====

**Appendix A.3**

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Project Implementation Letter No. M/NI-008**

**Fund Accountability Statement  
For the period May 14, 1992  
To June 30, 1993**

**(Expressed in Egyptian Pounds "LE" and US Dollars "\$")**

<u>Budget Elements</u>	<u>Actual LE</u>	<u>Actual \$</u>
Receipts:		
USAID/Egypt	410,000	123,123
Expenses:		
Airline Tickets	324,042	97,310
Balance	<u>85,958</u> =====	<u>25,813</u> =====

**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Expenditures Incurred Under the  
National Agricultural Research Project 263-0152  
for the Management/New Initiative Component**

**Project Implementation Letters No.  
M/NI 001; M/NI 003 & M/NI 008**

**Management Comments**

Date: November 27, 1994

**Report About Non-Federal  
Audit Conducted on the NARP Pils #  
M/NI 001; M/NI 003 & M/NI 008**

In Connection with the audit conducted on the National Agricultural Research Project (NARP) No. 263-0152 for the Management/New Initiative Component Pils # M/NI 001; M/NI 003 & M/NI 008. This Report is, expressed in Egyptian pounds, for the purpose of expressing an opinion as to whether the findings are closed or in process & to resolve the intersection of opinions between NARP & the Audit firm.

After the Exit Conference which was held on October 25th, 1994; NARP prepared it's justification for most of the findings that were contained in the audit report. Due to other assignments for the audit firm, NARP didn't have the opportunity to discuss all the justifications with the audit firm, some findings were discussed in which most of those are already accepted by the audit firm. In addition, findings that were not covered during the visit of the audit firm to NARP are now covered. Moreover, additional supporting documents were added to the points that were discussed previously to ease the audit's firm job and to be more convenient to NARP's justification.

Enclosed is a summary of our analysis of the involved costs with justification for those costs that we believe are allowable.



**\*\* Pil # M/NI 001**

**\* Finding # 1: Unsupported Expenses**

The audit firm claimed that the E.O. incurred disbursements without any supporting documents. The total amount of the finding is L.E. 14,430.00. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

1. Element (1) of the finding (60 L.E.) was billed on the contract Services line item and was paid for the purpose of daily hires whom installed telephone lines. The total amount of the whole job was L.E. 120; half of it was paid at the beginning of the job and the remaining amount was paid after the completion of the job. The supporting documents were available to the audit team.
2. Element (2) of the finding (9025 L.E.) was billed on the equipment line item and was paid to purchase an IBM compatible computer to run the accounting system (SolomonIII) for the E.O. However, it was one of the 25 recommendations of the financial assessments for the NARP. The supporting documents were available to the audit team. Justification of the element had been accepted by the audit firm.
3. Element (3) of the finding (3000 L.E.) was billed on the Other Direct Cost line item. Payment was made to print the forth edition of "NARP" issued by the Executive Office. The supporting documents were presented to the audit team. Printing took place at the Printing Unit of the Ministry of Agriculture and Land Reclamation (PUMA).

4. Element (4) of the finding (103 L.E.) was billed on the Other Direct Cost line item. Payment was made to repair and maintain vehicle # 18178 and the appropriate approvals were maintained. The supporting documents were presented to the audit team. Justification of the element had been accepted by the audit firm.

5. Element (5) of the finding (150 L.E.) was billed on the Other Direct Cost line item. Payment was made to repair and maintain an Apple Plus Computer and an image writer . The supporting documents were presented to the audit team. Justification of the element had been accepted by the audit firm.

6. Element (6) of the finding (55 L.E.) was billed on the Other Direct Cost line item. Payment was made to purchase a hammer, steel and paintings for the purpose of maintenance. The supporting documents were presented to the audit team. Justification of the element had been accepted by the audit firm.

7, 8, 9 Elements (7, 8 and 9) of the finding (2007 L.E.) were billed on the Other Direct Cost line item. An Advance payment of 2000 L.E. was made to repair and maintain equipment in the NARP's work shop. The total amount of reconciled documents for the advance summed up to 2007 L.E.. The supporting documents were presented to the audit team. The first approval was based to charge 50% to E.O. & 50% to CID, then the D.G. re-approved the 100% charge to E.O. according to CID request.

10. Element (10) of the finding (30 L.E.) was billed on the Other Direct Cost line item. Transportation cost for Xerox paper purchased from Xerox Company To the E.O. The supporting documents were presented to the audit team. Justification of the element had been accepted by the audit firm.

