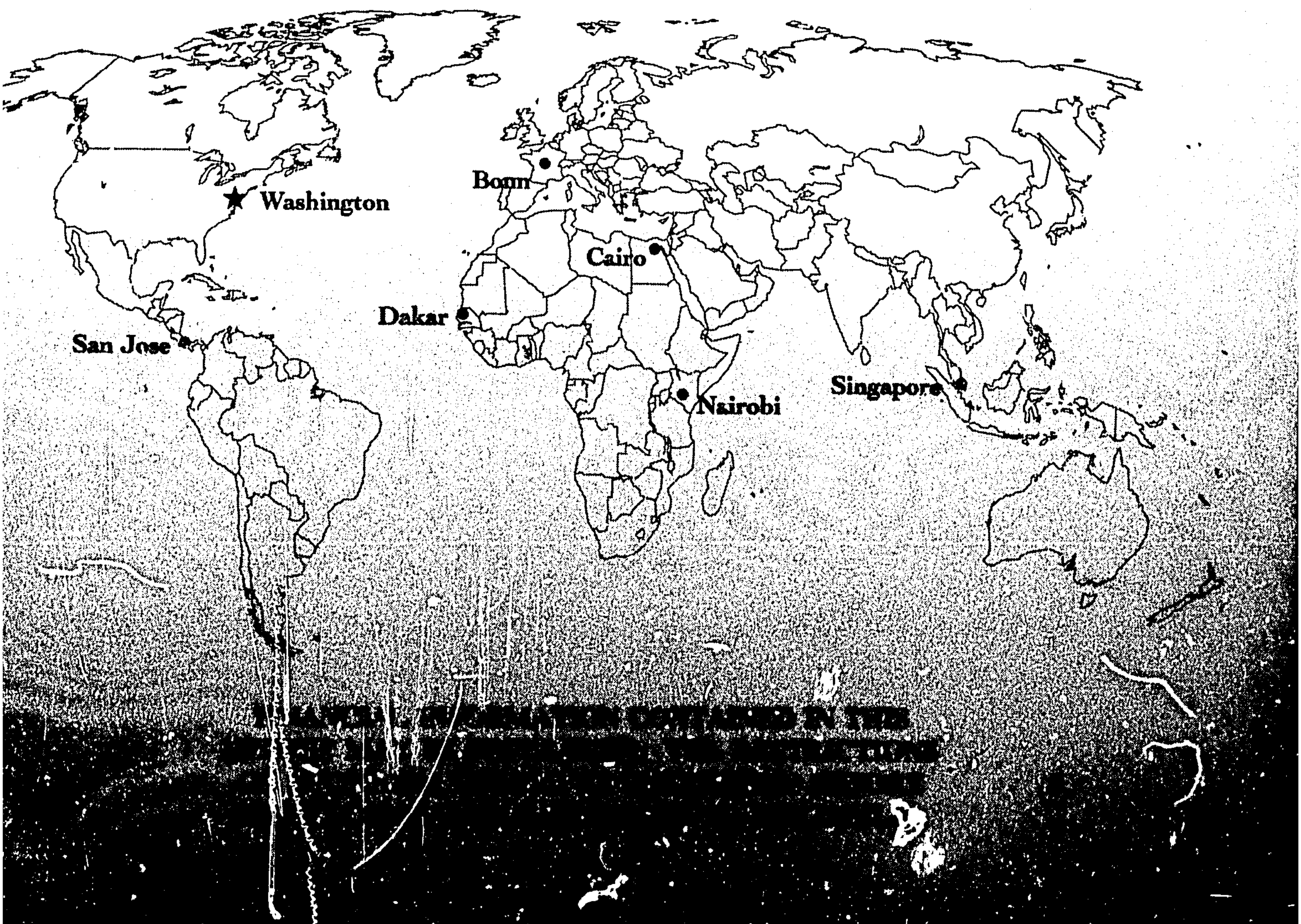
Regional Inspector General for Audit
Cairo, Egypt

Audit of the Agricultural Research Center (ARC) Project Implementation Letters Nos. TT-002, TT-003, and TT-004 related to the Technology Transfer Component of the National Agricultural Research Project (NARP) No. 263-0152

Report No. 6-263-95-020-N
April 26, 1995



INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

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

April 26, 1995

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

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

SUBJECT : Audit of the Agricultural Research Center (ARC) Project Implementation Letters Nos. TT-002, TT-003, and TT-004 related to the Technology Transfer Component of the National Agricultural Research Project (NARP) No. 263-0152

The attached report, transmitted to our office on December 20, 1994 by Price Waterhouse, presents the results of a financial audit of the Agricultural Research Center on Project Implementation Letters (PILs) Nos. TT-002, TT-003, and TT-004 related to the Technology Transfer Component of the National Agricultural Research Project (NARP) No. 263-0152. The project's primary objective is to improve the planning, coordination and administration facilities of the Extension Affairs Division, the capabilities of the decentralized public extension service and private extension service institution's networks as they relate to the technology transfer system and the research community's technology transfer capabilities.

We engaged Price Waterhouse to perform a financial audit of ARC incurred expenditures of $8,189,145 (equivalent to LE25,222,566) as of April 30, 1993 for PIL No. TT-002 and June 30, 1993 for PILs No. TT-003 and TT-004. The purpose of the audit was to evaluate the propriety of costs incurred during that period. Price Waterhouse 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.

Price Waterhouse questioned $538,902 (equivalent to LE1,659,820) in costs billed to USAID by ARC. The questioned costs included most of the budget line items for the three PILs. The auditors also noted one material weakness and two reportable conditions in ARC's internal controls as well as one material noncompliance issue.

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In response to the draft report, ARC provided documentation and/or gave more explanation to the questioned costs, but did not respond to the internal control structure weakness and the noncompliance issue noted in the report. Price Waterhouse 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.

> **<u>Recommendation No. 1:</u> We recommend that USAID/Egypt resolve questioned costs of $538,902 consisting of ineligible costs of $134,753 and unsupported costs of $404,149 as detailed on pages 10 through 16 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.

> **<u>Recommendation No.2:</u> We recommend that USAID/Egypt require ARC to address the material internal control weakness as detailed on pages 18 and 19 of the audit report.**

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

> **<u>Recommendation No. 3:</u> We recommend that USAID/Egypt require ARC to address the material noncompliance issues as detailed on page 23 of the audit report.**

This recommendation is considered unresolved and may be resolved when the Mission provides our office with copies of its request that ARC address its material noncompliance issues. This 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 Price Waterhouse and to our office.

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4

UNDER THE USAID/EGYPT
NATIONAL AGRICULTURE RESEARCH PROJECT
GRANT AGREEMENT NO. 263-0152

FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION

FOR THE PERIODS FROM AUGUST 27, 1989
THROUGH APRIL 30, 1993, (PIL NO. 2)
SEPTEMBER 10, 1989 THROUGH JUNE 30, 1993, (PIL NO. 3)
AND SEPTEMBER 6, 1989 THROUGH JUNE 30, 1993, (PIL NO. 4)

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4

UNDER THE USAID/EGYPT NATIONAL AGRICULTURE RESEARCH PROJECT GRANT AGREEMENT NO. 263-0152

FUND ACCOUNTABILITY STATEMENT AND ADDITIONAL INFORMATION

FOR THE PERIODS FROM AUGUST 27, 1989 THROUGH APRIL 30, 1993 (PIL NO. 2) SEPTEMBER 10, 1989 THROUGH JUNE 30, 1993 (PIL NO. 3) AND SEPTEMBER 6, 1989 THROUGH JUNE 30, 1993 (PIL NO. 4)

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NO. 2, 3, AND 4

UNDER THE USAID/EGYPT
NATIONAL AGRICULTURE RESEARCH PROJECT GRANT AGREEMENT NO. 263-0152

FUND ACCOUNTABILITY
STATEMENT AND ADDITIONAL INFORMATION

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Price Waterhouse

December 20, 1994

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

Dear Mr. Darcy:

This report presents the results of our financial audit of project costs incurred by the Technology Transfer Component ("TTC") of the National Agriculture Research Project ("NARP") of the Agriculture Research Center ("ARC"). The Audit Population includes costs incurred by TTC under Project Implementation Letters ("PILs") No. 2, 3 and 4 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Grant Agreement No. 263-0152 ("Grant Agreement") for the periods August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively.

