

International Science & Technology Institute  
Audit Report  
April 1989

**N A R P**  
**A G R E**  
**T I S O**  
**O I C S E**  
**N U A R J**  
**A L T R A E**  
**L H C T**

ISTI Audit Report



National  
Agricultural  
Research  
Project

المشروع  
الزراعي  
للبحوث  
العلمية



November 1990

REVIEW OF CERTAIN COSTS INCURRED BY  
INTERNATIONAL SCIENCE AND TECHNOLOGY  
INSTITUTE, INC. UNDER USAID/EGYPT  
CONTRACT NO. 263-0152-C-00-6123-00

Audit Report No. 6-263-89-6  
April 30, 1989

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

April 30, 1989

MEMORANDUM FOR D/USAID/Egypt, Marshall D. Brown

FROM : RIG/A/C, Fred Kalhammer *Kalhammer*  
SUBJECT : Review of Certain Costs Incurred by  
International Science and Technology  
Institute, Inc. under USAID/Egypt  
Contract No. 263-0152-C-00-6123-00

This report presents the results of audit of the "Other Direct and Local Costs" claimed by the International Science and Technology Institute, Inc. (ISTI) under the subject contract. Please advise us within 30 days of any additional information relating to actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended to our staff during the audit.

Background

ISTI was awarded the subject cost-plus-fixed-fee contract in September 1986 to assist the Egyptian Ministry of Agriculture Project Director coordinate and monitor the National Agriculture Research Project (NARP) from September 1, 1986 to September 30, 1988. ISTI services were to include data management activities for project monitoring, maintenance of a computer-based implementation tracking system, and assistance in computer-based management systems. One ISTI employee resident in Cairo, Egypt was to be provided.

In July 1988, a USAID/Egypt contract officer became concerned that certain costs ISTI had claimed for its operations in Egypt were inappropriate or questionable. He therefore requested this office (RIG/A/C) to review a particular ISTI voucher. As a result of that review, he requested RIG/A/C to review all other direct and local costs claimed on 19 vouchers that ISTI had submitted. This report presents the results of that review.

The 19 vouchers reviewed represented all vouchers submitted under this contract as of March 20, 1989, although ISTI had not yet submitted its final voucher. ISTI has since received another contract to continue its assistance to the Project Director of the National Agriculture Research Project. Recommendations in this report with regard to contract management are directed at the new contract.

ISTI's accounting department in Washington, D.C. submitted periodic vouchers to USAID/Egypt for reimbursement of its headquarters and Cairo costs. The accounting department prepared the vouchers for costs incurred by its Cairo representative based on summary information and receipts submitted by the representative. The accounting department assumed that the local representative's summary data were correct and did not verify that receipts existed for each claimed cost or that the receipts clearly identified the costs as contract-related. The receipts were retained unsorted and unindexed in large envelopes at ISTI's Washington headquarters office.

#### Audit Objectives and Scope

The objective of the audit was to determine: (1) if "other direct and local costs" claimed in ISTI vouchers 1 through 19 were adequately supported, contract-related, and authorized by the contract; and (2) whether ISTI had appropriately charged its local representative's holiday leave to indirect costs.

A total of \$437,211.44 was claimed on the 19 vouchers but the audit was limited to \$118,930.64 in "other direct and local costs" plus the direct salary costs of the ISTI representative for 30 U.S. and Egyptian holidays. The work was performed at ISTI offices in Cairo, Egypt and Washington, D.C. in accordance with generally accepted government auditing standards.

## Results of Audit

The audit found that numerous costs, including the local representative's holiday leave, were inappropriately claimed or inadequately supported. The audit resulted in recommended disallowances of \$15,278.69 and questioned costs of \$35,607.53 (See Exhibits 1 and 2).

In summary, claimed costs were recommended for disallowance or questioned because: duplicate billings had been submitted; supporting documentation was lacking, unclear, or insufficient; and costs appeared to be either unauthorized, not contract-related, or required to be provided by the host country. Exhibits 3 through 11 identify such costs by voucher. If sustained, these costs would result in additional reductions related to the General and Administrative (G&A) rate applied to allowable costs. Additionally, we found that ISTI had been improperly utilizing military postal facilities. In our opinion, these problems demonstrated weak internal controls and inadequate oversight by ISTI's head office and USAID/Egypt.

