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Regional Inspector General for Audit
Cairo, Egypt

**Audit of The Central Agency for Public Mobilization
and Statistics (CAPMAS), Local Expenditures Incurred
Pursuant to Project Implementation Letters (PILs)
Nos. 20 & 22 Under The Technical Cooperation and
Feasibility Studies II Project No. 263-0102**

Report No. 6-263-95-015-N
March 14, 1995



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

**INSPECTOR
GENERAL**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

March 14, 1995

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

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

SUBJECT : Audit of The Central Agency for Public Mobilization and Statistics (CAPMAS), Local Expenditures Incurred Pursuant to Project Implementation Letters (PILs) Nos. 20 & 22 under the Technical Cooperation and Feasibility Studies II Project No. 263-0102.

The attached report transmitted by Allied Accountants on February 13, 1995 presents the results of a financial audit of the Central Agency for Public Mobilization and Statistics (CAPMAS), local expenditures incurred pursuant to project implementation letters (PILs) Nos. 20 & 22 under the Technical Cooperation and Feasibility Studies II Project No. 263-0102. The project's primary objective is to finance the Egyptian National Statistical Information Network and the Income, Expenditure and Consumption Survey of Egypt.

We engaged Allied Accountants to perform a financial audit of CAPMAS's incurred expenditures of \$382,166 (equivalent to LE1,211,463) as of December 31, 1993. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Allied Accountants also evaluated CAPMAS'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 \$2,803 in incurred costs billed to USAID by CAPMAS (including \$451 unsupported costs). The questioned costs included external travel, administration, stationery and office supplies, communication, expendable, and non-expendable items.

In response to the draft report, CAPMAS provided documentation and/or additional explanations for the questioned costs. Allied Accountants reviewed CAPMAS's response to the findings. Where applicable, they have made adjustments in their report or provided further clarification of their position.

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

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

Recommendation No. 1: We recommend that USAID/Egypt resolve questioned costs of \$2,803 (including \$451 unsupported costs) as detailed on pages 12 through 14 of the audit report.

This recommendation is considered unresolved and can be resolved when RIG/A/C receives the Mission's final determination as to the amounts sustained or not sustained. The recommendation can be closed when any amounts determined to be owed to USAID/Egypt are paid by CAPMAS.

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

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

Project Implementation Letters No. 20 & 22

Fund Accountability Statements and Additional
Information for the Period from January 1, 1990
to December 31, 1993

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

Project Implementation Letters No. 20 & 22

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ALLIED ACCOUNTANTS

Ragheb, Istambouli & El Kilany

A Member Firm of ARTHUR ANDERSEN & CO SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



المحاسبون المتضامنون

راغب، اسطنبولي والكيلاني

مراسلو آرثر أندرسن وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

February 13, 1995

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 our financial related audit of expenditures incurred by the Central Agency for Public Mobilization and Statistics (CAPMAS) funded by the United States Agency for International Development Mission in Egypt (USAID/Egypt). Funding was provided under the Technical Cooperation and Feasibility Studies II, Project 263-0102 through Project Implementation Letters (PILs) No. 20 and 22. We were engaged to perform an audit for the period from January 1, 1990 to December 31, 1993.

Background

PILs No. 20 and 22 between the Arab Republic of Egypt and the United States of America for CAPMAS finance the Egyptian National Statistical Information Network (ENSIN) and the Income, Expenditure and Consumption Survey of Egypt for 1989 through 1991 (IECS).

PIL 20 provides CAPMAS with funds to accomplish:

- i) Training of work teams in system design and integration;
- ii) Development of spatial database by sector; and
- iii) Perform the analysis and design of the systems.

PIL 22 provides CAPMAS with funds to accomplish:

- i) The execution of preparatory work relating to IECS;
- ii) The execution of field work;
- iii) Data processing; and
- iv) Evaluation, analysis and publication of the compiled statistics.