Background

The USAID/Egypt grant to the Government of Egypt ("GOE") which provided funding for NARP was originated on September 12, 1985. The grant agreement's primary objective was to support ARC in enhancing the effectiveness and broadening the involvement of a wide range of public and private institutions in Egypt's agricultural development. Assistance in five priority areas was the means by which the grant agreement's primary objective would be met. The five priority areas include agricultural research, policy analysis, technology transfer, seed technology and project management. The grant agreement has been amended seven times through September 27, 1994 and has a project completion date of September 11, 1995 with financing of one hundred and ninety-eight million U.S. dollars.

TTC was implemented through PILs No. 2, 3, and 4. The common objective of the component is to strengthen the agriculture system by transferring technology from a research institution through the public and private sector networks to Egyptian farmers. The activities conducted by TTC were directed toward improving the planning, coordinating and administrative facilities of the Extension Affairs Division, the delivery capabilities of the decentralized public extension service, private extension service institutions' networks as they relate to the technology transfer system, and the research community's technology transfer capabilities. USAID/Egypt support consisted of financing in-country training, TTC office equipment, and various costs related to the operation and promotion of the project.

PILs No. 2, 3, and 4 have been amended 11, 7, and 12 times, respectively. Each PIL has been last amended between February and September, 1993. Approved project costs include 5,194,805 US dollars ($) or 16,000,000 Egyptian pounds ("LE") for PIL No. 2, $ 1,218,477 or LE 3,752,909 for PIL Number 3 and $ 5,450,649 or LE 16,788,000 for PIL No. 4. Amendments to PILs No. 2, 3, and 4 almost exclusively addressed increased budget and spending authorizations and project implementation time extensions.

Audit Objectives and Scope

The objective of this engagement was to perform a financial audit of project costs incurred by TTC related to PILs No. 2, 3, and 4 under the USAID/Egypt NARP Grant Agreement for the periods from August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statements for the USAID financed projects of TTC present fairly, in all material respects, projects revenues received and costs incurred for the periods 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 TTC, assess control risk, and identify reportable conditions, including material internal control weaknesses; and

4. Perform tests to determine whether TTC complied, in all material respects, with PIL terms and applicable laws and regulations.

Preliminary planning and review procedures began in May, 1994. These procedures consisted of discussions with the Office of the Regional Inspector General for Audit in Cairo and TTC project officials as well as a review of the grant agreement and PILs No. 2, 3, and 4. Audit fieldwork commenced in June, 1994 and was completed in September, 1994.

On a judgmental basis, we selected and tested project costs incurred of $ 3,547,767 or LE 10,927,122 from the total audit population of $ 8,189,145 or LE 25,222,566 that were incurred during the aforementioned periods.

Our tests of project costs incurred by TTC, included, but were not limited to, the following:

1. Reconciling project accounting records to billings issued by TTC to USAID/Egypt to ensure that project costs were supported with appropriate books and records.

2. Testing of project costs incurred and funded by USAID/Egypt for allowability, allocability, and appropriate support.

3. Determining that fixed asset purchases were appropriate and conformed with the terms of the grant agreement, the PILs, and applicable laws and regulations.

4. Determining that salary costs were adequately supported and approved.

5. Establishing the adequacy of TTC's control procedures to safeguard USAID/Egypt-funded project equipment.

Except as discussed in the next 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.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 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 the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

As part of our examination of TTC, we made a study and evaluation of relevant internal controls. We also reviewed the project's compliance with applicable laws and regulations.

Results of Audit

Fund accountability statement

Our audit procedures identified $ 538,902 or LE 1,659,820 in questionable project costs, including $ 404,149 or LE 1,244,777 of unsupported project costs. The fund accountability statement and the detail of the questionable project costs, both as incurred in Egyptian pounds, are included in supplemental schedules to this report.

Internal control structure

Our audit procedures identified three reportable conditions in the internal control structure of TTC. The first reportable condition, relating to unsegregated incompatible job duties, is a material weakness. The second reportable condition, that TTC does not adequately account for USAID/Egypt assets and the third reportable condition, that TTC does not adequately control and safeguard computer facilities and output, are not considered material weaknesses.

We also noted certain matters involving the internal control structure and its operation that we consider to be of a non-reportable nature under standards established by the American Institute of Certified Public Accountants. We have described those conditions in a separate letter. This letter is addressed to TTC management dated November 16, 1994.

Much of TTC's in-country training responsibilities under the USAID/Egypt NARP Grant Agreement are "sub-contracted" out to the Center for Management Development ("CMD"). These costs are included in our audit scope and have been tested for allocability, allowability, and appropriate support. During the course of our audit, we made several observations regarding CMD's control structure. These observations are discussed in our Report of Independent Accounts on Internal Control Structure.

Compliance with agreement terms and applicable laws and regulations

Our audit procedures identified one material instance of non-compliance related to TTC's failure to maintain books and records in accordance with grant agreement requirements. Our tests of compliance disclosed additional instances of non-compliance which we do not consider to materially affect the fund accountability statement. We have described those conditions in a separate letter to TTC management dated November 16, 1994.

Management Comments

TTC management comments have been obtained and are included in Appendix A to this report. In response to management's comments, we have either provided further clarification of our position in Appendix B to this report or have adjusted our findings.

Mission Response

The mission response is included in Appendix C to this report.

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

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Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS
ON FUND ACCOUNTABILITY STATEMENT

September 29, 1994

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

We have audited the fund accountability statement of the project costs incurred by the Technology Transfer Component ("TTC") of the National Agriculture Research Project ("NARP") of the Agriculture Research Center ("ARC") related to Project Implementation Letters ("PILs") No. 2, 3 and 4 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Grant Agreement No. 263-0152 for the periods August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively. The fund accountability statement is the responsibility of TTC's management. Our responsibility is to express an opinion on this statement based on our audit.

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. 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 33 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 the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

As described in Note 2, the fund accountability statement has been prepared on the basis of cash disbursements. Consequently, expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

As detailed in the fund accountability statement and more fully described in Note 5 thereto, the results of our tests disclosed $ 134,753 in ineligible and $ 404,149 in unsupported project costs. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program-related or are prohibited by either the PILs, the grant agreement or applicable laws and regulations. Unsupported project costs are those that are not supported with either adequate documentation or lacked proper authorization.

In our opinion, except for the effects of the questionable project costs discussed in the preceding paragraph, the fund accountability statement referred to in the first paragraph presents fairly, in all material respects, project costs incurred by TTC related to PILs No. 2, 3, and 4 under the USAID/Egypt NARP Grant Agreement funded by USAID/Egypt for the periods August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively, in conformity with the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the fund accountability statement described in the first paragraph of this report. The information included in the Supplement Schedules not attached to this report were prepared for purposes of additional analysis and not as a requirad part of the fund accountability statement. This information has been subjected to the auditing procedures applied in the audit of the fund accountability statement and, in our opinion, except for the effects of the questionable project costs detailed in this report, such information is fairly stated, in all material respects, in relation to the fund accountability statement taken as a whole.

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

Price Waterhouse

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4
UNDER THE USAID/EGYPT NATIONAL AGRICULTURE RESEARCH PROJECT GRANT AGREEMENT NO. 263-0152

FUND ACCOUNTABILITY STATEMENT
CASH DISBURSEMENT BASIS

FOR THE PERIODS FROM AUGUST 27, 1989 THROUGH APRIL 30, 1993 (PIL NO. 2)
SEPTEMBER 10, 1989 THROUGH JUNE 30, 1993 (PIL NO. 3)
AND SEPTEMBER 6, 1989 THROUGH JUNE 30, 1993 (PIL NO. 4)

	Budget (Note 1)	Actual (Note 1)	Project Cost Reclassifications (Note 4)	Revised Actual (Note 1)	Questionable Project Costs Ineligible (Note 5)	Questionable Project Costs Unsupported (Note 5)	Finding Ref. (Note 5)
PIL Number 2							
In-country training	$ 5,211,726	$ 4,876,918	$ -	$ 4,876,918	$ 42,412	$ 376,999	Page 11, A
PIL Number 3							
Equipment and office supplies	999,055	669,150		669,150	9,304	15,818	Page 12, B
PIL Number 4							
Administrative support staff	273,084	248,065	-	248,065	24,918	-	Page 12, C
Demonstration	331,576	156,967	-	156,967	-	-	
Travel	916,415	748,535	(15,471)	733,064	-	3,744	Page 12, D
Printing	400,827	238,205	(7,457)	230,748	2,532	-	Page 13, E
Media	227,252	78,412	63,167	141,579	4,578	-	Page 13, F
Renovations	671,591	634,523	(590)	633,933	43,989	7,588	Page 15, G