We recommend the following corrective actions.

### Recommendation No. 1

We recommend the cognizant USAID/Egypt Contracting Officer for ISTI Contract No. 263-0152-C-00-6123 review and allow/disallow, as appropriate, the costs questioned and recommended for disallowance described in Exhibit 1 and summarized in Exhibit 2.

The Mission concurred in the recommendation and advised ISTI by letter (copy attached) of the costs that were being questioned and disallowed. The recommendation is therefore resolved. It will be closed upon final settlement.

### Recommendation No. 2

We recommend that USAID/Egypt review the terms of the subsequent ISTI contract and ISTI's performance thereunder to determine whether:

- (a) cash disbursement practices in Egypt are acceptable;
- (b) contract-related procurement is being carried out through recognized ISTI channels;

- (c) use of military postal facilities has ceased; and
- (d) employment of local support personnel is in accordance with the terms of the contract.

The Mission agreed with the above recommendation but had not determined that corrective actions had been completed under ISTI's current contract. Therefore, the recommendation is considered resolved but remains open.

Recommendation No. 3

We recommend that USAID/Egypt weigh the implications of the ISTI representative's past billing practices, as set forth in the results of this audit, and determine whether said person should continue in his present contractual relationship with USAID/Egypt, or whether to seek suspension or debarment of said person from future A.I.D.-financed contracts through appropriate Agency channels.

After reviewing the contract, USAID/Egypt decided to refer the matter to appropriate A.I.D./Washington officials for a determination of the action to be taken, if any. The recommendation is therefore resolved but open.

Recommendation No. 4

We recommend that USAID/Egypt:

- (a) review and issue/amend, as appropriate, a Mission Order and/or Staff Notice formally notifying all USDH and contract employees as to who is, and who is not, eligible to use U.S. military postal facilities in Egypt; and
- (b) review and weigh the implications of the actions of certain USDH employees who received packages via the military mails on behalf of the ISTI representative, and determine what disciplinary actions, if any, are warranted in the circumstances.

The Mission agreed with the recommendation which is resolved but remains open as the actions recommended have not yet taken place.

The draft report contained certain recommendations which varied somewhat from those in this report. USAID/Egypt concurred in the recommendations but suggested certain changes which have generally been incorporated in the above recommendations. The full text of USAID/Egypt's response is attached as Appendix 1.

Details of Recommended Disallowed  
and Questioned Costs

We recommend that \$16,278.69 in claimed cost be disallowed and that \$35,607.53 be questioned. The costs are summarized by voucher in Exhibit 2. A description of the disallowed and questioned costs follows.

I. RECOMMENDED DISALLOWANCES

We are recommending the disallowance of \$16,278.69 in claimed costs for the following reasons.

A. Duplicate or Improper Billings	\$7,666.36
B. Direct charging of U.S. Holidays	6,544.45
C. Supporting Documents Not Provided Or Inadequate	350.32
D. Overcharges and Refundable Deposits	481.31
E. Other	<u>1,236.25</u>
Total	\$16,278.69 =====

A. Duplicate or Improper Billings

ISTI's cost claims included \$7,666.36 in duplicate billings. Some were subsequently corrected but \$3,643.19 remains to be disallowed.

1. Local expenses totaling \$5,957.34 were claimed on voucher 16 and again on voucher 17. In voucher 19 ISTI corrected \$4,023.17 of these duplicate billings. The balance of \$1,934.17 should be disallowed.
2. Three electric bills totaling \$753.20 were claimed twice. First, receipts for payment were included in voucher 16. Then, the notices of amounts due were included in voucher 18 (See Exhibit 12).

3. Monthly telephone expenses were claimed more than once because they were claimed although not paid. This resulted in monthly billings being claimed that included unpaid amounts due in previous months and already claimed. For example, an unpaid bill of \$148.55 was claimed in three consecutive months. A total of \$570.90 was overcharged to the contract as a result.
4. A total of \$352.04 was claimed as an electricity expense based on a supporting electric bill that indicated the amount due was being deducted from a credit balance. The credit balance had resulted from prior claimed payments. Therefore, \$352.04 should be disallowed.
5. Mail charges of \$17.46 and \$15.42 were each claimed twice. A postal cash register receipt and the postal insurance receipt stub were separately submitted as evidence of payment (See Exhibit 13).