\* **Finding # 2: Payment for Other NARP Component and/or ARC institutes**

The audit firm claimed that the E.O. incurred expenditures related to other NARP components and/or other ARC institutes. The total amount of the finding is L.E. 9,617. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

1 & 3. Elements (1 & 3) of the finding (74 & 200 L.E.) were billed on the contract Services line item. Payment of the 74 L.E. was made for the transfer of files from the National Library to the E.O. A total of 37 hours of services were done to the E.O. with an hourly rate of 2 L.E. Concerning the 200 L.E., payment was made to technicians to assist in determining the specifications for the central A/C of the E.O. and review the received offers technically. The supporting documents were available to the audit team. Justification of the element had been accepted by the audit firm.

2. Element (2) of the finding (195 L.E.) was billed on the contract Services line item. Payment was made for services attained by Mr. Ahmed Bayoumy assisting the E.O. in custom clearance of bills of lading. Total working hours is 39 with an hourly rate of 5 L.E.. The supporting documents were presented to the audit team. (Attached copies of bills of lading indicating that those items belong to NARP.)

4. Element (4) of the finding (320 L.E.) was billed on the contract Services line item. Payment was made for services attained assisting the E.O. in the preparation of the inventory of the Policy Analysis Component which was already phased out and the E.O. was responsible to carry out all those assignments related to the Policy Analysis Component and the employee was assigned by the E.O. to execute the job which was not done during official working hours. Total # of is 40 Hr with an hourly rate of 8 L.E.. The supporting documents were presented to the audit team.

5. Element (5) of the finding (59 L.E.) was billed on the communications line item. Expenses were incurred for a parcel received for the ENAL and E.O. was executing the assignments of the ENAL . Later, the ENAL paid back the amount to the E.O.

6 & 7. Elements (6 and 7) of the finding (4056 and 4056 L.E.) was billed on the communications line item. Two telephone lines were installed at the E.O. after the approval of the USAID. One of these telephone lines was transferred to the Research Component since no lines were available when the office was established. The supporting documents were presented to the audit team. All expenses of the line were paid by the RCSO and it has been returned to the E.O. (See attached copy of the payment of invoices)

8, 9, 10, 11 & 12. Elements (8, 9, 10, 11 and 12) of the finding (19, 50, 35, 23 and 15 L.E.) was billed on the Other direct Cost line item. Per diem payments were made for Mr. Ahmed Sheeha who is responsible for the renewal of licenses of E.O vehicles. His job required to travel to Alexandria to renew these licenses. The supporting documents were available to the audit team. Justification of the element had been accepted by the audit firm.

13. Element (13) of the finding (515 L.E.) was billed on the Other direct Cost line item. A check was issued to Misr Cool Co. to maintain the Central Air Condition.

\* **Finding # 3: Social Insurance**

The audit firm claimed that payments associated with social insurance for Executive Office staff were incurred from October 1, 1991 through July 31, 1993 in the amount of L.E. 116,963. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The first contract signed between the NARP and an employee was concurred by USAID and was dated December 1st, 1991. The contract included the payment of 2/3 the social insurance which is the employer's share in social insurance. Accordingly, all contracts were prepared with the same conditions. In addition, contracts of the American Embassy for local contracts includes the payment of social insurance for employees. Handbook II chapter 4 states that social insurance fringe benefit is an allowable cost for resident employees. The nature of the expense is not tax like, but fringe benefit.

\* **Finding # 4: Procurement of Generator and Spare Parts.**

The audit firm claimed that final payment and installation costs of a generator were paid with project funds with no evidence that bids were requested and no original invoices as well as USAID approval. The amount of the finding is L.E. 116,009. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The above mentioned generator was included in the E.O.'s IFP for the year of 1989/1990. USAID approval is included in Pil 16 Amendment 4. All Supporting documents were available together with offers. All original documents were available to the audit team. Justification of the element had been accepted by the audit firm.

\* **Finding # 5: Procurement of Equipment**

The audit firm claimed that the E.O. purchased with project's fund a computer while the procurement plan for 1991 could not be located and hence couldn't trace whether it was approved from USAID or not. The amount of the finding is 21,400 L.E. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The above mentioned computer was purchased in October 91 in accordance with the procurement plan updated notification sent to USAID attached with the voucher of November 91. Justification of the element had been accepted by the audit firm.