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4
UNDER THE USAID/EGYPT NATIONAL AGRICULTURE RESEARCH PROJECT GRANT AGREEMENT NO. 263-0152

FUND ACCOUNTABILITY STATEMENT
CASH DISBURSEMENT BASIS

FOR THE PERIODS FROM AUGUST 27, 1989 THROUGH APRIL 30, 1993 (PIL NO. 2)
SEPTEMBER 10, 1989 THROUGH JUNE 30, 1993 (PIL NO. 3)
AND SEPTEMBER 6, 1989 THROUGH JUNE 30, 1993 (PIL NO. 4)

	Budget (Note 1)	Actual (Note 1)	Project Cost Reclassifications (Note 4)	Revised Actual (Note 1)	Questionable Project Costs: Ineligible (Note 5)	Questionable Project Costs: Unsupported (Note 5)	Finding Ref. (Note 5)
PIL Number 4 (continued)							
Maintenance	$ 64,752	$ 38,897	$ -	$ 38,897	5,812	-	Page 15, H
Communication	40,809	15,612	34,943	51,555	463	-	Page 16, I
TT grants	218,818	73,677	-	73,677	-	-	
Other services	553,444	409,184	(74,592)	334,592	745	-	Page 16, J
Subtotal	3,698,568	2,643,077	-	2,643,077	83,037	11,332	
TOTAL	$ 9,909,349	$ 8,189,145	$ -	$ 8,189,145	$ 134,753	$ 404,149	

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

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4

UNDER THE USAID/EGYPT
NATIONAL AGRICULTURE RESEARCH PROJECT
GRANT AGREEMENT NO. 263-0152

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT:

The fund accountability statement of TTC includes project costs incurred by TTC related to PILs No. 2, 3, and 4 under the USAID/Egypt NARP Grant Agreement funded by USAID/Egypt for the periods from August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively.

The "Budget" includes USAID/Egypt-approved project costs related to PILs No. 2, 3, and 4 under the USAID/Egypt NARP Grant Agreement. Budget amounts are based on the most recent budget amendments within the audited period for each PIL, and are presented for informational purposes only. The USAID/Egypt approved budgets for PILs No. 2, 3, and 4 approve project costs of 5,194,805 US dollars ("$") or 16,000,000 Egyptian pounds ("LE") for PIL No. 2, $ 1,218,477 or LE 3,752,909 for PIL No. 3 and $ 5,450,649 or LE 16,788,000 for PIL No. 4. The LE amount has been converted to U.S. dollars at the average exchange rate of LE 3.08 to one U.S. dollar as explained in Note 3 below.

The "Actual" represents cumulative project costs incurred by TTC and reimbursed by USAID/Egypt related to the PILs No. 2, 3, and 4 for the periods from August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively.

The "Revised Actual" represents actual project costs adjusted for project cost reclassifications as explained in Note 4 below.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statement of the TTC project has been prepared on the basis of cash disbursements. Consequently, incurred project costs are recognized when paid rather than when the obligation is incurred.

NOTE 3 - FOREIGN EXCHANGE:

Project costs incurred in LE have been converted to U.S. dollars for each of the three PILs at the exchange rate of 3.08 LE to one U.S. dollar. The exchange rate has been calculated by averaging the mean monthly exchange rates for each of the periods from August 27, 1989 through April 30, 1993 (PIL No. 2), September 10, 1989 through June 30, 1993 (PIL No. 3) and September 6, 1989 through June 30, 1993 (PIL No. 4).

NOTE 4 - PROJECT COST RECLASSIFICATIONS:

Certain billed project costs associated with various budget line items were recorded in the project's accounting records in the incorrect budget line item account. These project costs have been reclassified to the proper budget line item to facilitate a more appropriate comparison between actual and budgeted project costs. Project costs that have charged to an incorrect PIL were considered questionable costs.

NOTE 5 - QUESTIONABLE PROJECT COSTS:

Questionable project costs are presented in two separate categories -- ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those not program-related or prohibited by either the PIL, grant agreement or applicable laws and regulations. Unsupported project costs are those not supported with either adequate documentation or the required authorization. Section B.5. of the grant agreement states that the recipient should maintain, or cause to be maintained, books and records relating to the project and to the grant agreement adequate to document, without limitation, the receipt and use of goods and services acquired under the grant. Questionable project costs identified as either ineligible or unsupported are detailed below:

	Questionable Project Costs	
	Ineligible	Unsupported
Item Description		
PIL Number 2		
A. In-country Training		
1. TTC billed USAID/Egypt for the training rate which includes a fee for the accommodation of 344 trainees. However, trainees were trained for one day only and, therefore, not eligible for accommodation.	$ 2,792	$ -
2. TTC billed USAID/Egypt for the training rate which includes a fee for accommodation for trainees. Amounts were neither supported with registration slips nor signed receipts.	-	20,396
3. Training fees were paid to trainers and billed to USAID/Egypt. Payments to trainers are not eligible for separate USAID/Egypt reimbursement. Trainer fees are included in the CMD overhead within the rates charged for each trainee.	14,744	-
4. Training fees were billed to USAID/Egypt but were not supported with any documentation.	-	914

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
A. In-country training (Cont.)		
5. Based on TTC management's comments received subsequent to the issuance of the draft report, this finding has been removed.	-	-
6. Training fees were billed to USAID/Egypt but were not supported with invoices, only settlement documents.	-	$ 16,250
7. Cotton and wheat incentives were paid to the personnel of the Improvement Of Land Project of the Ministry of Agriculture. This project is not related to TTC.	$ 19,993	-
8. Training costs billed to USAID/Egypt were unsupported by any documentation. The only documentation provided was a settlement memo from the entity which completed the training activities. (Management subsequently provided support for $ 506 which was removed from the original $ 339,945 questioned amount.)	-	339,439
9. Research Component training programs relating to Maize Plan Statistical Program and Integrated Pesticide Management were billed to USAID/Egypt by TTC. These costs are considered to be unallocable as they do not relate to PIL No. 2.	4,883	-
Total In-country Training	$ 42,412	$ 376,999
PIL Number 3		
B. Equipment and Office Supplies		
1. Items of equipment not included in financial plans approved by USAID/Egypt were purchased.	-	15,818
2. Sales tax, restricted by the project grant agreement, was billed to USAID/Egypt. Project Grant Agreement Standard Provision, Section B.4, states that "...this Agreement will be free from any taxation imposed under laws in effect in the territory of the Grantee."	260	-
3. A Panasonic facsimile machine billed to USAID/Egypt was located and is being used at the Ministry of Agriculture.	3,085	-

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
B. Equipment and Office Supplies (Cont.)		
4. Certain equipment and office supplies were billed to USAID/Egypt under PIL No. 3; however, they should have been billed under PIL No. 4. Accordingly, we consider these items to be unallocable to PIL No. 3.	5,959	-
Total Equipment and Office Supplies	$ 9,304	$ 15,818
PIL Number 4		
C. Administrative Support Staff		
1. Bonuses were paid to and medical insurance purchased for TTC Staff without prior USAID/Egypt approval. Project Grant Agreement Amendment # 2 states that "... the project will not finance Government of Egypt salaries or salary incentives." We consider bonuses and medical insurance to be in the nature of salary incentives. Bonuses were $ 6,603 and medical insurance was $ 7,560. (Management subsequently provided support for $ 1,402 which was removed from the original $ 15,565 questioned amount.)	14,163	-
2. TTC billed employer's share of social security contributions. Per Project Grant Agreement amendment No. 4, the employer's share of social security contributions is not allowable.	10,755	-
Total Administrative Support Staff	$ 24,918	$ -
D. Travel		
1. Travel expenses were billed to USAID/Egypt that were unsupported with travel vouchers detailing the number of days, rates used, destinations, and actual expenses paid. No third party documentation was available.	-	3,744
2. Based on TTC management's comments received subsequent to the issuance of the draft report, this finding has been removed.	-	-
Total Travel	$ -	$ 3,744

