

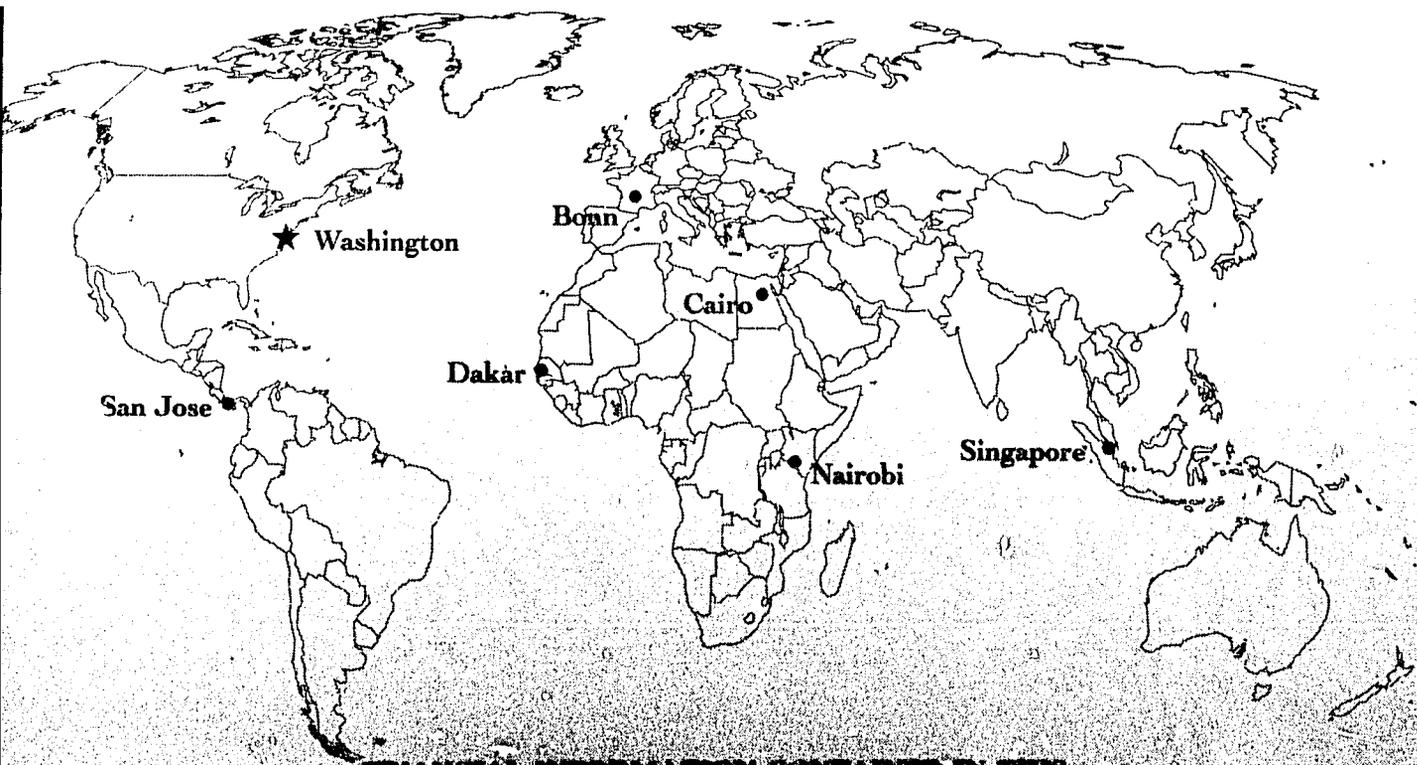
FD-ABK-999

Regional Inspector General for Audit
Cairo, Egypt

101 11121

**Audit of Ministry of Education, General Department
for In-Service Training, Local Expenditures Incurred
Pursuant to Project Implementation Letter No.3 under
the Development Training Grant No. 263-0125,
Decentralized English Language Project No. 263-0125.3**

Report No. 6-263-95-019-N
April 23, 1995



FINANCIAL INFORMATION CONTAINED IN THIS
REPORT MAY BE REPRODUCED, THE RESTRICTIONS
OF AUC 500 SHOULD BE OBSERVED BEFORE
ANY INFORMATION IS RELEASED TO THE PUBLIC.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

April 23, 1995

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

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

SUBJECT : Audit of The Ministry of Education, General Department For In-Service Training (GDIST), Local Expenditures Incurred Pursuant to Project Implementation Letter (PIL) No. 3 under the Development Training Grant No. 263-0125, Decentralized English Language Project No. 263-0125.3.