\* **Finding # 6: Bonus**

The audit firm claimed that performance and annual bonuses were remitted by the E.O on the contract services line item. The amount of the finding is 9,069 L.E. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

1 & 2. Elements (1 & 2) of the finding (1000 & 1000 L.E.) were billed on the contract Services line item. Payments were made as honorarium for members of renovation committee for work done for the E.O.. The supporting documents were presented to the audit team.

3. Element (3) of the finding (7,069 L.E.) were billed on the contract Services line item. Payment was made on January 1992. Director General approved the expense whose nature doesn't violate the USAID policies.

\* **Finding # 7: Long Distance Telephone calls**

The audit firm claimed that E.O. incurred costs associated with long distance telephone calls for which no logs were kept in order to determine that the calls were project related. The amount of the finding is 12,021 L.E. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

Justification

- 3, 4 & 5. Elements (3, 4, & 5) of the finding (5,745, 552 & 1867 L.E.) were billed on the communications line item. According to the audit inquiry previously conducted, USAID disallowed an amount of 102,752 L.E. for long distance phone calls dialed from November 88 till October 90. Based on USAID request, E.O. investigated all long distance phone calls during this period and the outcome was disallowing the sum of 28,339.70 L.E. which was a portion of a check paid by ARC with the sum of L.E. 36,820.70 . The supporting documents were available to the audit team.
6. Element (6) of the finding (1,164 L.E.) was billed on the communications line item. This element is directly linked to elements # 3, 4 and 5. One of the steps that were followed to determine phone numbers dialed during the period November 88 till October 90 is to contact these numbers to identify them and to be categorized whether official or non official ones. The period of invoices of this element lies exactly within the period that the investigation period took place. USAID and SCI positively shared in all steps that took place. The supporting documents were presented to the audit team.
1. Element (1) of the finding (2,192 L.E.) was billed on the communications line item. All phone calls were official ones. The supporting documents were presented to the audit team.
- 2 & 7. Elements (2 & 7) of the finding (360 & 141 L.E.) was billed on the communications line item. Payments were made for telexes sent by the E.O. via the foreign relations department - MAOLR - since NARP possessed neither telex line not telex machine. The supporting documents were presented to the audit team.

\* **Finding # 8: Unrelated Project expenses**

The audit firm claimed that E.O. remitted from project funds expenditures for blankets and curtains and these expenses do not appear to be related to project activities. The amount of the finding is 232 L.E. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

Two Guards, a civil defense employee and an electrician should always be available at E.O. building so as to meet the occurrence of any emergency. The nature of work of the electrician don't require to be awake all night long , only when things are out of control. As far as the curtains are concerned, these were bought so as to protect the equipment in the E.O. from any damage that could be resulted from the exposure to direct sun light.

\* **Finding # 9: Payment of taxes**

The audit firm claimed that project funds are not to be used for in-country assessed fees, such as vehicle registration, sales taxes and penalties. The amount of the finding is 1,583 L.E. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

Payment was made for vehicle registration which is an obligatory expense whereby the nature of expense is not tax like.

\* **Finding # 10: Payment of Meals and drinks**

The audit firm claimed that the E.O. paid with project funds the cost of meals and drinks for a conference held at a hotel in Cairo. The amount of the finding is 5,237 L.E. The effect of the finding was that USAID was billed Unsupported costs of the total amount mentioned above.

**Justification**

The expense was made during the technical evaluation of the Collaborative Research proposals Phase II. An amount of L.E. 2,848.44 was paid back from the US. reviewers and the remaining amount was paid after USAID approval

\* **Finding # 11: Entertainment Costs**

The audit firm claimed that project funds were used to pay for a visit to the pyramids, alcoholic beverages, and coffee & tea. The amount of the finding is 1,359 L.E. The effect of the finding was that USAID was billed Ineligible costs of the total amount mentioned above.

**Justification**

These are expenses related to the weekly conferences between E.O. and USAID Officials.

\* **Finding # 12: Repair and Maintenance of the building**

The audit firm claimed that E.O. paid with project funds for janitorial and security salaries, repairs for Central Air-conditioning and the repair and maintenance for the building that is being share with another ARC institute. The amount of the finding is 52,634 L.E. The effect of the finding was that USAID was billed Ineligible costs of the total amount mentioned above.