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
E. Printing		
1. TTC paid the Development Support Communications Center-Mariut (DSCC-M), a GOE entity, to produce the radio program "Ahly el Rief". Two amounts of $ 1,899 were paid to DSCC-M, but they each included amounts of $ 1,266 for time spent advertising the services of DSCC-M. Project Grant Agreement Annex 1 states that "... purpose of this project is to develop the capability of the agriculture research community to provide a continuous flow of improved, appropriate agriculture technology." These amounts paid to advertise the GOE owned DSCC-M do not further project objectives, and we consider them to be unallowable.	$ 2,532	$ -
Total Printing	$ 2,532	$ -
F. Media		
1. TTC paid DSCC-M to produce the radio program called "Ahly el Rief". Within these amounts were costs for time spent advertising the services of DSCC-M. Project Grant Agreement Annex 1 states that "... purpose of this project is to develop the capability of the agriculture research community to provide a continuous flow of improved, appropriate agriculture technology." Advertising for the GOE-owned DSCC-M does not further the project's objectives. The portion related to advertising is questionable.	4,578	
2. Based on TTC management's comments received subsequent to the issuance of the draft report, this finding has been removed.	-	-
Total Media	$ 4,578	$ -
G. Renovations		
1. Based on TTC management's comments and support received subsequent to the issuance of the draft report, an amount of $ 9,308 was adequately supported and accordingly has been removed from our final report. However, the support provided for this finding included an amount of $ 7,580		

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
G. Renovations (Cont.)		
spent on manufacturing 4,900 leather bags. Neither support of procurement procedures nor USAID approval was submitted by management. Accordingly, this amount remains in our final report as unsupported.	$ -	$ 7,588
2. We noted five instances where contract completion was delayed beyond the completion date stipulated in the contract and no delay penalties were deducted from the contractor. In some cases, no documentation was presented to explain the delay. In others there was documentation stating that the delay was the fault of the contractor, and the penalties ought to be deducted. In these instances, the contracted amount had been extended from that stated in the original contract. Where this was the case we, as auditors, extended the period of the contract accordingly, and calculated delay penalties from the revised completion date in accordance with the rates set out in Law No. 9. These penalties should have been deducted from the contractors. TTC's failure to do so results in these amounts being paid to them and billed to USAID/Egypt.	14,817	
3. We noted some instances where total payments to contractors were more than 25% over the contracted amount. No reasons were documented explaining the excess. Article No. 76 (Bis) of Law No. 9 states that "... Administrative bodies subject to the provisions of the present executive regulation, shall have the right to amend quantities or size or scope in its contract by an increase or decrease within the limits of 25 percent regarding works contract, and under the same terms and prices. The concerned authority may, with the consent of the contractor extend the limit of percentages stipulated in the previous paragraph in case of emergencies, and such a step shall not effect the priority of the contractor as regards to the order of the bid." In the absence of documentation of these large increases in contracted amounts, we consider the additional amounts to be ineligible.	26,812	

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
G. Renovations (Cont.)		
4. Supervision fees were paid to two Executive Office employees for the renovation of the old TTC building. USAID/Egypt Mission Order 3-10 states that "... Payments in the nature of salary, overtime compensation, honorary or incentive awards may not be made to employees or officials of operating Egyptian entities. Exceptions to this rule may be made only upon showing necessity in activities of high priority to the US Government." In the absence of prior USAID/Egypt approval for these supervision fees, we consider them unallowable.	$ 860	-
5. Based on TTC management's comments received subsequent to the issuance of the draft report, this finding has been removed.	-	-
6. We found that income collected from contractors on the sale of bid booklets was not returned to USAID/Egypt or credited from billings. As all renovation work was funded by USAID/Egypt, we believe that this income should accure back to USAID/Egypt. For work done in the Governorates, NARP was charged a 2% "administration fee" which we believe is an appropriate charge to cover the Governorate's costs. The income from the sale of booklets should be considered as additional income, and returned to USAID/Egypt.	1,500	-
Total Renovations	$ 43,989	$ 7,588
H. Maintenance		
1. Amounts for car license renewals were billed to USAID/Egypt. Project Grant Agreement Standard Provision B.4 states that "... this Agreement will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee." Accordingly, we consider these amounts to be unallowable.	1,727	-
2. On reconciliation #R3/20 we found that fuel pumps and overhauls had been charged to USAID/Egypt. Per PIL No. 4, amendment No. 3, "... maintenance will only cover minor repairs of machines which are in use or minor tune ups for vehicles." We consider this amount unallowable.	4,085	-
Total Maintenance	$ 5,812	$ -

NOTE 5 - QUESTIONABLE PROJECT COSTS (CONT.):

Item Description	Questionable Project Costs Ineligible	Unsupported
I. Communication		
1. An amount for sales tax was billed to USAID/Egypt. Project Grant Agreement Standard Provision B.4 states that "... this Agreement will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee." Accordingly, we consider this amount to be ineligible.	$ 37	$
2. An amount spent on equipment and supplies was charged under PIL No. 4. Such items are not considered communication facilities per PIL No. 4. This amount should have been charged to PIL No. 3. Accordingly, we consider this amount to be unallocable to PIL No. 4.	426	-
Total Communication	$ 463	$ -
J. Other Services		
1. Amounts for sales taxes were billed to USAID/Egypt. Project Grant Agreement Standard Provision B.4 states that "... this Agreement will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee." Accordingly, we consider these amounts to be ineligible.	$ 745	$ -
2. Based on TTC management's comments received subsequent to the issuance of the draft report, this finding has been removed.	-	-
Total Other Services	$ 745	$ -
TOTAL QUESTIONABLE COSTS	$ 134,753	$ 404,149

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Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS
ON INTERNAL CONTROL STRUCTURE

September 29, 1994

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

We have audited the fund accountability statement of project costs incurred by the Technology Transfer Component ("TTC") of the National Agriculture Research Project ("NARP") of the Agriculture Research Center ("ARC") related to Project Implementation Letters ("PILs") No. 2, 3 and 4 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Grant Agreement No. 263-0152 ("Grant Agreement") for the periods August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively, and have issued our report thereon dated September 29, 1994.

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 33 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 the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

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

The management of TTC 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 terms of the agreements, and recorded properly to permit the preparation of reliable financial reports and to maintain accountability over the entity's assets. 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 determined the significant internal control structure policies and procedures to be in the categories of cash receipts and disbursements, fund custody, project accounting and safeguarding of assets. For these internal control structure categories cited, 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 reportable condition in which the design or operation of one or more 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 financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our audit disclosed the following condition which we believe constitutes a material weakness.

MATERIAL WEAKNESS

1. TTC does not properly segregate incompatible job duties.

We noted three TTC employees who were responsible for the following incompatible job functions:

- The first employee was responsible for initiating, approving, and recording of journal entries,
- The second employee was responsible for maintaining bank account records and bank statements, serving as a signatory on project bank accounts, preparing bank reconciliations, and
- The third employee was responsible for maintaining custody of accounting records and blank checks.

Statement on Auditing Standards Number 55, **Consideration of the Internal Control Structure in a Financial Statement Audit**, ("SAS No. 55") states that a significant element of an effective internal control structure is the policies and procedures that management must establish to provide a reasonable assurance that specific entity objectives will be achieved. Segregating incompatible job duties is a necessary control procedure to reduce the opportunities to allow any one person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties. Specifically, the functions of transaction authorization, recording, and asset custody should be segregated. Integrating incompatible job functions could lead to errors or irregularities occurring and not being detected by employees in the normal course of performing their assigned duties.

Recommendation No. 1

TTC management should segregate incompatible job duties, especially those which involve asset custody, authorization, check signing, bank reconciliation, and recording responsibilities. Further, we recommend that TTC management develop and adhere to a suitable organizational structure and job descriptions so that job functions are clearly defined and responsibilities are genuinely segregated. Management should not be able to override established controls except in extreme circumstances.

* * * * *

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

REPORTABLE CONDITIONS

2. TTC does not adequately account for USAID/Egypt-financed assets.

We noted that the TTC's management does not ensure that proper physical inventories are taken of the project's USAID/Egypt-financed assets. We also noted that many of the assets we physically inspected were not supported with receiving slips and other warehouse forms that, if maintained, would facilitate proper accounting for and safeguarding of the project assets.

SAS No. 55 states that one of the requisite elements of a proper internal control system is the adequate safeguard over access to and use of the entities' assets. A proper internal control system includes the use of records to help ensure the proper recording of transactions and events coupled with independent checks on proper valuation of recorded amounts, such as reconciliations and comparison of assets with recorded accountability.

Without proper physical inventories being taken, management cannot effectively monitor the use of and control USAID/Egypt-financed assets. Further, the probability that assets have been or will be misused or misappropriated is increased since TTC management has no comprehensive record with which to verify the location and use of its assets. In addition, without the obsolescence and condition of equipment being evaluated on a regular basis, unused or damaged equipment is likely to remain on the project's accounting records. In absence of this evaluation, project management and USAID/Egypt are uninformed and may believe that useable equipment is greater than actual.