The attached report transmitted by Farid Mansour & Co. on January 31, 1995 presents the results of a financial audit of the Ministry of Education, General Department For In-Service Training (GDIST), Local Expenditures Incurred Pursuant to Project Implementation Letter (PIL) No. 3 under the Development Training Grant No. 263-0125, Decentralized English Language Project No. 263-0125.3. The project's primary objective is to assist in the financing of selected English Training Programs sponsored by GDIST under the In-Service Teacher Training (IST) component.

We engaged Farid Mansour & Co. to perform a financial audit of GDIST's incurred expenditures of \$998,521 (equivalent to LE3,335,062) as of August 31, 1994. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Farid Mansour & Co. also evaluated GDIST's internal controls and compliance with applicable laws, regulations and grant terms as necessary in forming an opinion regarding the Fund Accountability Statement.

Farid Mansour & Co. questioned \$3,424 in incurred costs billed to USAID by GDIST (including \$2,934 in unsupported costs). The questioned costs included revenues, training materials and cash shortage.

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

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

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

Recommendation No. 1: We recommend that USAID/Egypt resolve questioned costs of \$3,424 (including \$2,934 in unsupported costs) as detailed on page 9 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 GDIST.

With regard to the non-material internal control weaknesses, they can be handled directly between the Mission and the grantee.

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

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

**FOR THE PERIOD FROM NOVEMBER 1, 1990
THROUGH AUGUST 31, 1994**

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

**RELAYED TO PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO.263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO.263-0125.3**

**FOR THE PERIOD FROM NOVEMBER 1, 1990
THROUGH AUGUST 31, 1994**

TABLE OF CONTENTS

<u>INTRODUCTION</u>	<u>Page</u>
Background	1
Audit objectives and scope	3
Results of audit	4
Management comments	5
<u>FUND ACCOUNTABILITY STATEMENT</u>	
Report of independent accountants	6
Fund accountability statement and notes	9
<u>INTERNAL CONTROL STRUCTURE</u>	
Report of independent accountants	12
<u>COMPLIANCE WITH LAWS AND REGULATIONS</u>	
Report of independent accountants	17
<u>APPENDICES</u>	
Appendix A: Fund accountability statement detail of amounts as incurred in Egyptian Pounds	
Appendix B: Management comments on the financial related-audit	
Appendix C: Auditor response	
Appendix D: Mission response	

March 21, 1995

our reference
MH/nt/0022/DR

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development
Cairo Center Building
106, Qasr El Aini Street
Cairo, Egypt

Dear Mr. Darcy:

This report presents the results of our financial cost-incurred audit of resources managed by the Ministry of Education, General Department for In-Service Training (GDIST) on Project Implementation Letter (PIL) No.3 under the Development Training Grant No. 263-0125, Decentralized English Language Project No. 263-0125.3. The audit encompassed all project costs incurred in Egypt for the period from November 1, 1990 through August 31, 1994.

Background

In 1991-92, the most recent academic year for which statistics are available, over five million Egyptian students received instruction in English: 3,593,365 Preparatory School (grades 6 through 8) and 1,631,804 Secondary stage students are included in this statistic. The Ministry of Education currently plans to introduce English even earlier, at the Upper Primary level (grades 4 and 5).

As the numbers of students continue to grow, the available pool of trained English teachers remains small. Faculties of education are unable to produce the numbers of "specialist" teachers required. In order to meet the demand, "nonspecialist" teachers with no training in methods of language teaching and often with poor language skills, are expected to fill the gap.