Audit Objectives, Scope and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by CAPMAS for PILs No. 20 and 22 (collectively known as the "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 CAPMAS 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 CAPMAS as it relates to PILs No. 20 and 22, assess control risk, and identify reportable conditions, including material internal control weaknesses; and
4. Perform tests to determine whether CAPMAS complied, in all material respects, with the PILs' terms and applicable laws and regulations.

The scope of our financial cost-incurred audit was all the expenditures remitted for CAPMAS under PILs No. 20 and 22 for the period under audit of January 1, 1990 to December 31, 1993.

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

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

<u>Agreement</u>	<u>Total Cost</u>	<u>Tested Amt.</u>	<u>Percent</u>
PIL No. 20 (US dollar commitment)	\$ 48,990	\$ 48,990	100
PIL No. 20 (Equivalent in LE)	\$ 76,097 241,226	\$ 47,688 151,170	63
PIL No. 22 (Equivalent in LE)	\$ 257,079 814,939	\$ 151,836 481,319	59

Our testing of PILs No. 20 and 22 encompassed a selection of the checks remitted by the Project. The selected expenditures were categorized by budget and compared to the total of the amount incurred by the related budget line item. Where there was not sufficient audit coverage for a budget line item, additional expenditures were selected to ensure adequate coverage was obtained.

Regarding PIL No. 20 (US dollar commitment), the entire US\$ 48,990 related to only four transactions of which we fully reviewed since CAPMAS made such information readily available and such transactions were inherently related.

Regarding the checks (transactions) selected for the Egyptian pound incurred costs, high overall coverage was obtained due to: i) significantly large single transactions or ii) voucher packages contained numerous items remitted through one check. Since the voucher packages contained the required documentation, we reviewed the entire voucher packages as selected.

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 was performed. General ledgers and cash journals were reconciled to billings submitted to USAID/Egypt.
2. The 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 training and travel costs to determine if they were 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 a reconciliation of funds advanced, disbursed and available.
6. A review of compensation paid to ensure charges were in accordance with those approved by USAID/Egypt and are supported by appropriate payroll records.

During our audit planning, we considered CAPMAS's internal control structure as it relates to PILs No. 20 and 22 to obtain an understanding of the design of relevant control policies and procedures, and whether those policies and procedures have been placed in operation.

The Agreement terms and pertinent laws and regulations applicable to CAPMAS 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, and CAPMAS management staff. The Agreement was reviewed to gain an understanding of the 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

The engagement identified US\$ 2,803 in aggregate questioned costs, US\$ 451 in unsupported costs and US\$ 2,352 in ineligible costs. The details of costs questioned by respective PIL were provided to USAID/Egypt and CAPMAS management through supplemental schedules.

Internal Control

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

Compliance with Agreement Terms and Applicable Laws and Regulations

In performing our audit, we did not identify any matters of material non-compliance.

Management Comments

Management has provided comments on the results of the audit findings. The entire response of management is included in Appendix D. We provided responses to management's comments in Appendix E. CAPMAS management's responses did not result in any change to the original questioned costs.



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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 Central Agency for Public Mobilization and Statistics (CAPMAS) relating to funds received and costs incurred under the Technical Cooperation and Feasibility Studies II, Project 263-0102 financed by the United States Agency for International Development Mission in Egypt (USAID/Egypt) pursuant to Project Implementation Letters (PILs) No. 20 and 22 for the period from January 1, 1990 to December 31, 1993. These fund accountability statements are the responsibility of the management. Our responsibility is to express an opinion on these fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall fund accountability statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 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 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 questioned cost as detailed in the accompanying fund accountability statements for each PIL i) US\$ 2,352 in costs that are ineligible because they are not program related, unreasonable or prohibited by the terms of the Agreement; and ii) US\$ 451 that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The basis for questioning cost are set forth in the Fund Accountability Statements - Audit Findings section of this report.