ISTI headquarters officials advised us that they did not identify the above duplicate and triplicate billings because the bills often were written in Arabic and they were not familiar with Egyptian phone and electricity billings. Furthermore, they generally prepared their voucher submissions based on summary data telefaxed by their Cairo representative 1/ and the detailed receipts, when received by ISTI, were not matched with the data previously received by telefax. We observed that the original receipts were loosely filed in large envelopes.

(Note: RIG/A/Washington is currently reviewing ISTI's accounting controls under another audit, and an opinion on those controls will be issued separately.)

---

1/ ISTI's Cairo representative paid for local costs with cash or credit cards, then submitted receipts as evidence of payment. Therefore, the submission of duplicate billings, as described in this report, did not benefit ISTI which reimbursed its Cairo representative for the duplicate billed costs.

B. U.S. and Egyptian Holidays

We found that the salary of the ISTI Cairo representative was directly charged to the contract on most U.S. and Egyptian holidays. The U.S. holidays should not have been charged as direct time because employee holidays were considered in establishing the 44 percent fringe and overhead rates. It is less clear as to how Egyptian holidays should have been reported. The U.S. and Egyptian holidays were directly charged to the contract because the ISTI Cairo representative reported such days as direct time.

The effect of the improperly charged U.S. holidays resulted in the contract being overbilled for 15 workdays at a cost of \$3,990.52. Furthermore, the overbilling increased by \$2,553.93 after 20 percent post differential and 44 percent fringe and field overhead rates were applied to improperly charged holidays. Therefore \$6,544.45 should be disallowed for the improperly charged U.S. holidays.

Fifteen Egyptian holidays were directly charged to the contract at a cost of \$3,988.08. It is less clear as to whether those holidays should be disallowed. ISTI headquarters officials stated that it was corporate policy to recognize U.S. holidays but not foreign holidays. We requested ISTI's employment agreement with its local Cairo representative to determine if it provided for both U.S. and Egyptian holidays to be recognized. However, ISTI was unable to locate the agreement.

We have not questioned the direct charging of Egyptian holidays because the basis for making such a judgment is unclear. The contracting officer will have to make a determination on this matter. If he deems them inadmissible as direct charges, he could disallow an additional \$3,988.08 for Egyptian holidays, and \$2,552.37 for the associated post differential and fringe and field overhead.

C. Supporting Receipts Were Not Furnished or Were Inadequate

ISTI's claimed costs included \$350.32 for which receipts were not provided or inadequate. ISTI failed to provide receipts for \$245.64 in claimed costs. The balance of \$104.68 was supported by receipts deemed inadequate: for example, an amount written on a piece of paper bearing a postmark.

D. Costs Included Overcharges and Refundable Deposits

Costs of \$481.31 should be disallowed because they involved a refundable deposit of \$437.83 and an overcharge of \$43.48. In the first instance, ISTI claimed \$437.83 for a telephone deposit required by the Egyptian telephone company to cover the high volume of international phone calls. This cost should be disallowed because it is recoverable. The \$43.48 overcharge is the difference between a cost claimed of LE331.30 and the supporting receipt for LE231.30

E. Other

We recommended disallowance of \$1,236.25 in costs because of: (1) errors of \$1,133.40 in calculating the post differential, fringe and field overhead, and claimed cost totals; (2) a \$42.08 error in computation of the dollar equivalent of local costs; (3) \$46.95 for books and magazines such as Middle East Magazine, Guide to the Fayoum, Temples of Upper Egypt, The British Museum and Egypt, and The Ancient Egyptians which were deemed unrelated to contract performance; and (4) a \$13.82 penalty for delayed payment of a phone bill.

II. QUESTIONED COSTS

We questioned \$35,607.53 in costs claimed by ISTI because: it was not clear that the costs were authorized or contract-related; or because the submitted documentation required clarification. The questioned costs included:

A. An Unauthorized Subcontract	\$10,480.73
B. Computer Equipment and Software	7,667.14
C. Inadequately Documented Claims	10,971.39
D. Mail Charges	3,990.54
E. Other	<u>2,497.73</u>
	\$35,607.53
	=====

A. Payments for an Unauthorized Driver

We questioned \$10,480.73 that ISTI paid an unauthorized subcontractor for chauffeur and other services.