On October 1, 1990, The United States Agency for International Development (USAID) and the Binational Fulbright Commission (BFC) entered into a Cooperative Agreement to provide funds for activities that support the training of teachers of English as a Foreign Language (EFL) in Egypt. The Fulbright Commission was to provide the administrative and technical umbrella for the coordination of these activities under the Integrated English Language Program (IELP). The four components of IELP are:

1. Pre-Service Teacher Training (ETTP),
2. In-Service Teacher Training (IST),
3. Training of teachers of English for Special Purposes (ESP), and
4. Support of the Center for the Development of English Language Teaching (CDELT).

Total funding committed by USAID to the Cooperative Agreement for the period was \$ 18.062 m.

Since 1990, the Ministry of Education's General Department for In-Service Training (GDIST) has collaborated with USAID and the BFC in Egypt under the Cooperative Agreement to offer professional development training to English teachers from Egyptian government schools. Provision of this training prior to 1990 was conducted on an incremental experimental basis. Since then, training implementation has progressed according to the schedule set forth in the Training Plan. During the first two years of the four-year period, emphasis was placed on setting up and implementing teacher training courses. Also, in 1991 the BFC contracted with the Academy for Educational Development (AED) to provide U.S.-based support. More recently, while the project has continued to train teachers in large numbers, attention has shifted to facilitating higher-level training for trainers and administrators.

The purpose of the PIL was to assist in the financing of selected English Training Programs sponsored by GDIST under the IST component. The PIL was implemented on January 22, 1991 and was amended nine times until November 2, 1993 to support GDIST's budget of LE 4,054,183 (not to exceed \$1,243,838 at applicable rates).

Audit Objectives and Scope

The objective of this assignment was to perform a financial cost-incurred audit of USAID/Egypt resources managed by GDIST on PIL No.3 under the Development Training Grant No.263-0125, Decentralized English Language Project No.263-0125.3. The audit encompassed all project costs incurred in Egypt for the period from November 1, 1990 through August 31, 1994. Specific objectives were to:

1. express an opinion on whether the fund accountability statement for PIL No.3 presents fairly, in all material respects, revenues and costs incurred and reimbursed for the project 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 whether the project costs reported as incurred by GDIST under PIL No.3 are in fact allowable, allocable, and reasonable in accordance with the terms of the PIL;
3. evaluate and obtain a sufficient understanding of the internal control structure of GDIST, assess control risk, and identify reportable conditions, including material internal control weaknesses; and
4. perform tests to ensure that GDIST is in compliance, in all material respects, with PIL terms and applicable laws and regulations.

Preliminary planning and review procedures began in August 1994 and consisted of discussions with RIG/A/C personnel, GDIST officials and review of the PIL terms. Fieldwork began in November 1994 and was completed in January 1995.

The scope of our work was all project costs incurred by GDIST in Egypt for PIL No.3 under the Development Training Grant No.263-0125, Decentralized English Language Training Project No.263-0125.3 for the period from November 1, 1990 through August 31, 1994. We selected incurred costs for testing on a judgmental basis to test a substantial percentage of such costs. We tested locally incurred project costs of LE 1,747,252 out of total project costs incurred of LE 3,335,062. This represents 52.4% of total project costs incurred.

Our tests of project revenues and costs included, but were not limited to, the following:

1. reviewing project costs billed to and reimbursed by USAID/Egypt, ensuring that they were allowable, allocable, reasonable, and properly supported,
2. reviewing GDIST's accounting records to determine whether project income and reimbursements and incurred costs were properly recorded,
3. reconciling GDIST's project accounting records to invoices issued to USAID/Egypt,
4. reviewing procedures used to control funds, and
5. determining that sound commercial practices were used, reasonable prices were obtained, and adequate controls on quality and quantity received for the procurement of goods and services were in place.

As part of our examination we made a study and evaluation of relevant internal controls and reviewed GDIST's compliance with applicable agreements, laws and regulations.

Results of Audit

Fund accountability statement

Our audit identified \$ 3,424 in questionable costs, including \$ 2,934 in unsupported costs.

Internal control structure

We recommend that GDIST adopt procedures to 1) ensure that billings to USAID/Egypt are adequately reviewed; 2) ensure that amounts received are reduced from billings to USAID/Egypt; and 3) establish a bank book and reconcile it regularly with bank statements. We do not believe that any of these conditions constitute a material weakness.

We also noted certain other immaterial deficiencies in the internal control structure that we have reported to the management of GDIST in a separate letter dated January 8, 1995.