**Justification**

An agreement was made between the E.O. and the AGERI stating that AGERI should pay expenses of electricity, water and rent while the E.O. should pay maintenance and repair of the building.

**\*\* Pil # M/NI 003**

**\* Finding # 13: Mullet Fish Production Expenditure**

The audit firm claimed that invoices billed to the project by a sub recipient company implementing the mullet fish production sub project were based on the amounts approved in the budget rather than actual expenses. The company didn't keep separate records for the disbursements made with project funds. The total amount of the finding is L.E. 1,040,688. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

Records and Supporting documents were separated between the Project funds and those of the company's. Complete copy of documents were available to the audit team.

**\* Finding # 14: Payment of Unsupported Training Expenses**

The audit firm claimed that M/NI component reimbursed the Agroforestry Techniques sub project for training expenses which were not supported by adequate documents. The total amount of the finding is L.E. 5,345. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

Records and Supporting documents are available. Documents were available to the audit team.

\* **Finding # 15: Unsupported Expenses**

The audit firm claimed that M/NI component reimbursed the Agroforestry Techniques sub project for expenses which were not supported by adequate documents or invoices. The total amount of the finding is L.E. 28,688. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

Justification of elements 1 and 2 had been accepted by the audit firm while records and supporting documents for the remaining elements are available at NARP and are ready for auditing.

\* **Finding # 16: Unsupported Casual Labor**

The audit firm claimed that M/NI component reimbursed casual labor costs for various sub projects based on the payroll sheets invoiced by the implementing entities and or ARC institutes implementing these sub projects. The total amount of the finding is L.E. 77,737. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

Records and Supporting documents are available. However, the control of the time sheets is under the P.I.'s authority. A sample of documents such as time sheets are available to the audit team. Justification of finding had been accepted by the audit firm

\* **Finding # 17: Consultants Not approved by the M/NI Component**

The audit firm claimed that the Agroforestry sub project incurred costs for a consultant who was not included in M/NI's records of approved consultants. The total amount of the finding is L.E. 165. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

Records and Supporting documents are available. Payment was made to support staff and was charged wrongly as consultants. Documents were available to the audit team.

\* **Finding # 18: Expenditures Exceeded Approved Budget For Equipment**

The audit firm claimed that the equipment costs reimbursed on the Rinderpest Vaccine Project exceeded the approved budget for this line item by 18% without obtaining the USAID approval. The total amount of the finding is L.E. 420. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

USAID approved and concurred the change of budget. Documents were available to the audit team. Justification of finding had been accepted by the audit firm

\* **Finding # 19: Purchase of fuel**

The audit firm claimed that the Agroforestry techniques sub project submitted invoices for purchase of fuel. The total amount of the finding is L.E. 7,040. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The management refused to fund fuel from the budget at the beginning , but due to changes in circumstances, the management approved such expense especially the budget of the Agroforestry techniques contained Vehicle Operations line item which funds expenses such as fuel. In addition, the project dedicated a vehicle to assist in the transportation to and from the site of the experiment Since, the nature of expense doesn't violate USAID regulations , it was a management's decision to allocate the available funds among the unlimited demands.

\* **Finding # 20: Unsupported Payment of Facility Improvement**

The audit firm claimed that the Rinderpest Vaccine's Laboratory facilities was not supported with the contractor's receipt or invoice. There is no evidence that the contractor received payment. The total amount of the finding is L.E. 14,311. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

It was proved that the contractor received all the amount due for the work done. Documents were available to the audit team.

\* **Finding # 21: Consultants Payment**

The audit firm claimed that the funds under this Pil are not to be used to pay P.Is. . The total amount of the finding is L.E. 9,818. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The payments made were for consultants and not for principle investigator and they were included in the project's consultant list. Documents were available to the audit team.

\* **Finding # 22: Payment of taxes**

The audit firm claimed that the M/NI component remitted from Project funds expenditures for GOE taxes. The total amount of the finding is L.E. 5,015. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

There were no clear written evidence that the project was exempted from Sales Tax prior to August 23rd, 92.