The contract with ISTI identifies only one authorized local ISTI staff representative to be funded under the agreement. Other personnel could be added, but only with the formal consent of the contracting parties. The contract and the Project Implementation Order/Technical Services stipulate that the Government of Egypt shall be responsible for furnishing vehicles/transportation to the contractor. ISTI's representative has been provided funding under the contract to meet in-country transportation costs. We were advised by the Mission's Contract Services Office (MGT/CS) that a hired driver and vehicle were not intended to be furnished under the contract. Rather, the local travel budget was intended to cover in-country air fare, taxis, etc.

Our review disclosed that the ISTI representative, without AID's consent, had hired a full-time Egyptian to provide a wide range of services including supplying and driving a vehicle. This individual was hired on September 15, 1986 at a salary of LE470 per month. He received salary increases to LE540 in January 1987, to LE600 in March 1987, to LE700 in January 1988, and to LE800 in April 1988, for a total increase of 70 percent in 18 months. <sup>2/</sup> Additionally, this individual received supplemental payments for special services. For example, he was paid LE1,100 in November 1987 for data entry, LE1,136 in January 1988 for report preparation, and LE1,500 in August 1988, and LE1,200 in September 1988 to reconstruct computer records. Computer personnel in AID advised us that the LE2,700 in record reconstruction charges did not appear reasonable for the services received.

We question the entire amount of the driver's salary and fees because the contract does not provide for any ISTI employee other than the local representative. Furthermore, many of the charges and increases are considered excessive.

B. Computer Equipment and Software

We have questioned \$7,667.14 claimed for computer equipment and software. The ISTI contract was a technical assistance contract but costs have been incurred in providing commodities to the GOE in terms of computer equipment and software. Vouchers 1 to 19 included \$7,667.14 in computer equipment, software, and supplies charged to the contract as supplies, computer, and data entry costs. We are questioning these costs pending the contract officer's decision as to whether the contract authorized such assistance. MGT/CS specifically requested that we identify all computer-related equipment and software costs claimed by ISTI.

---

<sup>2/</sup> The contract limits the salary raises of the local representative to not more than 7 percent each year but does not address limits on other persons as no others were authorized.

C. Inadequately Documented Claims

We have questioned \$10,971.39 in claimed costs pending clarification or additional support. Details of the questioned items follow.

We questioned ISTI's claimed costs of \$6,171.80 for international phone calls pending receipt of justification for those calls and identification of the parties called. These calls were made from the ISTI representative's rented residence or from other places in Cairo, and not subject to an approval process. Additionally, the calls warranted further justification as the contract did not intend that ISTI make and pay for the Ministry's international calls.

We requested the ISTI representative to review the \$6,171.80 in calls and identify the parties called. He subsequently identified 112 of the calls costing \$1,545.17 as personal and stated that these will be reported as a deduction to the final voucher submitted by ISTI. We will provide the list of phone calls and parties called to MGT/CS for evaluation. In the interim, all calls have been questioned.

Also, ISTI claimed \$723.64 for phone calls by a person not associated with ISTI. Most of these calls were to the ISTI local representative in Cairo from the USA. We are questioning these charges pending confirmation that they are contract-related.

We questioned \$2,593.00 in travel expenses related to two items. First, \$1,886 was claimed for a round trip ticket - Washington/Cairo/Washington - in September 1986. We were uncertain whether this ticket was actually used, as the traveler's copy was not attached to the receipt. The local ISTI representative advised us that he used only the Washington-Cairo portion and returned the unused portion to ISTI. ISTI's controller is attempting to verify that the ticket was used and for what purpose. Second, \$707 was claimed for per diem in Washington (\$560) and for an increase in air fare to Washington due to an added stopover (\$147). Since the trip took place 14 days after the signing of the contract on September 1, 1986, we were uncertain as

to whether these costs should have been funded under this contract or under a previous contract. The ISTI representative agreed that the increased air fare should have been charged to the previous contract.