Compliance with agreement terms and applicable laws and regulations

Our audit revealed no items of material noncompliance with applicable laws and regulations.

Management comments

Management comments have been obtained and are included in Appendix B of this report. Our response is included in Appendix C of this report.

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

Coopers & Lybrand

our reference

January 8, 1995

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development
Cairo Center Building
106, Qasr El Aini Street
Cairo, Egypt

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying fund accountability statement of the Ministry of Education, General Department for In-Service Training (GDIST) relating to project costs incurred on Project Implementation Letter (PIL) No.3 under the Development Training Grant No.263-0125, Decentralized English Language Project No.263-0125.3 and funded by the United States Agency for International Development Mission to Egypt ("USAID/Egypt") for the period from November 1, 1990 through August 31, 1994. The fund accountability statement is the responsibility of GDIST's management. Our responsibility is to express an opinion on this fund accountability statement.

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

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

As described in Note 4, the accompanying fund accountability statement has 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. Accordingly, the accompanying fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects (see immaterial questioned costs of \$ 3,424 in Note 6), project costs incurred by the Ministry of Education, General Department for In-Service Training (GDIST) relating to project costs incurred on Project Implementation Letter (PIL) No.3 under the Development Training Grant No.263-0125, Decentralized English Language Project No.263-0125.3 and funded by USAID for the period from November 1, 1990 through August 31, 1994 in conformity with the basis of accounting described in Note 4.

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

This report is intended for the information of GDIST's management and 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.

Coopers & Lybrand

MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING
FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
RELATED TO PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO.263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO.263-0125.3
FOR THE PERIOD FROM NOVEMBER 1, 1990
THROUGH AUGUST 31, 1994

	<u>BUDGET</u> <u>(NOTE 3)</u>	<u>ACTUAL</u> <u>(NOTE 2)</u>	<u>QUESTIONED COSTS</u> <u>INELIGIBLE</u> <u>(NOTE 4)</u>	<u>UNSUPPORTED</u> <u>(NOTE 4)</u>	<u>AUDIT FINDINGS</u> <u>REFERENCE</u>
REVENUES		\$ 1,148,222	\$ -	\$ 687	Finding A, Page 11
EXPENDITURES:					
Program Costs	\$ 1,062,134	883,712	-	-	
Equipment Costs	90,718	68,279	-	-	
Training Materials	36,873	26,353	490	-	
Headquarters Costs	<u>27,096</u>	<u>20,177</u>	-	-	Finding B, Page 11
	\$ <u>1,216,821</u>	<u>998,521</u>			
Sub-total		149,701			
Less:					
USAID/Egypt revenues not received at 08/31/94		(8,805)			
Add:					
Taxes withheld not paid over at 08/31/94		645			
Overbillings put in bank before 08/31/94		<u>423</u>			
Expected cash balance		141,964			
Cash shortage		<u>2,247</u>	-	<u>2,247</u>	
Cash balance at 08/31/94		\$ <u>139,717</u>	\$ <u>490</u>	\$ <u>2,934</u>	Finding C, Page 11

The accompanying notes are an integral part of this fund accountability statement

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING**

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT

The fund accountability statement of GDIST includes all costs incurred by GDIST and reimburse by USAID/Egypt on PIL No.3 under the Development Training Grant No.263-0125, Decentralize English Language Project No.263-0125.3 for the period from November 1, 1990 through August 31, 1994.

NOTE 2 - ACTUAL

The column labeled "Actual" is the responsibility of GDIST's management and represents cumulative project costs incurred by GDIST and billed to and reimbursed from USAID/Egypt under PIL No.3, for the period from November 1, 1990 through August 31, 1994.

NOTE 3 - BUDGET

The budget includes all USAID/Egypt approved costs for PIL No.3. The amounts are based on the most recent PIL amendment dated November 2, 1993.

NOTE 4 - BASIS OF PRESENTATION

The fund accountability statement has 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 5 - EXCHANGE RATE

Costs incurred in Egyptian Pounds have been converted to US Dollars at the average monthly exchange rate during the period of 3.34 Egyptian Pounds to 1 US Dollar.