Recommendation No. 2

We recommend that TTC management redesign its control system over project assets to include a management-delegated, documented system of authority and responsibility for the project assets. Assets identified in the project's fixed asset records as financed by USAID/Egypt should be physically located, accounted for, tagged, and evaluated. Project management should then evaluate and resolve discrepancies found between the assets' recorded and the productive assets in use and physically accounted for in the project.

* * * * *

3. TTC management does not adequately control and safeguard computer facilities and output.

We noted that TTC management does not ensure restricted access to the project's computers where the financial data is processed. In addition, TTC management has not established policies and procedures for computer data back-up and contingencies.

SAS No. 55 states that one of the requisite elements of a proper internal control system is the adequate safeguard over access to and use of an entity's assets. The project's computer facilities and data are vital project assets. Access and environmental controls over computer facilities provide for confidentiality, integrity, and managed availability of computer facilities and systems. Such controls reduce the risk of adverse business conditions due to abuse of responsibilities while still providing computerized information and resources for the people who need them. Adequate back-up and contingency planning reduce the risk that the project's activities and financial reporting would be severely interrupted if original files are damaged.

Recommendation No. 3

We recommend that TTC computer files be restricted to only those persons with authorization. This may be accomplished by requiring password identifiers to be entered before access to files is allowed.

Once authorized data has been processed, such data should be protected by the creation of data back-up files. Contingency planning may further ensure the organization's ability to respond to both information systems processing and business resumption should the original files be damaged or other emergency situation occur.

Contingency plans should be designed to include procedures for responding to data failure. Off-site storage should be secure and environmentally adequate to store such data files. Employees should be trained to respond to computer failures and data safeguarding and controls.

* * * * *

We also noted certain matters involving TTC's control structure and its operation that we consider to be of a non-reportable nature under standards established by the American Institute of Certified Public Accountants. We have described those conditions in a separate letter addressed to TTC management dated November 16, 1994.

In addition, during the course of our audit we noted that TTC sub-contracts with the Center for Management Development ("CMD") to perform much of TTC's in-country training under the Grant Agreement. These costs were included in our audit scope and have been tested for allocability, accountability and appropriate support.

We are not obligated to report noted internal control structure weaknesses of CMD in our Report of Independent Accountants on Internal Control Structure. However, in performing our audit of TTC, we noted the following internal control structure weaknesses in CMD's accounting and filing system that we believe you should be aware of:

- Books and records are not maintained separately for expenditures funded by various funding sources.

- Vouchers and supporting documents are filed by date regardless of the funding sources or type of expenditure. CMD does not use file reference numbers with which to compare the documents to related accounting records.

- There are no references to link files maintained in the CMD Technical Research Department and the Financial Department. Financial transactions should be supported by all related applicable documents within the Financial Department's files.

Without proper books and records being maintained, accounting for and reporting on costs related to various donors is inefficient. We recommend that CMD ensure that proper books and records are maintained separately for activities related to each donor. A proper reference and filing system should be implemented to make document retrieval more efficient.

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

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH LAWS AND REGULATIONS

September 29, 1994

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

We have audited the fund accountability statement of project costs incurred by the Technology Transfer Component ("TTC") of the National Agriculture Research Project ("NARP") of the Agriculture Research Center ("ARC") related to Project Implementation Letters ("PILs") No. 2, 3 and 4 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Grant Agreement No. 263-0152 ("Grant Agreement") for the pericds August 27, 1989 through April 30, 1993, September 10, 1989 through June 30, 1993 and September 6, 1989 through June 30, 1993, respectively, and have issued our report thereon dated September 29, 1994.

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 33 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 the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

Compliance with laws, regulations, contracts and grants applicable to TTC is the responsibility of TTC management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of TTC's compliance with certain provisions of laws, regulations, contracts and grants. 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.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instance of noncompliance, the effect of which is included as questionable project costs in the Report of Independent Accountants on fund accountability statement of TTC for the PILs and grant agreements described in the first paragraph.

1. **TTC did not properly maintain adequate books and records to support project costs as required by Section B. 5 of the Standard Provisions attached to the Grant Agreement.**

The details of the questionable project costs related to $ 404,149 of unsupported project costs are identified in the fund accountability statement and reported upon in our Report of Independent Accountants on that statement. These unsupported project costs relate primarily to three types of costs billed to USAID/Egypt. The first type relates to costs for which TTC management did not provide any supporting documentation. The second relates to costs where TTC management provided supporting documentation, but did not provide the required USAID/Egypt approval. The third relates to costs for which TTC accounting records did not document that the associated billed project cost was recorded and paid.

We noted, among other unsupported project costs, that TTC did not ensure that CMD maintained adequate records and supporting documentation for training courses conducted on CMD's behalf by other entities. These course costs were billed to USAID/Egypt through TTC under the CMD name. However, CMD neither maintains control over such training courses conducted on its behalf nor keeps adequate supporting documents.

Recommendation No. 1

We recommend that TTC management comply with the terms of their agreement with USAID/Egypt by keeping proper books and records to support project costs. For project responsibilities that are assumed by other entities, TTC management should ensure that books and records are maintained prior to reimbursing these other entities for such project expenditures.

* * * * *

We considered this material instance of noncompliance in forming our opinion on whether the fund accountability statement referred to above is presented fairly, in all material respects, in conformity with the basis of accounting described in Note 2 to the fund accountability statement. This report does not affect our report on the fund accountability statement, dated September 29, 1994.

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

Our tests of compliance disclosed instances of non-compliance which we do not consider to materially affect the fund accountability statement. We have described those conditions along with non-reportable internal control structure weaknesses in a separate letter. This letter is addressed to TTC management dated November 16, 1994.

This report is intended for the information of TTC 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.

Price Waterhouse

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

Arab Republic of Egypt
ry of Agriculture and Land Reclamation
nal Agricultural Research Project
Research Component Office

جمهورية مصر العربية
وزارة الزراعة واستصلاح الأراضي
المشروع القومي للأبحاث الزراعية
مكتب مكون البحوث

Date: March 09, 1995

Report About Financial
Audit Conducted on the NARP Pils # 002, 003 & 004

In Connection with the audit conducted on the National Agricultural Research Project (NARP) No. 263-0152 for the Technology Transfer Component Pils # 002, 003 & 004 . This Report is, expressed in Egyptian pounds, for the purpose of expressing an opinion to resolve the intersection of opinions between NARP & the Audit firm.

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

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مركز البحوث الزراعية - ٩ شارع الجامعة - الجيزة
تليفون ٥٧٣٩٠٩٧ (٢٠٢) فاكس ٥٧٢٠٥٠٧ (٢٠٢)

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

** *Pil # 002*

** Finding # (A) In-Country Training

A-1) TTC billed USAID / Egypt for the training rate which includes a fee for the accommodation of 344 trainees. The difference between the accommodation rate and the non-accommodation rate of L.E. 25 for each participant is questionable.

Justification

344 participants attended the 2 training courses, each for one day. Since the attendants are residents of different governorates, it requires to accommodate them for the night and depart on the following day. This is in accordance with the agreements made for hosting the trainees for one day with a total cost of L.E. 60 per day.

A-2) TTC billed USAID / Egypt for the training rate which includes a fee for the accommodation for trainees. Amounts were neither supported with registration slips to prove that the trainees were accommodated nor signed receipts to prove that the trainees received the training compensation payment. The amounts questioned all relate to the extension methodology programs during March, 90.

**NATIONAL AGRICULTURAL RESEARCH PROJECT
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Justification

These training courses, contained in invoice # 6, were arranged by the CMD at the-Kanater, Belbais, Malawi and Sids. The CMD is a public sector unit monitored by other supervisory governmental units. Attach a letter indicating that all the supporting documents for these training courses are maintained at the CMD.

A-3) Training fees were paid to trainers and billed to USAID/Egypt. Due to the large number of details supporting this finding, practicality dictated their preclusion from this report and are available upon request.

Justification

All fees were paid to trainees and not trainers. Supporting documents are maintained at the CMD, while the documentd for training courses arranged at Malawi and Sids are maintained at the General Department for Training

A-4) Training fees were billed to USAID/Egypt but were not supported with any documentation. The amount relate to CMD's advance reconciliation dated March 31, 1992 Ch# 1121735

Justification

Check # 1121735 valued at L.E. 8,159.94, is issued from the Rural Development Project. Supporitng documents are maintained at the Rural Development Project as indicated in the attached letter. Attached, also, is the break-down for the amount of the check.

NATIONAL AGRICULTURAL RESEARCH PROJECT
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A-5) Training fees were billed to USAID /Egypt but were not supported with invoices (Ch# 7800)

Justification

Attached a copy of supporting documents and the original documents are available at NARP furnished upon request.