\* **Finding # 23: Purchase of Equip. not included in Procurement Plan**

The audit firm claimed that the M/NI component paid with project funds for the acquisition of equipment that was not included in the procurement plan of the USAID approved budget and exceeded the approved quantity of items resulting in the storage of these items. The total amount of the finding is L.E. 87,282. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

All equipment purchased by the project was included in the procurement plan and didn't exceed the Budget for Equipment

\* **Finding # 24: Training Cost to a Non-Project Employee**

The audit firm claimed that the Soybean Biotechnology sub project incurred training costs with Project funds for a person not working for the Sub project. The total amount of the finding is L.E. 250. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

P.I. replied that the assigned person has been appointed as an employee.

\* **Finding # 25: Equip. purchased didn't meet Source & Origin Requirements**

The audit firm claimed that Equipment acquired under the Soybean Processing sub project was made in Germany. The total amount of the finding is L.E. 38000. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The certificate of Origin was proven to be from USA.

**Finding # 26: Rent of Green Houses**

The audit firm claimed that the Agricultural Biotechnology Sustainable Productivity sub project remitted with project funds the of two green houses owned by ARC. The total amount of the finding is L.E. 8000. The effect of the finding was that USAID was billed ineligible costs of the total amount mentioned above.

**Justification**

The two green houses are owned by the Japanese project and they are not related to the ARC. (see attached letter from Director General of the Japanese project)

**\*\* Pil # M/NI 008**

**\* Finding # 27: Airline Tickets paid for Non-Short term training participants**

The audit firm claimed that Airline tickets were paid with funds provided under Pil No. M/NI 008 for participants whose training period was longer than nine months. The total amount of the finding is L.E. 34,343. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

According to the memorandum from Mr. Neil Patrick, Agricultural Management Specialist, NARP to Mr. Hany Galal, Senior Administrative Officer, attached a copy from it , dated on May 12, 1993 there are three (PIO/P) for the travelers attached a copy from them and approved from the project officer to use the FT-800 funds to purchase the airtickets for the three participants.

According to the memorandum from Mr. Neil Patrick, New Initiatives Office to Mr. Aly Rashad, Admin. & Financial Coordinator NARP dated on Jan. 23, 1992 attached a copy of it this air ticket is one to USA under training program on the New Initiatives Rinderpest, Technologies project.

**Finding # 28: Use of other than Egyptian of US Airliners**

The audit firm claimed that Airline tickets for project participants were paid to other than Egyptian or American air carriers without USAID waiver. The total amount of the finding is L.E. 32,499. The effect of the finding was that USAID was billed unsupported costs of the total amount mentioned above.

**Justification**

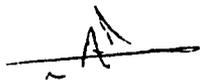
No vacancies were available at either Egyptian or US Airliners and due to the fact that time was a limiting factor, it was a must.

*Due to the fact that the supporting documents are of massive amounts, it was hard (physically and economically) to prepare a copy for your firm; however, if there are specific documents would you like to be copied, don't hesitate to inform us; else, documents are furnished upon your request within our premises.*

Sincerely,



Eng. Aly Rashad Mohamed  
Financial and Administrative Coordinator  
NARP



**Agricultural Research Center of the  
Ministry of Agriculture and Land Reclamation**

**Audit of Local Expenditures Incurred Under the  
National Agricultural Research Project No. 263-0152  
Management/New Initiatives Component**

**Project Implementation Letters  
No. M/NI-001, M/NI-003 and M/NI-008**

**Auditor's Response to Management Comments**

Our comments below address the Agricultural Research Center (ARC) of the Ministry of Agriculture and Land Reclamation's (MALR) responses provided regarding the questioned costs as identified in findings on the Fund Accountability Statement relating to our audit of the National Agriculture Research Project (NARP). The findings for which ARC provided relevant supporting documents have been deleted and marked as such in the Fund Accountability Statement - Audit Findings section. For those findings in which insufficient supporting documents were provided or where we did not agree with the adequacy of the ARC response, the findings remain the same or modified as discussed below. ARC did not provide comments to the Compliance with Applicable Laws and Regulations audit findings.

ARC management's entire response is presented in Appendix C.

***PIL No. M/NI-001***

**Finding No. 1: Unsupported Expenses**

Documents were provided to support expenditures of LE 10,370.

Two petty cash disbursements of LE 60 each were paid on the same day to the same individuals performing the telephone installation job. Supporting documents provided by NARP's Executive Office (EO) only supported one payment of LE 60. Furthermore, it appears unusual that the same individual would get paid on two separate occasions in the same day. Therefore, the amount is still questionable.