In our opinion, except for the questioned costs of \$ 2,803, the fund accountability statements referred to above present fairly, in all material respects, the funds received and costs incurred for the Central Agency for Public Mobilization and Statistics for the period from January 1, 1990 to December 31, 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 statement included in the first paragraph. The supplemental information included in Appendices A through C 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 Central Agency for Public Mobilization and Statistics and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which is a matter of public record.

December 6, 1994



Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

**Project Implementation Letter No. 20
US Dollar Commitment**

Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

<u>Budget Elements</u>	<u>Budget</u> <u>US\$</u>	<u>Actual</u> <u>US\$</u>	<u>Questioned Cost (Note 5)</u>	
			<u>Ineligible</u> <u>US\$</u>	<u>Unsupported</u> <u>US\$</u>
Receipts:				
USAID/Egypt		\$ 48,990		
Expenditures:				
Training	\$ 87,500	37,500	\$ 0	0
Foreign consultant	20,000	-	-	-
External travel	14,200	11,490	50	400
Subscription	2,500	-	-	-
Seminar conference	2,400	-	-	-
Evaluation and selection	10,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 136,600 =====	48,990 <hr/>	50 <hr/>	400 <hr/>
Net Balance		\$ - 0 - ===		\$ 450 ===

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

**Project Implementation Letter No. 20
Egyptian Pound Commitment**

Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Cost (Note 5)</u>	
	<u>US\$</u>	<u>US\$</u>	<u>Ineligible</u>	<u>Unsupported</u>
			<u>US\$</u>	<u>US\$</u>
Receipts:				
USAID/Egypt		\$ 76,097		
Expenditures:				
Salaries	\$ 5,678	2,926	\$ 0	\$ 0
Administration	10,094	2,584	198	51
Local consultants	4,164	934	0	0
Internal travel	16,719	3,469	0	0
Overtime	33,274	30,102	0	0
Stationery and office supplies	975	969	35	0
Air fares	19,558	14,746	0	0
Evaluation and selection	15,773	-	-	-
Site preparation	394,322	-	-	-
Data collection/Entry	394,322	11,534	0	0
Manual presentation	631	-	-	-
User training	17,035	-	-	-
Communication	68,770	8,833	746	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 981,315	\$ 76,097	979	51
	=====	<u> </u>	<u> </u>	<u> </u>
Net Balance		- 0 -	\$ 1,030	
		===	=====	

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

Project Implementation Letter No. 22

Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

<u>Budget Elements</u>	<u>Budget</u> <u>US\$</u>	<u>Actual</u> <u>US\$</u>	<u>Questioned Cost (Note 5)</u>	
			<u>Ineligible</u> <u>US\$</u>	<u>Unsupported</u> <u>US\$</u>
Receipts:				
USAID/Egypt		\$ 257,288		
Expenditures:				
Steering committee	\$ 2,839	2,800	\$ 0	\$ 0
Project central staff	38,139	40,433	0	0
Sample design and selection	1,577	1,577	0	0
Field staff	72,942	75,153	0	0
Central inspectors	4,680	2,955	0	0
Central training	3,091	3,091	0	0
Local training	552	552	0	0
Drivers	1,262	1,262	0	0
Pre-test	1,085	1,085	0	0
Printing	13,880	10,899	0	0
Others	21,451	21,522	0	0
Data processing	30,265	30,042	0	0
Non-Expendables	23,549	22,114	1,288	0
Expendables	9,460	10,895	35	0
International travel	25,867	-	-	-
Advertising	11,366	11,328	0	0
Administrative expenses	21,371	21,371	0	0
Total Expenditures	\$ 283,376 =====	257,079	1,323	0
Net Balance (Note 4)		\$ 209 ===	\$ 1,323 =====	

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

Project Implementation Letters No. 20 & 22

Notes to the Fund Accountability Statement

Note 1: Project Activities

The United States Agency for International Development Mission in Egypt (USAID/Egypt) funded the Central Agency for Public Mobilization and Statistics under the Technical Cooperation and Feasibility Studies II, Project No. 263-0102. The purpose was to provide funding for the Egyptian National Statistical Information Network and the Income, Expenditure and Consumption Survey of Egypt 1989-1991 through Project Implementation Letters (PILs) No. 20 and 22 (the "Project"). The Project was completed by December 31, 1993.