The balance of \$1,482.95 was questioned because we were unable to determine from supporting documentation what was procured or if the items were contract-related. For example, receipts often consisted only of a register tape without a description of what was purchased, or the description of the item purchased was not identifiable from the copy of the supporting receipt provided (See Exhibit 14 for examples). Additionally, claimed costs included a travel voucher with \$221.50 in claimed miscellaneous expenses. No explanation or receipts were attached to support the miscellaneous expenses, although one charge was for \$94.00. ISTI headquarters staff advised us that while receipts should accompany miscellaneous claims in excess of \$15, the policy apparently had not been enforced.

D. Postal Charges

Shipping costs were claimed for packages shipped by the local ISTI representative and a friend or other parties in the USA. Costs claimed for these shipments amounted to \$3,990.54.

Most of these shipments (\$3,500.49) were to or from a person identified as a friend of the local ISTI representative. ISTI officials in Washington advised us that the friend had no official association with ISTI and could provide no assurance that the shipments were contract-related. The other costs included shipments to members of the representative's family (\$119.23). The balance of \$370.82 was for shipments between the ISTI representative and other persons. We have questioned the latter item pending receipt of support that the shipments were contract-related.

E. Other Costs

We questioned \$2,497.73 in claimed costs for the following reasons.

ISTI purchased three telephones -- two for offices at the Ministry of Agriculture and one for the ISTI representative's residence. We questioned the cost of two office phones as items the Ministry should have furnished. Ministry officials stated that phones would have been furnished had ISTI requested them. The questioned cost was \$473.94.

Certain receipts totaling \$217.21 were for items shipped to Sido Ltd. in Seaford, Delaware. Since Sido Ltd. had no official association with ISTI, the costs are questioned.

Payments of \$1,173.91 for report preparation and data entry were questioned because similar payments were made to the unauthorized full-time driver.

The address label of an express mail package sent to the local representative from a U.S. firm was provided as support for \$37.70 in postage. The label supports payment by the sender, not the receiver.

U.S. phone charges and undetermined telefax charges of \$278.36 were questioned pending the ISTI representative providing further details.

Receipts for the \$32.95 purchase of unidentified magazines charged to the project as report preparation were questioned. Receipts for \$73.82 and \$20.95 for certain books were also questioned.

Costs of \$161.55 for a VCR camera stand, flash and film were questioned as items that the Ministry of Agriculture should have furnished.

A receipt for \$16.59 identifying the purchaser as "NARP," and a \$10.75 charge for mail sent to a relative of the ISTI representative were also questioned.

OTHER PERTINENT MATTERS

In addition to the above, we observed that ISTI was inappropriately using military postal facilities (FPO) to ship materials. Our review of Vouchers 1 thru 19 revealed that \$353.41 claimed shipping costs included 22 shipments to the Embassy FPO address. Four employees in USAID/Egypt's Office of Agriculture were identified on the mailing documents as the recipients of some of these packages. AID Handbook 14, page 14-58 states, "AID contractor personnel are not authorized use of military postal facilities (APO/FPO)."

Summary of Reviewed ISTI Other Direct and Local Costs

<u>Voucher No.</u>	<u>Costs Claimed</u> \$	<u>Costs Reviewed</u> \$	<u>Cost Questioned</u> \$	<u>Costs Disallowed</u> \$
1	31,899.39	-	-	-
2*	61,845.57	42,938.21	6,560.09	208.45
3	14,974.46	-	-	-
4	10,926.03	-	-	-
5	10,582.93	-	-	-
6*	14,871.33	3,684.79	2,420.58	619.85
7	16,272.10	-	-	-
8	11,027.31	-	-	-
9*	25,562.66	13,139.74	4,660.92	70.40
10	11,861.16	-	-	-
11	11,268.66	-	-	-
12*	25,103.11	23,243.62	2,433.26	78.45
13	22,203.10	-	-	-
14	11,574.73	-	-	-
15* <u>1/</u>	75,920.77	11,480.33	9,414.29	450.27
16*	25,494.23	6,335.75	4,810.51	67.39
17*	12,158.45	6,135.84	-	5,957.34
18*	24,643.24	7,589.34	3,151.62	794.05
19*	19,022.21 <u>3/</u>	4,383.02	2,156.26	354.64
Various <u>2/</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>7,677.85</u>
Totals	<u>437,211.44</u> =====	<u>118,930.64</u> =====	<u>35,607.53</u> =====	<u>16,278.69</u> <u>3/</u> =====