The payment relating to printing costs of LE 3,000 with check No. 15378 was remitted to the Printing Unit of MALR. Supporting documentation provided by ARC is a letter from this unit requesting payment. We consider the document insufficient to properly support the expenditure. In addition, payment was made to MALR, the entity responsible for implementing the Project. The EO did not provide additional documents to support that it was the Printing Unit's practice to bill for in-house printing i.e., charges are routinely billed to various MALR entities. Therefore, the amount remains questionable.

## Appendix C.2

Supporting documents for check No. 81751 dated 7/1/93 for LE 1000 indicated that the expense is related to CID, a NARP contract funded outside of PIL No. M/NI-001. Such an expense is unallowable. This item remains questionable.

### Finding No. 2: Payments of Other NARP Components and/or ARC Institute

The original questioned amount in this finding was LE 9,617. EO provided supporting documents for transactions in the amount of LE 736. For the remaining LE 8,881, EO indicates that the expenses are Project related. However, documents provided still evidence that these expenses relate to other NARP components and/or ARC Institutes. The finding has been modified accordingly.

### Finding No. 3: Social Insurance

EO's justification on social insurance payment represents a reasonable position and we agree that Handbook 11, Chapter 4 considers social insurance costs as a fringe benefit. However, social insurance was disallowed based on the Forth Amendment to Grant Agreement No. 263-0152 signed September 30, 1991. Section 5.16 paragraph (a) v and vi identifies that social insurance is specifically disallowed. Based on this specific cite, the finding remains unchanged.

### Finding No. 4: Procurement of Generator and Spare Parts

EO provided supporting documents of LE 42,980 related to the final payment of the generator. The other questioned cost in the original finding of LE 66,389 relates to procurement of spare parts for maintenance of this generator, which serves the building shared by the EO with AGERI, another ARC institute. The spare parts, considered as maintenance costs, should be shared by both entities, EO and AGERI. Therefore, this amount is considered along with other such questionable costs in finding No. 12 of this report. During the procurement of the spare parts, sales tax of LE 6,640 were remitted, such questionable costs were included in finding No. 9. Therefore, the portions remaining questionable have been reflected in other findings.

### Finding No. 5: Obtained Procurement of Equipment

EO's assumes that it received USAID/Egypt approval for the procurement of a computer based upon an expense report submitted to USAID/Egypt. However, we were not able to identify that such a procurement was ever approved by USAID/Egypt. Based on the circumstances, we believe this should remain as a questioned cost.

### Finding No. 6: Bonus

Regarding the two payments, each of LE 1,000 paid to members of the renovation committee, NARP personnel refer to them as "honorariums". We define honorariums as rewards or, simply put, as bonuses. Payments of bonuses are unallowable in accordance with NARP's agreement terms with USAID/Egypt.

Regarding the bonuses paid to employees of LE 7,069, we understood, through discussion with EO personnel, such payments were made at the discretion of NARP's Director General. NARP did not provide any support to their statement that such payments "... whose nature doesn't violate the USAID policies." Finding remains unchanged.

Finding No. 7: Long Distance Telephone Calls

EO provided supporting documents. Finding is deleted

Finding No. 8: Unrelated Project Expenses

EO provided supporting documents. Finding is deleted.

Finding No. 9: Payment of Taxes

Transactions questioned in this finding are unallowable per Grant Agreement, Project Grant Standard Provisions, Annex II, Section B-4. Furthermore, PIL No. M/NI-001, Amendment 3 disallows expenses related to government registration and insurance for Project vehicles. EO response does not properly address the finding. Finding remains unchanged.

Finding No. 10: Payment of Meals and Drinks

Documentation available during our audit consisted of a hotel invoice which only indicated food and drinks. EO did not provide any documents supporting the expense. Correspondence with USAID/Egypt dated August 1993, as result of a review performed by USAID/Financial Management, indicated that the payment was still in dispute. Documentation included in the EO response does not support the finding.

Finding No. 11: Entertainment Costs

Entertainment costs are unallowable as per USAID/Egypt policies as previously communicated to NARP.

Finding No. 12: Repair and Maintenance of Building

During our fieldwork, EO verbally informed us of an agreement between AGERI and EO, which stated that EO will incur repair and maintenance expenses whereas AGERI will pay for water and electricity related to the building. We requested from EO to provide us with the agreement and the bills paid by AGERI on several occasions without success.