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. Certain disbursements were misclassified between budget line items. Appendices A, B and C present the expenditures as disclosed in the Project's records adjusted for reclassifications to present the final fund accountability statement.

Note 3: Exchange Rate

Expenditures incurred in local currency (LE) have been converted to US dollars at an average exchange rate of LE 3.17 to US\$ 1 for PILs No. 20 and 22.

Note 4: Net Balance

The net balance for PIL No. 22 of US\$ 209 was refunded to USAID/Egypt on November 24, 1994 through check no. 0688386.

Note 5: Questioned Cost

The incurred questioned cost are presented in the fund accountability statements in two separate categories: ineligible and unsupported costs. Questioned costs are expenditures that we have determined are not in accordance with the Project Grant Agreement, the PILs or other applicable USAID/Egypt regulations or are not supported by adequate

documentation. "Ineligible" cost 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 US\$ 2,803 in aggregate questioned costs, US\$ 2,352 as ineligible cost and US\$ 451 as unsupported costs. The summary of questioned cost follows and the basis for questioning specific costs are set forth in the "Audit Findings" section of this report.

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
 Technical Cooperation and Feasibility Studies II
 Project No. 263-0102

Project Implementation Letters No. 20 & 22

Summary of Audit Findings

	<u>Budget Element</u>	<u>Ineligible</u> \$	<u>Unsupported</u> \$
PIL No. 20			
<i>(US dollar commitment)</i>			
Finding No. 1	External travel	\$ 50	
Finding No. 2	External travel		\$ 400
<i>(Egyptian pound commitment)</i>			
Finding No. 3	Administration		51
Finding No. 4	Administration	198	
Finding No. 4	Stationery and office supplies	35	
Finding No. 4	Communications	746	
Total PIL No. 20		<u>1,029</u>	<u>451</u>
PIL No. 22			
Finding No. 5	Non-Expendables	1,288	
Finding No. 5	Expendables	35	
Total PIL No. 22		<u>1,323</u>	
Total all PILs		<u>2,352</u>	<u>451</u>
Total Questioned Costs		\$ 2,803	
		=====	

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

Project Implementation Letters No. 20 & 22

Audit Findings

PIL No. 20

(US dollar commitment)

Finding No. 1: Bank Charges

CAPMAS incurred routine bank charges for the deposit of an USAID/Egypt check. USAID/Egypt was billed these charges.

Project Grant Agreement, Section 7.1b states: "Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs AID to the contrary. Such other charges as AID may agree to may also be financed under the Grant. There was no evidence that AID agreed to these charges. CAPMAS believed these to be proper Project costs.

USAID/Egypt was billed ineligible cost of US\$ 50.

Finding No. 2: Per Diem Refund

A refund of per diems were made by Project personnel of which CAPMAS did not credit the Project for the return of these funds. The refunds were credited to the CAPMAS general account.

Project Grant Standard Provision, Annex II, Section D.2 states: "Any refunds from a contractor, supplier or other third party with respect to goods or services financed under the Grant will: a) be made available first for the cost of goods and services required for the Project to the extent justified, and b) the remainder will be applied to reduce the amount of the Grant." CAPMAS staff informed us that they did not realize per diem refunds were received.

USAID/Egypt was billed unsupported costs of US\$ 400.

(Egyptian pound commitment)

Finding No. 3: Overbilling

CAPMAS prepared their billing to USAID/Egypt based on their estimates of the cash requirement for the forthcoming periods and not based on actual expenditures. The billings were not properly reconciled to the records, thus resulting in an overbilling.