NOTE 6 - QUESTIONED COSTS

Questioned costs are presented in two separate categories - ineligible and unsupported costs - and consist of audit findings proposed on the basis of the terms of PIL No.3 and USAID/Egypt regulations. Costs in the column labeled "Ineligible" are supported by vouchers or other documentation, but are ineligible for reimbursement because they are not project related, are unreasonable, or prohibited by the PIL or applicable laws and regulations. Costs in the column labeled "Unsupported" are also formally included in the classification of questioned costs and relate to costs that are not supported with adequate documentation. All questioned project costs identified as either ineligible or unsupported are detailed below:

NOTE 6 - QUESTIONED COSTS (CONT.):

	<u>Ineligible</u>	<u>Questioned Costs</u> <u>Unsupported</u>
Receipts		
1. Expenses were paid from petty cash and the full amount drawn from the bank was billed to USAID/Egypt. Amounts not spent were subsequently returned to the bank account, but were not reduced from billings. We consider such amounts to be unsupported.	\$ <u> </u>	\$ <u> 687</u>
Total Receipts	\$ <u> </u>	\$ <u> 687</u>
Training Materials		
1. Amounts for sales taxes were billed to USAID/Egypt. Standard Provision B.4 (a) states that "...the Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee."	\$ <u> 490</u>	\$ <u> </u>
Total Training Materials	\$ <u> 490</u>	\$ <u> </u>
Cash		
1. At August 31, 1994, the bank account was \$ 2,247, less than the balance to be expected from USAID/Egypt revenues and expenses billed to USAID/Egypt.	\$ <u> -</u>	\$ <u> 2,247</u>
Total Cash	\$ <u> -</u>	\$ <u> 2,247</u>
Total Questioned Costs	\$ <u> 490</u>	\$ <u> 2,934</u>
		\$ <u> 3,424</u>

our reference

January 8, 1995

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development
Cairo Center Building
106, Qasr El Aini Street
Cairo, Egypt

**REPORT OF INDEPENDENT ACCOUNTANTS ON
THE INTERNAL CONTROL STRUCTURE**

We have audited the fund accountability statement of the Ministry of Education, General Department for In-Service Training (GDIST) relating to project costs incurred on Project Implementation Letter (PIL) No.3 under the Development Training Grant No.263-0125, Decentralized English Language Project No.263-0125.3 and funded by the United States Agency for International Development Mission to Egypt (USAID/Egypt) for the period from November 1, 1990 through August 31, 1994, and have issued our report thereon dated January 8, 1995.

Except as discussed in the next paragraph we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality 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 Coopers & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand Cairo office to be subjected, every two years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

In planning and performing our audit of the fund accountability statement of GDIST for the period from November 1, 1990 through August 31, 1994, we considered its internal control structure related to PIL No.3 in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement and not to provide assurance on the internal control structure.

The management of GDIST is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and in accordance with the terms of the agreement, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: disbursements, receipts, safeguarding of assets, and procurement of goods and services.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, or summarize, and report financial data consistent with the assertions of management in the fund accountability statement. Our audit disclosed the following reportable conditions:

- 1. We found that there was an inadequate review of billings to USAID/Egypt within the GDIST accounting department.**

Statement of Auditing Standards No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, states that control procedures are an important element of an entity's internal control structure. Three important control procedures are proper authorization of transactions and activities, independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports. Inadequate review of billing could lead to overbilling or underbillings to USAID/Egypt, and billing of unsupported or ineligible costs.

Recommendation 1

We recommend that all billings to USAID/Egypt be reviewed in detail by a person independent of their preparation.

* * * * *

- 2. We found that when expenses were paid from petty cash, the full amount drawn from petty cash was billed to USAID/Egypt. Any amounts not spent were returned to the bank account, but were not reduced from billings to USAID/Egypt.**

Statement of Auditing Standards No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, states that the accounting system is an important element of an entity's internal control structure. An effective accounting system gives appropriate consideration to establishing methods and records that will measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.

Recommendation 2

We recommend that GDIST bill only amounts actually expended to USAID/Egypt, and systematically record any subsequent petty cash reimbursements.