EXHIBIT 2

Page 2 of 2

- \* Local costs were claimed on Vouchers 2, 6, 9, 12, 15, 16, 17, 18 and 19 only.
- 1/ As amended.
- 2/ Disallowances for improperly charged U.S. holidays and errors in the computation of post differential, fringe and field overhead, and column totals.
- 3/ Voucher 19 costs totaled \$23,045.38 but ISTI claimed only \$19,022.21 to offset \$4,023.17 claimed twice on Vouchers 16 and 17. Therefore, \$4,023.17 of the \$16,278.69 recommended for disallowance has been resolved, leaving a balance to be disallowed of \$12,255.52.

EXHIBIT 3

Summary Results of Reviewing Voucher 2

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 1,645.60	\$ 862.63	\$ 22.89	\$ 760.08
Communication	1,832.78	1,581.85	185.56	65.37
Computer	7,571.06	611.06	-	6,960.00
Transportation	796.00	707.00	-	89.00
Rental	20,948.94	-	-	20,948.94
Report	206.65	-	-	206.65
Renovation	1,934.36	161.55	-	1,772.81
Local Travel	750.00	750.00	-	-
Home Office Direct Expense	<u>7,252.82</u>	<u>1,886.00</u>	<u>-</u>	<u>5,366.82</u>
Totals	<u>\$42,938.21</u> =====	<u>\$6,560.09</u> =====	<u>\$208.45</u> =====	<u>\$36,169.67</u> =====

Summary Results of Reviewing Voucher 6

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 226.62	\$ 185.21	\$ -	\$ 41.41
Communication	1,296.78	606.47	619.84	70.47
Computer	1,075.08	970.00	-	105.08
Rental	179.03	-	-	179.03
Report	64.62	-	-	64.62
Renovate	97.44	-	.01	97.43
Local Travel	235.90	235.90	-	-
Head Office Comm.	15.32	-	-	15.32
Head Office Misc.	471.00	423.00	-	48.00
Head Office Post	<u>23.00</u>	<u>-</u>	<u>-</u>	<u>23.00</u>
	<u>\$3,684.79</u>	<u>\$2,420.58</u>	<u>\$619.85</u>	<u>\$644.36</u>
	=====	=====	=====	=====

EXHIBIT 5

Summary Results of Reviewing Voucher 9

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 182.75	\$ 135.79	\$ -	\$ 46.96
Communication	1,725.84	1,555.49	23.90	146.45
Computer	1,253.41	1,229.95	23.46	-
Rental	4.61	-	-	4.61
Report	1,137.30	136.00	23.04	978.26
Renovation	2,968.22		-	2,968.22
Local Travel	1,603.69	1,603.69	-	-
Data Entry	147.47	-	-	147.47
Home Office Direct Cost	<u>4,116.45</u>	<u>-</u>	<u>-</u>	<u>4,116.45</u>
Totals	<u>\$13,139.74</u> =====	<u>\$4,660.92</u> =====	<u>\$70.40</u> =====	<u>\$8,408.42</u> =====

Summary Results of Reviewing Voucher 12

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 154.94	\$ 74.11	\$52.17	\$ 28.66
Communication	836.81	773.20	26.28	37.33
Computer	6,612.00	-	-	6,612.00
Rental	14,000.00	-	-	14,000.00
Photo Copier	86.87	32.95	-	53.92
Local Travel	553.00	553.00	-	-
Data Entry	<u>1,000.00</u>	<u>1,000.00</u>	<u>-</u>	<u>-</u>
Totals	\$23,243.62 =====	\$2,433.26 =====	\$78.45 =====	\$20,731.91 =====

EXHIBIT 7

Summary Results of Reviewing Voucher 15 as Revised

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 646.44	\$ 509.00	\$ 12.44	\$ 125.00
Communication	2,548.43	2,019.08	437.83	91.52
Computer	29.07	29.07		
Rental	1,388.88			1,388.88
Report	3,557.17	3,546.80		10.37
Local Travel	2,073.73	2,073.73		
Data Entry	<u>1,236.61</u>	<u>1,236.61</u>	_____	_____
Totals	\$11,480.33 =====	\$9,414.29 =====	\$450.27 =====	\$1,615.77 =====