Project Grant Standard Provisions, Annex II, Section B.5 and Project Implementation Letter No. 20, Attachment 3, Section 7 requires CAPMAS to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant.

USAID/Egypt was billed unsupported costs of LE 163 (US\$ 51).

Finding No. 4: Stamp and Commercial Taxes

CAPMAS remitted payments for stamp and commercial taxes related to various purchases.

Project Grant Standard Provision, Annex II, Section B.4 states: "This Agreement and the Grant will be free from any taxation or fees imposed under the laws in effect in the territory of the Grantee."

USAID/Egypt was billed ineligible cost of LE 3,104 (US\$ 979).

PIL No. 22

Finding No. 5: Stamp, Commercial and Sales Taxes

CAPMAS remitted for stamp, commercial and sales taxes related to various purchases.

Project Grant Standard Provision, Annex II, Section B.4 states: "This Agreement and the Grant will be free from any taxation or fees imposed under the laws in effect in the territory of the Grantee."

USAID/Egypt was billed ineligible cost of LE 4,193 (US\$ 1,323).

ALLIED ACCOUNTANTS

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

Report of Independent Public Accountant on Internal Control Structure

We have audited the accompanying fund accountability statements of the Central Agency for Public Mobilization and Statistics relating to funds received and costs incurred under the Technical Cooperation and Feasibility Studies II, Project 263-0102 financed by the United States Agency for International Development Mission in Egypt (USAID/Egypt) pursuant to Project Implementation Letters (PILs) No. 20 and 22 for the period from January 1, 1990 to December 31, 1993, and have issued our report thereon dated December 6, 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 audit of the Central Agency for Public Mobilization and Statistics we considered the internal control structure as it relates to PILs No. 20 and 22 to determine our procedures for the purpose of expressing our opinion on the fund accountability statements and not to provide assurance on the internal control structure.

The management of the Central Agency for Public Mobilization and Statistics 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 an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; 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

statements referred to above in conformity with the basis of accounting as 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 Central Agency for Public Mobilization and Statistics and the United States Agency for International Development Mission in Egypt in a separate letter dated December 6, 1994.

This report is intended for the information of the management and others within the Central Agency for Public Mobilization and Statistics and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which is a matter of public record.

December 6, 1994



ALLIED ACCOUNTANTS

Ragheb, Istambouli & El Kilany

A Member Firm of ARTHUR ANDERSEN & CO. SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



المحاسبون المتضامنون

راغب، اسطنبولي والكيلاني

مراسلو آرثر أندرسن وشركاه

محاسبين قانونيين وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

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

Report of Independent Public Accountants on Compliance With Laws and Regulations

We have audited the accompanying fund accountability statements of the Central Agency for Public Mobilization and Statistics relating to funds received and costs incurred under the Technical Cooperation and Feasibility Studies II, Project 263-0102 financed by the United States Agency for International Development pursuant to Project Implementation Letters (PILs) No. 20 and 22 for the period from January 1, 1990 to December 31, 1993, and have issued our report thereon dated December 6, 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.

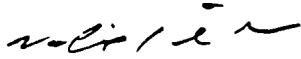
We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 46 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from 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, grants applicable to PILs No. 20 and 22 is the responsibility of Central Agency for Public Mobilization and Statistics' management. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatements, we performed tests of the Central Agency for Public Mobilization and Statistics' compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests of compliance indicate that with respect to the items tested the Central Agency for Public Mobilization and Statistics 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 Central Agency for Public Mobilization and Statistics had not complied, in all material respects, with those provisions.

This report is intended for the information of the management and others within the Central Agency for Public Mobilization and Statistics and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which is a matter of public record.