A-6) Check No.'s 1039565, 1039591, 1121728 and 1180882 were issued to cover training fees; however, individual amounts were not recorded or supported with invoices.

Justification

The issue was discussed with the auditing firm who informed NARP that the finding was done and it's status is closed.

A-7) Cotton and Wheat incentives were paid to the personnel of the improvement of Land Project of the Ministry of Agriculture. The amount related to ch# 30286 dated 6/30/92. This project is not related to TTC.

Justification

The nature of the expense is eligible. Attached is the justification of the technical staff for the expense which is related to the TTC.

A-8) Training costs billed to USAID/Egypt were unsupported by documentation. Due to the large number of details supporting this finding, practicality dictated their preclusion from this report. Details are available upon request.

NATIONAL AGRICULTURAL RESEARCH PROJECT
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Justification

The amount of the finding is the sum of several training courses arranged by the CMD for the TTC. The audit firm was informed that the supporting documents of these courses were maintained at the location where the courses where held. The audit firm should have re-scheduled it's scope of work to cover all the sites that maintains the supporting document so as to review the supporting documents.
However, the financial department of NARP prepared a list of all the location maintaining the supporting documents

A-9) The following Research Component training programs were billed to USAID/Egypt by TTC and are considered to be unallocable to Pils No. 2,3, and 4:
Maize Plane Statistical Program, held on Feb. 25, 92 in Kanater, L.E. 12,240
Integrated Pesticide Management held in Feb. 25, 92 in the plant protection department of the ARC L.E. 2,800

Justification

Payment was made to cover 2 training courses:
1) Research Maize Plant Statistics Program and,
2) Integrated Pesticide Management.
Both courses are related to the TTC and not to the Research

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

** *Pil # 003*

** Finding # (B) Equipment and Office Supplies

B-1) Items of equipment not included in financial plans approved by USAID/ Egypt were purchased

Date	Check #	Amount
06/10/93	186113	24,250
06/30/93	212928	24,250
01/09/91	3809281	220

Justification

L.E. 48,500

The purchase of NARP-TTC caps has been verbally approved upon by USAID project officer, copies of supporting documents are attached (bidding documents, approvals, request etc.. Those caps were necessary for the implementation of the TTC programs among the targeted governorates as they were used by the extension workers and specialists during their field work to :

1) Protect them from burning sun
2) Advertise for the NARP/TTC which is part of an AID funded project

L.E. 220

If the procurement of office supplies for L.E. 220 necessitates pre-approval from AID then, why should there be a Component Director and what are his authorities, In addition, those items were purchased to symbolize the nature of the services provided by the component.

NATIONAL AGRICULTURAL RESEARCH PROJECT
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B-2) Sales tax were billed to USAID / Egypt

Date	Check #	Amount
05/13/93	150826	800

Justification

Resolution of the finding is in process

B-3) A Panasonic facsimile machine was purchased and billed to USAID/Egypt. The facsimile machine was not used for the project's purposes, but was being used for the Ministry of Agriculture.

Date	Check #	Amount
11/29/89	73661	9,500

Justification

The facsimile machine was installed at the Central Administration for Agricultural Extension Services (CAAES). The CAAES arranges training programs for the TTC all over the country which requires the communication with different governorates. Hence, it is a necessity to obtain the machine to serve the TTC purposes.

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

B-4) The following expenditures for equipment and office supplies were charged under Pil No. 3. The costs should have been charged under Pil No. 4. Accordingly, we consider the amounts to be unallocable to Pil No. 3

Date	Check #	Amount
9/6/92	47956	7,211
9/6/92	47956	2,700
5/13/92	150826	320
5/13/92	150826	5,400
5/13/92	150826	2,000
5/13/92	150826	723

Justification

Payment was made to purchase supplies as well as the transportation of it which is all related to Pil # 3.

B-5) The following expenditures for equipment and office supplies were charged under Pil No. 3. The costs should have been charged under Pil No. 4. Accordingly, we consider the amounts to be unallocable to Pil No. 3

Date	Check #	Amount
9/6/92	47956	7,211
9/6/92	47956	2,700
5/13/92	150826	320
5/13/92	150826	5,400
5/13/92	150826	2,000
5/13/92	150826	723

Justification

Payment was made to purchase supplies as well as the transportation of it which is all related to Pil # 3.

NATIONAL AGRICULTURAL RESEARCH PROJECT
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** *Pil # 004*

** Finding # (C) Administrative Support Staff

C-1) Bonuses were paid to and medical insurance purchased for TTC staff without prior USAID/Egypt approval.

Justification

Bonuses paid by TTC are all approved by the Director General which is within his delegated authorities.
Regarding the Meal & Transportation allowance, it is approved by USAID.
The medical insurance is stated in the contract forms between the project and the employees and is eligible.

C-2) TTC billed employer's share of social security contributions, Total social security paid in the period form September 6, 1989 through June 30, 1993 was 49,689.
Employers share there of (2/3) L.E. 33,126

NATIONAL AGRICULTURAL RESEARCH PROJECT
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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. Reference is made to Amendment dated September 30, 1991 to the grant agreement regarding the reimbursement of social insurance, both paragraphs (a) & (b) by definition doesn't apply to NARP employees.

** Finding # (D) Travel

D-1) Travel expenses were billed to USAID /Egypt that were unsupported with travel vouchers detailing the number of days, rates used, destinations, and actual expenses paid.

Justification

attached a list for travel cost paid to employees of the Central Administration for Agricultural Extension Services approved by the Financial & Administrative Under-Secretary. All original documents are maintained at the CAAES.

NATIONAL AGRICULTURAL RESEARCH PROJECT
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FINANCIAL-RELATED AUDIT

D-2) Travel expenses paid to the participants of the demonstration program were charged under Pil No. 4. Accordingly, we consider this amount to be unallocable to Pil No. 4

Justification

participants were paid travel cost, and naturally the expense should be charged to the travel line item Pil # 4. Adjustment was made for the previous payments and was charged to the travel line item Pil # 04.

•• Finding # (E) Printing

E-1) TTC paid the Development Support Communications Center-Maruit (DSCC-M), a government entity, to produce the radio program "Ahly El-Rief". Two amount of L.E. 5,850 were paid to DSCC-M, but these each included amounts of L.E. 3,900 for time spent advertising the services of DSCC-M.

Justification

All payments made are related to TTC. All programs made by DSCC-M are serving TTC purposes.

•• Finding # (F) Media

F-1) TTC paid DSCC-M to produce a radio program called "Ahly El-Rief". Within these amounts were costs for time spent advertising the services of DSCC-M

Justification

All payments made are related to TTC. All programs made by DSCC-M are serving TTC purposes.

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

F-2) Items were charged to Pil No. 4 under the media line item. The amounts should have been charged under Pil No. 3. Accordingly, we consider these amounts to be unallocable to Pil No. 4.

Justification

The payment of L.E. 2,000 is related to TTC activities. The expense was made during the Industrial Agricultural Exhibition to provide examples and to demonstrate the techniques for the raise and care of animal production for those whom are concerned. The expenses are related to the media line item Pil # 4.
The payment of the L.E. 750 was made to purchase folders to maintain slides which is related to the media line item.

** Finding # (G) Renovations

G-1) There was no supporting documentation for any of the expenses relating to the renovation of the old TTC building. In addition, the administrator of the contract, who approved billings after inspecting the work performed, was the son of the contractor (whose name is not known to us because of insufficient supporting documentation).
Total expenditures on this contract was L.E. 54,691 but supervision fees of L.E. 2,650 paid to the administrator have been questioned separately (G.4). The remaining amount is L.E. 52,041

Justification

Documents are available, but were misfiled. Attached a copy of all supporting documents.

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MANAGEMENT COMMENTS ON THE
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G-2) We noted five instance where contract completion was delayed beyond the completion date stipulated in the contract and no delay penalties were deducted from the contractor.

Justification

All the contracts were made at the governorates. Due to technically accepted justifications, the engineering department accepted the delay for the completion date which was not due to a weak performance by the contractors. All these contracts were prepared by the legal council of the governorates which are governmental units and monitored by supervisory units of the government.

G-3) We noted some instances where total payments to contractors were more than 25% over the contracted amount. No reasons were documented explaining the excess.

Justification

In case of utmost necessity, Law # 9 states that payment to contractors could exceed the contract amount with more than 25% according to the actual work done.

G-4) Supervision fees were paid to two Executive Office employees for the renovation of the old TTC building..