In EO's response of November 27, 1994, a copy of the above mentioned agreement was provided. It was signed by the EO Financial and Administrative Coordinator and a AGERI administrative officer whom, according to established Project procedures, does not appear to have the authority to approve this type of agreement. No additional documents were provided to support AGERI payments of water and electricity, thus allowing, at a minimum, a comparability between the costs shared. The finding is modified to include the cost of the generator's spare parts as discussed in our response to finding no. 4 above. Otherwise, the original questioned costs remain.

*PIL No. M/NI-003*

Finding No. 13: Mullet Fish Production Expenditures

EO provided supporting documents. Finding is deleted.

**Finding No. 14: Payment of Unsupported Training Expense**

No additional supporting documents were provided. Finding remains unchanged .

**Finding No. 15: Unsupported Expenses**

EO provided supporting documents for two transactions in the amount of LE 15,295 which were originally questioned in this finding. Their response indicates that for the remaining questioned expense documents are available for our review. Along with their response, they provided an enormous volume of photocopied documents which were not organized or referenced to the check numbers as indicated in our finding. Therefore, we were unable to determine whether these documents address the remaining questioned costs in this finding.

**Finding No. 16: Unsupported Casual Labor**

EO provided attendance sheets for casual labor costs incurred for the months of October, November, and December 1992 related to the Agricultural Biotechnology for Sustainable Productivity subproject in response to this questioned cost. However, these attendance sheets appear to be recently prepared, despite the fact that these sheets support payments for labor performed in 1992. The sheets do not show any normal deterioration. Furthermore, some of the attendance sheets were dated December 1994 and then were crossed out to reflect December 1992. In addition, when comparing the signatures in the payroll payments with the attendance sheets, they do not seem to match. Because of the conditions cited above, we decided not to accept these attendance sheets as sufficient supporting documents. We believe USAID/Egypt should make the decision as to their acceptability. Furthermore, the fact that NARP provided attendance sheets illustrates that such documents are used to support casual labor. In another NARP audit, we found that it was NARP policy to require attendance sheets for casual labor.

No other documents were provided for the other transactions questioned in this finding. Therefore, the finding in its entirety is not changed.

**Finding No. 17: Consultants Not Approved by M/NI Component**

Provided documents does not address condition in finding.

**Finding No. 18: Expenditures Exceed Approved Budget for Equipment**

EO provided supporting documents. Finding is deleted.

**Finding No. 19: Purchase of Fuel**

EO provided appropriate expense justification. Finding is deleted.

**Finding No. 20: Unsupported Payment of Policy Improvement**

EO provided supporting documents. Finding is deleted.

## Appendix C.5

### Finding No. 21: Consultants Payment

EO response indicated that consultants paid were not principal investigators. However, no additional documents (i.e. contracts, reports) were provided to evidence services were performed. Therefore, amount is still questionable.

### Finding No. 22: Payment of Taxes

Taxes are ineligible per the Grant Agreement. Finding remains unchanged.

### Finding No. 23: Purchase of Equipment Not Included in Procurement Plan

EO's response provided justification for transactions of LE 28,266 questioned in this finding. However, for the transactions in the amount of LE 59,016, no supporting documents were provided and amounts remain questionable.

### Finding No. 24: Training Costs to a Non-Project Employees

EO provided supporting documents. Finding is deleted.

### Finding No. 25: Equipment Purchased Did Not Meet Source and Origin Requirements

EO indicates that the certificate of origin proves the equipment was from the United States. We physically inspected the equipment and identified that it was made in Germany. Finding remains unchanged.

### Finding No. 26: Rent of Green Houses

EO informed us that the green houses are owned by a Project outside of USAID/Egypt funding and not related to ARC. However, the supporting documents consisted of invoice memorandums issued on blank paper and stamped with an ARC logo stamp. The finding remains unchanged.

### ***PIL No. MINI-008***

### Finding No. 27: Airline Tickets Paid for Non-Short Term Training Participants

No additional supporting documents were provided and the EO response does not address the finding condition.

### Finding No. 28: Use of Other Than Egyptian or US Airlines

EO indicates that no vacancies were available at either Egyptian or US Airlines. Furthermore, the response included a letter dated August 17, 1994 from the Agricultural Management Specialist addressed to the NARP Administrative Officer indicating that the use of other than Egyptian or American carriers occurred because such restrictions were not well defined at the time the disbursement occurred. No additional documents were provided.