December 6, 1994



Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

**Project Implementation Letters No. 20
US Dollar Commitment**

Adjusted Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

	<u>Balance Per</u> <u>Statement</u>	<u>Reclassification</u> <u>Debit</u>	<u>Credit</u>	<u>Adjusted</u> <u>Balance</u>
Receipts:				
USAID/Egypt	\$ 48,990	-	-	\$ 48,990
Expenditures:				
Training	37,500	-	-	37,500
Foreign Consultants				
External Travel	7,130	\$ 4,360		11,490
Subscription				
Seminar Conference				
Evaluation and Selection	4,360	-	\$ 4,360	- 0 -
Total Expenditures	<u>48,990</u>	<u>\$ 4,360</u>	<u>\$ 4,360</u>	<u>48,990</u>
Net Balance	\$ <u>- 0 -</u>			\$ <u>- 0 -</u>

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

**Project Implementation Letters No. 20
Egyptian Pound Commitment**

Adjusted Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

	<u>Balance Per</u>		<u>Reclassification</u>		<u>Adjusted</u>		<u>Adjusted</u>
	<u>Statement</u>		<u>Debit</u>	<u>Credit</u>	<u>Balance</u>		<u>Balance</u>
Receipts:							
USAID/Egypt	LE 243,125		LE 1,899		LE 241,226	\$	76,097
Expenditures:							
Salaries	9,275				9,275		2,926
Administration	8,230		LE 40		8,190		2,584
Local Consultants	2,960				2,960		934
Internal Travel	11,900			902	10,998		3,469
Overtime	96,037			612	95,425		30,102
Stationery and Office Supplies	3,071				3,071		969
Air Fares	37,511		9,851	617	46,745		14,746
Evaluation and Selection	9,851			9,851	- 0 -		- 0 -
Site Preparation							
Data Collection/Entry	36,290		272		36,562		11,534
Manuals Presentation							
User Training							
Communication	28,000				28,000		8,833
Total Expenditures	<u>243,125</u>	LE	<u>12,022</u>	LE	<u>12,022</u>	<u>241,226</u>	\$ <u>76,097</u>
Net Balance	LE <u>- 0 -</u>				LE <u>- 0 -</u>		

Central Agency for Public Mobilization and Statistics

Audit of Expenditures Incurred Under the
Technical Cooperation and Feasibility Studies II
Project No. 263-0102

**Project Implementation Letters No. 22
Egyptian Pound Commitment**

Adjusted Fund Accountability Statement (Note 2)
for the Period January 1, 1990 to
December 31, 1993

		<u>Balance Per</u>		<u>Reclassification</u>		<u>Adjusted</u>		<u>Adjusted</u>
		<u>Statement</u>		<u>Debit</u>	<u>Credit</u>	<u>Balance</u>		<u>Balance</u>
Receipts:								
USAID/Egypt	LE	815,603				LE 815,603	\$	257,288
Expenditures:								
Steering Committee		8,875				8,875		2,800
Project Central Staff		120,488	LE	7,685		128,173		40,433
Sample Design and Selection		5,000				5,000		1,577
Field Staff		231,225		7,011		238,236		75,153
Central Inspectors		14,835			LE 5,471	9,364		2,955
Central Training		9,800				9,800		3,091
Local Training		1,750				1,750		552
Drivers		4,000				4,000		1,262
Pre-Test		3,440				3,440		1,085
Printing		44,000			9,450	34,550		10,899
Others		68,000		225		68,225		21,522
Data Processing		95,234				95,234		30,042
Non-Expendables		74,650			4,550	70,100		22,114
Expendables		29,988		4,550		34,538		10,895
International Travel								
Advertising		35,909				35,909		11,328
Administrative Expense		67,745				67,745		21,371
Total Expenditures		<u>814,939</u>		<u>19,471</u>	<u>19,471</u>	<u>814,939</u>		<u>257,079</u>
Net Balance (Note 4)	LE	<u>664</u>				LE <u>664</u>	\$	<u>209</u>

Central Agency for Public Mobilization and Statistics

Audit of Local Expenditures Under the
Technical Cooperation and Feasibility Studies II
Grant Agreement No. 263-0102
Project Implementation Letter No. 20 & 22

Management Comments

As regard to the undocumented cost that occurred due to some differences between American and Egyptian regulation are as follows :

1 - PIL 20 :

- 50 \$ is the bank commission for the transactions of the project.
- 400 \$ differences in travel allowance due to applying the rates of the government of Egypt, and this can be returned to AID.
- 979 \$ as commercial and industrial profits tax. This can not be reimbursed to AID.