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Justification

Supervision fees were paid to the supervisor of the renovation process of the old TTC building. During this period, the supervisor was not an employee at either the E.O. or any other component and didn't as well receive any salary from the project. Moreover, a portion of this amount was paid to the labor who shared at the renovation process and they are not project employees.

G-5) NARP billed USAID/Egypt L.E. 34754 for the Sohag renovation . However, in the work performed to date on part of the mustakhlas. the total supported amount is only L.E. 34275.

Justification

The total amount of the mustakhlas is L.E. 34754. We could not trace how did the audit firm located difference shown between the two figures.

G-6) We found that income collected from contractors on the sale of bid booklets was not returned to USAID/Egypt or credited from billings. The income from the sale of booklets should be considered as additional income, and returned to USAID/Egypt..

Justification

According to the law, the income collected from the sale of bid booklets should enter into the governmental unit (Chapter 3 - Miscellaneous Revenue) which set the technical specification. The income from sale couldn't be deducted from the total amount reimbursed by USAID/Egypt since such a transaction will combine funds by USAID with local funds . As a result, the project will no more benefit from the privilege of tax exemption since one of the major conditions to use the exemption benefit is that funding should be completely a foreign one. To conclude, the income will be paid to the financial unit of the Agricultural Research Center at the end of the project.

** Finding # (H) Maintenance

H-1) Amount for car license renewals were billed to USAID/Egypt.

Justification

All the vehicles were used by TTC since the component didn't own sufficient number of vehicles to meet all activities among all governorates . Hence, TTC was charged the operating expenses for the vehicles, such as license renewal and repairs.

H-2) On reconciliation # R3/20 we found that fuel pumps and overhauls had been charged to USAID/Egypt.

NATIONAL AGRICULTURAL RESEARCH PROJECT
MANAGEMENT COMMENTS ON THE
FINANCIAL-RELATED AUDIT

Justification

All the vehicles were used by TTC since the component didn't own sufficient number of vehicles to meet all activities among all governorates . Hence, TTC was charged the operating expenses for the vehicles, such as license renewal and repairs.

** Finding # (I) Communication

I-1) An amount for sales taxes was billed to USAID/Egypt.

Justification

Resolution of the finding is in process.

I-2) An amount spent on equipment and supplies was charged under Pil No. 4. Such Items are not considered communication facilities Pil No. 4. This amount should have been charged to Pil No. 3. Accordingly, we consider this amount to be an unllocable to Pil No. 4.

Justification

After reviewing the supporting documents, it was found that they are communication expenses. Documents are maintained at the Rural Development Project at El-Behaira.

** Finding # (J) Other Services

J-1) Amounts for sales taxes was billed to USAID/Egypt.

Justification

Resolution of the finding is in process.

J-2) An amount spent on fuel was unsupported by invoices or receiving slips for the fuel coupons purchased.

Justification

All documents are maintained at the Administrative & Financial Central Department.

Due to the fact that the supporting documents are of massive amounts, it was hard (physically and economically) to send the original copy for your firm; however, a copy was prepared and attached to our report, Else. original documents are furnished upon your request within our premises.

Sincerely,

Mr. Ahmed El-Shennawy
Senior Financial Officer

TECHNOLOGY TRANSFER COMPONENT
PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4
UNDER THE USAID/EGYPT NATIONAL AGRICULTURE RESEARCH PROJECT
GRANT AGREEMENT NO. 263-0152

Independent Accountants' Response:

Management of the Technology Transfer Component (TTC) of the National Agriculture Research Project (NARP) of the Agricultural Research Center provided comments to our draft audit report presented at the exit conference held on January 16, 1995. These comments are included, unedited, in appendix C to this report. We have reviewed these comments and additional supporting documentation provided by TTC. Where applicable, we either adjusted our final report or clarified our positions. Our response below parallels our audit report's findings and management's comments. Management chose not to respond to our findings and recommendations in our report on TTC's internal control structure and report on TTC's compliance with laws and regulations.

Response to TTC Management Comments to Questionable Costs Detailed in Supplemental Schedule No. 2

PIL No. 2

(A) In-Country Training:

Item No. 1:

TTC management disagrees with our finding stating that the 344 participants were residents of different governorates and required overnight accommodations to attend each of the two training courses. Per the USAID approved training plan for February 28, 1990 through September 30, 1990, appendix C, page 45, training consisting of one day for each course is budgeted at LE 35 per trainee. Trainees are not eligible for overnight accommodation rates. In addition, CMD's Financial Manager agreed with our conclusion during interviews with him while conducting our audit. Our position remains unchanged regarding the LE 8,600.

Item No. 2:

TTC management disagrees with our finding stating that supporting documentation for these training courses is maintained at CMD. While performing our audit, we formally requested the support three times. No support was ever received. CMD's Financial Manager stated that these documents were not available. Per grant agreement annex 2, page 2, section B.5 "...The Grantee will maintain books and records relating to the project and to this agreement, adequate to show, the receipt and use of goods and services." Our position remains unchanged regarding the LE 62,820.

Item No. 3:

TTC management disagrees with our finding stating that training fees were paid to trainees rather than trainers. However, we located proof of several instances where training fees were paid to trainers and billed to USAID. We questioned the amounts accordingly as shown in our report. Our position remains unchanged regarding the LE 45,410.

Item No. 4:

TTC management disagreed with our finding and provided supporting documents and correspondence. However, the support provided was inadequate. No signature schedules were provided reflecting actual receipt of the funds in question by trainees. Our working papers documented discussions with TTC management that gave conflicting locations where support for the questioned amounts was located. Our position remains unchanged regarding the LE 2,814.

Item No. 5:

Supporting documents provided by TTC management were considered adequate. The amount of LE 200 has been removed from our final report as a questioned cost.

Item No. 6:

TTC management disagreed with our finding and provided, as support, a copy of a document signed by one of our staff accountants indicating the finding was closed. The staff accountant's conclusion was overridden by the Engagement Senior, approved by the Engagement Manager as a valid finding and subsequently included in our report. We have since requested additional support from TTC management. They declined. Since no other support was provided, our position remains unchanged regarding the LE 50,050.

Item No. 7:

TTC management disagrees with our finding stating that the cotton and wheat incentives paid to personnel of the Improvement of Land Project of the Ministry of Agriculture is justified in that it is TTC related. Per mission order 3-10, "Payment for Services of GOE Employees and Officials," and annex 2, section B. 3, of the grant agreement, this expense is ineligible. The supporting documentation supplied by TTC management is irrelevant. Our position remains unchanged regarding the LE 61,578.

Item No. 8:

TTC management provided a breakdown of the unsupported LE 1,047,032 of training costs specifying where the supporting documentation is available. With the exception of support for LE 1,560, which we have removed from our final report, no valid support or evidence of expenditures was provided to us in order to determine the allowability of the training program disbursements.

During our pre-audit survey we were informed by TTC personnel, CMD's Assistant Director and CMD's Financial Manager, that all training programs were organized by CMD and all related supporting documents were maintained at the CMD offices in Qanaatir. Relying on this information, we designed our audit accordingly and did not include visits to locations other than CMD offices in Qanaatir. Therefore, our position remains unchanged regarding the remaining LE 1,045,472; adequate support was not provided by TTC management.

Item No. 9:

TTC management disagrees with our finding stating that the Maize Plant Statistics Program and the Integrated Pesticides Management course were TTC related; therefore, the expenses were justified. TTC included invoice # 28 sent to the USAID Project Officer, as support. Our working papers clearly show that these two courses are allocable to the Research Component and not to TTC. In addition, CMD's Financial Manager stated that the expense charged to USAID was a result of "human error" and agreed with our conclusion. Our position remains unchanged regarding the LE 15,040.

PIL No. 3

B) Equipment and Office Supplies:

Item No. 1:

TTC management disagrees with our finding asserting that the caps purchased (10,000), classified as Equipment and Office Supplies, were verbally approved by the USAID Project Officer. TTC offers no other evidence of USAID approval for this LE 48,500 expenditure. In addition, their response to the LE 20 purchase of wooden statuettes and frames is unacceptable. Our position remains unchanged regarding the full LE 48,720.

Item No. 2:

TTC management indicates they are in the process of resolving this finding. To date, they have communicated no additional information to us. Accordingly, our finding of LE 800 remains unamended in our final report.

Item No. 3:

TTC management disagrees with our finding stating that the facsimile machine is located at the Central Administration for Agricultural Extension Services office (CAAES). TTC asserts that the location of the machine is necessary for communication between governorates. Our working papers indicate that the facsimile machine was located in the Minister's office at the Ministry of Agriculture instead of CAAES. Per grant agreement section B. 3, "Utilization of Goods and Services," any resources financed under the grant must be devoted to the project. Our position remains unchanged regarding the LE 9,500.