* * * * *

3. GDIST did not keep a bank book or reconcile its cash to bank statements.

Statement of Auditing Standards No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, states that control procedures are an important element of an entity's internal control structure. An important control procedure is independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, and comparison of assets with recorded accountability. Without keeping proper bank records, and regularly reconciling them to bank statements it is not possible to identify errors by the bank or by the project in recording transactions, or to adequately monitor the project's cash balances and requirements. Such a lack of control constitutes a serious lack of safeguarding of project assets.

Recommendation 3

We recommend that GDIST keeps a bank book, and that the balance is reconciled monthly to the bank statements.

* * * * *

A material weakness a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as described above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of GDIST in a separate letter dated January 8, 1995.

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

Coopers & Lybrand

our reference

January 8, 1995

Mr. Philippe Darcy
Regional Inspector General for Audit/Cairo
United States Agency for
International Development
Cairo Center Building
106 Qasr El Aini Street
Cairo, Egypt

**REPORT OF INDEPENDENT ACCOUNTANTS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

We have audited the fund accountability statement of the Ministry of Education, General Department for In-Service Training (GDIST) relating to project costs incurred on Project Implementation Letter (PIL) No.3 under the Development Training Grant No.263-0125, Decentralized English Language Project No.263-0125.3 and funded by the United States Agency for International Development Mission to Egypt (USAID/Egypt) for the period from November 1, 1990 through August 31, 1994, and have issued our report thereon dated January 8, 1995.

Except as discussed in the next paragraph we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of Government Auditing Standards since no such quality 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 Coopers & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand Cairo office to be subjected, every two years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

Compliance with applicable laws, regulations, contracts, grants and binding policies and procedures applicable to GDIST is the responsibility of GDIST's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of GDIST's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

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

Coopers & Lybrand

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING
FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
RELATED TO PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO.263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO.263-0125.3
FOR THE PERIOD FROM NOVEMBER 1, 1990
THROUGH AUGUST 31, 1994**

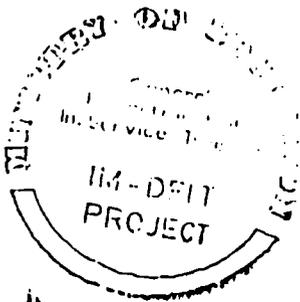
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>QUESTIONED COSTS</u>	
			<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>
RECEIPTS		LE 3,835,062	LE -	LE 2,293
EXPENDITURES:				
Program Costs	LE 3,547,527	2,951,598	-	-
Equipment Costs	303,000	228,053	-	-
Training Materials	123,156	88,020	1,635	-
Headquarters Costs	90,500	67,391	-	-
	LE <u>4,064,183</u>	<u>3,335,062</u>		
		500,000		
LESS:				
USAID/Egypt revenues not received at 08/31/94		(29,410)		
ADD:				
Taxes withheld not paid over at 08/31/94		2,155		
Overbillings put in bank before 08/31/94		<u>1,416</u>		
Expected cash balance		474,161		
Cash Shortage		<u>7,507</u>		
Cash balance at 08/31/94		LE <u>466,654</u>	LE <u>1,635</u>	LE <u>7,507</u>
				LE <u>9,800</u>

MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING

PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO. 263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO. 263-0125.3

FOR THE PERIOD FROM NOVEMBER 1, 1990 THROUGH AUGUST 31, 1994

MANAGEMENT COMMENTS ON THE FINANCIAL RELATED AUDIT



TRANSLATION

Ministry of Education
General Department for In-Service Training
3 Faculty of Education Street
Manshiet El Bakry, Cairo, EGYPT

Tel/Fax 257-4496

Management Comments on the Financial Related Audit

To: The Director, Farid Mansour and Co.
Nasr City, Cairo.

The General Department for In-Service Training (GDIST) would like to take this opportunity to express its gratitude for your efforts in preparing the Fund Accountability Statement concerning Project Implementation Letter No. 3 for the period from November 1, 1990, to August 31, 1994 under Development Training Grant No. 263-0125, Decentralized English Language Project No. 263.0125.3, in cooperation with USAID.

MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING

MANAGEMENT COMMENTS ON THE FINANCIAL RELATED AUDIT

We would like to respond to three questioned cost items found in Appendix A of the report.