2 - PIL 22 :

- 125 \$ Commercial and industrial profits tax. This can not be reimbursed after it was transferred to tax department.
- 1198 \$ as sales tax.

We would like to point out that the industrial and commercial profits tax is deducted from the suppliers entitlements and transferred to tax department.

This tax is not a part of the price of the commodity or service i.e. it does not increase the price of the commodity. It is a tax on the profits that the supplier gains from the selling process, and it can't be withdrawn from tax department.

But sales tax is added to the price. In case of AID grants this action is against the terms of the agreement. In future we shall be aware of this.

With regard to the differences in travel allowance, this differences can be returned to AID.

In the report page 3 item 6 it was stated that an audit was made to ensure that the salaries paid to government personnel were in conformity with AID regulations.

We would like to clarify that we did not pay salaries from these PILS. What was paid were compensations for CAPMAS personnel for their work in the projects in extra time beside their regular work in CAPMAS.

So we recommend that the word salaries be changed to compensations.

Ahmed


Saad

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Central Agency for Public Mobilization and Statistics

Audit of Local Expenditures Under the
Technical Cooperation and Feasibility Studies II
Grant Agreement No. 263-0102
Project Implementation Letter No. 20 & 22

Auditor's Response to Management Comments

Our comments below address the Central Agency for Public Mobilization and Statistics responses provided regarding the questioned costs as identified in the findings on the Fund Accountability Statement. Based on the responses provided by CAPMAS, no changes were made to the original findings. CAPMAS either agreed to the finding or provided a discussion of which we did not agree adequately addressed the questioned cost.

CAPMAS' management entire response is presented in Appendix D.

PIL 20

(US Dollar Commitment)

Finding No. 1: Bank Charges

CAPMAS did not provide evidence that USAID agreed to the bank charges. Therefore, the finding remains unchanged.

Finding No. 2: Per Diem Refund

CAPMAS agrees with the finding.

(Egyptian Pound Commitment)

Finding No. 3: Overbilling

CAPMAS did not respond to this finding. Therefore, the finding remains unchanged.

Finding No. 4: Stamp and Commercial Taxes

It is understood that the laws and regulations in the Country of Egypt require that taxes be deducted from vendor invoices and then remitted to the governmental tax authority on behalf of the vendor. However, the Project Grant Standard Provisions, Annex II, Section B.4 states "This Agreement and the Grant will be free from any taxation or fees

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**Appendix E
(continued)**

imposed under the laws in effect in the territory of the Grantee." The deduction of the taxes from the invoice total and remittance to the tax authority, in effect, causes USAID/Egypt to pay taxes. The finding remains unchanged.

PIL 22

Finding No. 5: Stamp, Commercial and Sales Taxes

CAPMAS agrees with the finding concerning sales taxes. Therefore, the finding remains unchanged.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

March 9, 1995

RECEIVED

2 MAR 1995

MEMORANDUM

TO : Philippe Darcy, RIG/A/C

FROM : James Redder, OD/FM/FA *James Redder*

SUBJECT : Draft NFA report on the Central Agency for Public Mobilization and Statistics (CAPMAS), Local Expenditures Incurred Pursuant to Project Implementation letters (PILs) No. 20 & 22 under the Technical Cooperation and Feasibility Studies II Project NO. 263-0102.

Mission is working with the implementing agency to resolve and close the open recommendation under the subject report, and has no comments to offer at this time. Please issue the final report.

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