## **Appendix C.6**

**Our reading of the original Grant Agreement and other related documents makes it rather clear that Egyptian or American carriers should be used. In addition, it is generally known that USAID/Egypt policies require the use of American carriers for, at a minimum, the trans-Atlantic portion of travel. Finding remains unchanged.**

**USAID**



Appendix D

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

January 30, 1995

CAIRO, EGYPT

**MEMORANDUM**

RECEIVED  
30 JAN 1995

TO: Timothy E. Cox, A/RIG/A/C

FROM: *Acting for James Redder* OD/FM/FA

SUBJECT: Audit of the Agricultural Research Center on  
USAID/Egypt's National Agricultural Research Project  
No. 263-0152, Management/New Initiatives Component,  
Project Implementation Letter Nos. M/NI-001, M/NI-003  
and M/NI-008 - Draft Report.

Mission is working with the implementing agency to resolve and close the two recommendations.

Attached is a copy of a letter to ARC, dated January 30, 1995 requesting them to address Recommendation No. 2 regarding the material non compliance issues identified in the audit report. Based on this action, Mission requests that Recommendation No. 2 be resolved.

Please issue the final report.

Att: a/s

CLEARANCE SHEET

January 30, 1995

**MEMORANDUM**

TO: Timothy E. Cox, A/RIG/A/C

FROM: James Redder, OD/FM/FA

SUBJECT: Audit of the Agricultural Research Center on  
USAID/Egypt's National Agricultural Research Project  
No. 263-0152, Management/New Initiatives Component,  
Project Implementation Letter Nos. M/NI-001, M/NI-003.  
and M/NI-008 - Draft Report.

Clearance: AGR/A, Nasr Rohaiem



Drafter: FM/FA, Laila M. Boutros

LB 1/30/95



## UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

January 30, 1995

Eng. Ali Rashad  
 Financial & Administrative Coordinator  
 National Agricultural Research  
 Project (NARP)  
 Agricultural Research Center (ARC)  
 9, Gamaa street,  
 Giza, Egypt.

Subject: Audit of the Agricultural Research Center on  
 USAID/Egypt's National Agricultural Research  
 Project No. 263-0152, Management/New  
 Initiatives Component, Project Implementation  
 Letter Nos. M/NI-001, M/NI-003 and M/NI-008  
 Draft Report

Dear Eng. Rashad:

We herewith submit to you a copy of the draft report on the  
 subject audit. The audit report contains two recommendations.

Recommendation No.1 deals with ineligible and unsupported costs.  
 Recommendation No.2 deals with material non-compliance issues  
 identified in the audit report.

Please review the recommendations, and submit to me your response  
 by February 20, 1995, explaining the corrective actions planned  
 or taken by M/NI to address Recommendation No. 2.

Thank you for your cooperation.

Sincerely,

*Att: FW*   
 James Redder  
 Office Director  
 Financial Analysis Division  
 USAID/Cairo

Att: a/s

12

January 30, 1995

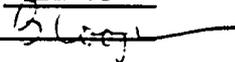
Eng. Ali Rashad  
Financial & Administrative Coordinator  
National Agricultural Research  
Project (NARP)  
Agricultural Research Center (ARC)  
9, Gamaa street,  
Giza, Egypt.

Subject: Audit of the Agricultural Research Center on  
USAID/Egypt's National Agricultural Research  
Project No. 263-0152, Management/New  
Initiatives Component, Project Implementation  
Letter Nos. M/NI-001, M/NI-003 and M/NI-008 -  
Draft Report

Clearance:

AGR/A: NRohaiem

AGR/A: BCooper

Drafted by: AGR/A: NRohaiem  
1/30/95  
Doc. No.: AUDITMNI

**APPENDIX E****REPORT DISTRIBUTION**

	<b><u>No. of Copies</u></b>
U.S. Ambassador to Egypt	1
Mission Director, USAID/Egypt	5
Assistant Administrator for Bureau for Near East, AA/NE	2
Associate Administrator for Finance and Administration, AA/FA	1
Office of the General Counsel, GC	1
Country Desk	1
POL/CDIE/DI, Acquisitions	1
IG	1
D/IG	1
AIG/A	1
IG/A/PSA	1
IG/A/PPO	2
IG/LC	1
AIG/I	1
D/AIG/A	1
IG/RM/C&R	5
Other RIG/A's	1 each