First, under the section of the appendix titled "Receipts", the amount of LE 2,293 is listed as unsupported. This is the total amount returned to the bank from the line item for "ceremonies". Because it is impossible to know exactly how many trainees will attend the annual ceremonies, this amount represents excess funds that were returned to our bank account because the actual number of attendees was less than what was anticipated. Those individuals not attending were therefore not reimbursed for travel costs resulting in the excess, which was subsequently returned to the bank. The total amount of LE 2,293 was reconciled in the February 1995 voucher.

Secondly, under the section of the appendix titled "Expenditures: Training Materials" are costs related to the payment of taxes for purchases. Attached please find a receipt from CITTE dated 2/5/91 for LE 1,560, which is the amount paid for Egyptian government taxes. Although a tax law was passed in April 1991, it was not clear at that time whether or not project expenditures were exempt from these sales taxes. We received conflicting information at the time. On March 30, 1991, GDIST received a copy of the sales tax regulation (see attached) from the tax authorities. Therefore, we are now fully apprised of and in compliance with our tax requirements.

Thirdly, under the section of the appendix titled "Add. Cash Shortage" is the amount of LE 7,507 which is identified as a questioned cost that is unsupported. LE 5,760 of this amount was outstanding at the time of the audit, but supporting documents have since been submitted in the form of document No. 5341, dated Jan. 5, 1991. This amount represents payment for trainers at Kalr El Sheikh. The amount was reconciled in the December 1991 voucher.

Under the section of the appendix titled "Add: Taxes withheld not paid over at 03/31/91", the amount of LE 2,155 has been paid to the tax authorities.

Lastly it is not necessary for GDIST to mention your letter dated January 8, 1995.

Mrs, Zeinab El Tobgy
Director General

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING**

**PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO. 263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO. 263-0125.3**

FOR THE PERIOD FROM NOVEMBER 1, 1990 THROUGH AUGUST 31, 1994

AUDITOR RESPONSE

This appendix presents our response to the General Department for In-Service Training's comments on the draft audit report issued on February 20, 1995. In responding to their comments, we reviewed additional supporting documents and evaluated their comments. Please note that the numbering of this appendix follows the numbering of the findings as presented in Note 6 to the fund accountability statement.

Questioned Costs

A. Receipts

This amount is not questioned because individuals were reimbursed for travel costs who did not travel or were not authorized to travel. The amounts are questioned because they are amounts not spent but nevertheless billed to USAID/Egypt. Our position remains unchanged.

B. Training Materials

The amount of LE 1,560 is not questioned because it was not paid over to the tax authorities. The whole amount of LE 1,635 was questioned because Standard Provision B.4 (a) states that "...the Agreement and the Grant shall be free from any taxation or fees imposed under laws in effect in the territory of the Grantee." Our position remains unchanged.

C. Cash

If LE 5,760 was billed to USAID/Egypt in January 1995, this would suggest that some of the shortage is due to underbillings. However, the fact remains that at the audit period end there was a cash shortage, which must be regarded as an unsupported amount. Our position remains unchanged.

**MINISTRY OF EDUCATION
GENERAL DEPARTMENT FOR IN-SERVICE TRAINING**

**PROJECT IMPLEMENTATION LETTER NO.3
UNDER THE DEVELOPMENT TRAINING GRANT NO. 263-0125,
DECENTRALIZED ENGLISH LANGUAGE PROJECT NO. 263-0125.3**

FOR THE PERIOD FROM NOVEMBER 1, 1990 THROUGH AUGUST 31, 1994

MISSION RESPONSE

SAID

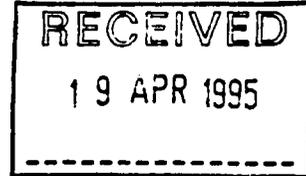


UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

April 19, 1995

30. EGYPT

MEMORANDUM



TO : Philippe Darcy, RIG/A/C

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

SUBJECT : Draft NFA Report on the Ministry of Education
General Department For In-Service Training
(GDIST), Local Expenditures Incurred Pursuant to
Project Implementation Letter (PIL) No. 3 under
the Development Training Grant No. 263-0152.3,
Decentralized English Language Project No. 263-
0125.3, dated March 21, 1995.

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.