Item No. 4:

TTC management disagrees with our finding stating that the expenditures relate to PIL No. 3. However, our working papers clearly show that the proper allocation of the expenditures should be the following. The line items described all relate to PIL No. 4.

Check #	Amount	Proper Line Item
956	7,211	Administration
956	2,700	Other Services
50826	320	Administration
50826	5,400	Other Services
50826	2,000	Demonstration
50826	723	Demonstration
	18,354	

Our position remains unchanged regarding the LE 18,354.

PIL No. 4

(C) Administrative Support Staff:

Item No. 1:

TTC management disagrees with our finding asserting that: a) bonuses were approved by TTC's Director General, b) the meal and transportation allowance, included in our questioned bonus column, was approved by USAID, c) medical insurance is stated in the contracts between the project and its employees and is eligible.

We have reviewed this support and have deducted LE 4,317 from our questioned bonus column as TTC provided written evidence of approval from the USAID Project Officer for a 7.5% cost of living increase. However, project paper amendment No. 2, section 2, "Covenants", subsection E, and grant agreement amendment No. 3, section 5.12, "Salary Supplements," state that "Neither grant funds nor special account funds may be used to pay salary supplements to grantee personnel except pursuant to mutually agreed criteria." The nature of these expenditures constitutes salary supplements. Due to the absence of any further supporting mutually agreed upon criteria, our position remains unchanged for the remaining LE 20,337 of bonus costs and LE 23,286 of medical insurance costs.

Item No. 2:

TTC management disagrees with our finding providing a copy of grant agreement amendment No. 4, section 1, article 5, "Special Covenants", subsection 5.16, "Payment by the Ministry of Agriculture and Land Reclamation of Taxes, Tariffs, Duties and other Levies" as justification for their payment of LE 33,126 for employer's share of Social Insurance charged to USAID. However, this amendment does not preclude the provisions of annex 2 to the grant agreement, section B.4, that states that a contractor is not exempt from identifiable taxes and must pay for such taxes with funds other than those provided under the grant. Therefore, our position remains unchanged regarding the LE 33,126.

(D) Travel

Item No. 1:

TTC management disagrees with our finding and has included supporting documents that include signature schedules for the receipt of funds. This support alone is insufficient. Management did not include support such as travel vouchers detailing the number of days, rates used, or destinations. Without proper support for such expenditures, our position remains unchanged regarding the LE 11,531.

Item No. 2:

Supporting documents provided by TTC management were considered adequate. TTC verified the costs' allocability to PIL No. 4. Therefore, the amount of LE 1,560 has been removed from our report as a questioned cost.

(E) Printing:

Item No. 1:

TTC management disagrees with our finding stating that programs made by the Development Support Communications Center-Maruit (DSCC-M) are serving TTC purposes. The questioned amount, however, refers to advertising costs billed to USAID for DSCC-M specific advertising. This expense is not serving TTC purposes in accordance with grant agreement annex 1. Therefore, our position remains unchanged regarding the LE 7,800.

(F) Media:

Item No. 1:

TTC management disagrees with our finding stating that programs made by the Development Support Communications Center-Maruit (DSCC-M) are serving TTC purposes. The questioned amount, however, refers to advertising costs billed to USAID for DSCC-M specific advertising. This expense is not serving TTC purposes in accordance with grant agreement annex 1. Therefore, our position remains unchanged regarding the LE 14,100.

Item No. 2:

Supporting documents provided by TTC management were considered adequate. TTC verified the costs' allocability to PIL No. 4. Therefore, the amount of LE 2,750 has been removed from our final report as a questioned cost.

(G) Renovations:

Item No. 1:

TTC management provided support for the total LE 52,041. We found a portion of this, LE 28,671, adequately supported. However, we noted an amount of LE 23,370 which TTC spent on the manufacturing of 4,900 leather bags. Neither support of procurement procedures nor USAID approval was submitted by TTC management for this expenditure. Our position remains unchanged regarding LE 23,370.

Item No. 2:

TTC management disagrees with our finding stating that completion delays were due to technically accepted justifications and not to weak contractor performance. During our audit, proper support for these delays was not provided nor did TTC management include any in their response. Our position remains unchanged regarding the LE 45,638.

Item No. 3:

TTC management disagrees with our finding and states, per Law No. 9, that payment to contractors could exceed the contract amount by more than 25% in the case of utmost necessity. No support indicating any instances of "utmost necessity" was identified during our audit nor did TTC management include any such support in their response. Our position remains unchanged regarding the LE 82,581.

Item No. 4:

TTC management disagrees with our finding stating that supervision fees were paid to an individual who was not an employee at the Executive Office (EO) nor any other component and did not receive any salary from the project. Per our working papers, supervisory fees were paid to two engineers who were both employed at the EO; one of which was the son of the contractor. In addition, there was no clear and distinct criteria for calculating these fees which were in some cases unreasonable in comparison with the value of the work inspected. Our position remains unchanged regarding the LE 2,650.

Item No. 5:

Supporting documents proving the actual expenditure amount provided by TTC management were considered adequate. The amount of LE 479 has been removed from our final report as a questioned cost.

Item No. 6:

TTC management disagrees with our finding stating that the income collected from the sale of bid booklets should enter into the governmental unit which set the technical specification and will be paid to the financial unit of the Agricultural Research Center at the end of the project. Per grant agreement annex 2, "Standard Provisions," page 8, "Any interest or earnings on grant funds...will be returned to AID in U.S. Dollars by the grantee." Therefore, our position remains unchanged regarding the LE 4,620.

(H) Maintenance:

Item No. 1:

TTC disagrees with our finding stating that the vehicles were used by TTC. The component did not own a sufficient number of vehicles to meet all activities within the governorates; therefore, TTC was charged for the vehicles' operating expenses and license renewals. TTC management provided grant agreement amendment No. 4, section 1, article 5, as justification for the billing. However, this amendment does not preclude the provisions of annex 2 to the grant agreement, section B.4, that states that a contractor is not exempt from identifiable taxes and must pay for such taxes with funds other than those provided under the grant. Therefore, our position remains unchanged regarding the LE 5,320.

Item No. 2:

TTC management disagrees with our finding stating that the vehicles were used by TTC. The component did not own a sufficient number of vehicles to meet all activities within the governorates; therefore, TTC was charged for the vehicles' operating expenses and license renewals. Per PIL No. 4, amendment No. 5, maintenance "...will cover only minor repairs of machines or minor tune-ups for vehicles." TTC charged USAID with complete vehicle overhauls and fuels pumps. Our position remains unchanged regarding the LE 12,582.

(I) Communication:

Item No. 1:

TTC management indicates they are in the process of resolving this finding. To date, they have communicated no additional information to us. Accordingly, our finding of LE 114 remains unamended in our final report.

Item No. 2:

TTC management disagrees with our finding stating that these expenditures are in fact communication expenses and supporting documentation is maintained at the Rural Development Project at El-Behaira. Management's justification is insufficient as it offers no evidence that this charge is allowable under the communication line item of PIL No. 4. The nature of this expense itself does not constitute a communications line item component. The support provided by TTC during our audit indicates that these charges refer to technical preparation supplies and are allocable to PIL No. 3. Our position remains unchanged regarding the LE 1,311.

(J) Other Services:

Item No. 1:

TTC management indicates they are in the process of resolving this finding. To date, they have communicated no additional information to us. Accordingly, our finding of LE 2,296 remains unamended in our final report.

Item No. 2:

Supporting fuel invoices and receiving slips provided by TTC management were considered adequate. The amount of LE 7,800 has been removed from our final report as a questioned cost.

APPEND

TECHNOLOGY TRANSFER COMPONENT

PROJECT IMPLEMENTATION LETTERS NO. 2, 3, AND 4

UNDER THE USAID/EGYPT NATIONAL AGRICULTURE RESEARCH PROJECT
GRANT AGREEMENT NO. 263-0152

MISSION RESPONSE

4

USAID

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

April 19, 1995

RECEIVED
20 APR 1995

MEMORANDUM

TO : Philippe Darcy, RIG/A/C

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

SUBJECT : Audit of the Agricultural Research Center (ARC) Project Implementation Letters No. TT-002, TT-004 related to the Technology Transfer Component of the National Agricultural Research Project (NARP) No. 263-0152, dated March 28, 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.

106 Kasr El Aini Street
Garden City
Cairo, Egypt

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