EXHIBIT 8

Summary Results of Reviewing Voucher 16

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 59.24	\$ 35.33	23.91	
Communication	3,155.63	3,116.66		\$ 38.97
Transportation	1,221.48	1,043.48		178.00
Rental	905.93		\$43.48	862.45
Data Entry	615.04	615.04		
Home Office	<u>378.43</u>	<u>          </u>	<u>          </u>	<u>378.43</u>
Totals	<u>\$6,335.75</u> =====	<u>\$4,810.51</u> =====	<u>\$67.39</u> =====	<u>\$1,457.85</u> =====

EXHIBIT 9

Summary Results of Reviewing Voucher 17

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 59.24		\$ 59.24	
Communication	3,155.64		3,155.64	
Transportation	1,221.49		1,221.49	
Rental	905.93		905.93	
Data Entry	615.04		615.04	
Home Office	<u>178.50</u>		<u>          </u>	<u>\$178.50</u>
Totals	<u>\$6,135.84</u> =====		<u>\$5,957.34</u> =====	<u>1/ \$178.50</u> =====

1/ These costs were previously claimed in Voucher 16 and represent a double billing.

Summary Results of Reviewing Voucher 18

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 73.98	\$ 73.98		
Communication	1,287.75	1,218.65	\$ 40.85	\$ 28.25
Computer	673.30	673.30		
Transportation	680.86	680.86		
Rental	1,502.56		753.20	749.36
Data Entry	263.83	263.83		
Home Office	<u>3,107.06</u>	<u>241.00</u>	<u>          </u>	<u>2,866.06</u>
Totals	<u>\$7,589.34</u> =====	<u>\$3,151.62</u> =====	<u>\$794.05</u> =====	<u>\$3,643.67</u> =====

EXHIBIT 11

Summary Results of Reviewing Voucher 19 1/

<u>Cost Description</u>	<u>Costs Reviewed</u>	<u>Costs Questioned</u>	<u>Recommended Disallowed</u>	<u>Accepted</u>
Supplies	\$ 610.13	\$ 610.13		
Communication	644.08	595.06		\$ 49.02
Computer	100.00	100.00		
Rental	704.08		\$352.04	352.04
Local Travel	340.43	340.43		
Data Entry	510.64	510.64		
Home Office	<u>1,473.66</u>	<u>          </u>	<u>2.60</u>	<u>1,471.06</u>
Totals	<u>\$4,383.02</u> =====	<u>\$2,156.26</u> =====	<u>\$354.64</u> =====	<u>\$1,872.12</u> =====

1/ Voucher 19 costs were \$23,095.58 but ISTI claimed \$19,022.21 which partially offset \$4,023.17 claimed twice on Vouchers 16 and 17.



Postal Charges Claimed Twice

\*\*\*\*\*  
 Friendship Station  
 Washington D.C. 20016  
 Clerk: 4000  
 07/25/84 12 25

---

First Class Postage	\$	17.46
<hr/>		
**	TOTAL	\$ 17.46
CASH	\$	17.46
<hr/>		
Change due	\$	0.00
<hr/>		
001 03	4000	0413 07/25/84 12 25
*** THANK YOU ***		

V-266 935 091

RECEIPT FOR INSURED MAIL  
 DOMESTIC-INTERNATIONAL

ADDRESSED FOR DELIVERY AT  
 (Post Office, State and County)

09527

POSTAGE	AIR	\$ 13.06
INSURANCE COVERAGE	FEE	\$ 4.40
SPECIAL HANDLING		\$
DOMESTIC ONLY	Special Delivery	\$
	Restricted Delivery	\$
RETURN RECEIPT (Except U.S. Canada)		\$
Fragile and Perishable	TOTAL	\$ 17.46
Customer Over		
Postmaster By		<i>CS</i>

SAVE THIS RECEIPT UNTIL PACKAGE IS ACCOUNTED FOR

Example No. 1.

The ISTI representative claimed \$17.46 twice using both the register tape receipt and the insurance receipt. See example 2 also.

U. S. POSTAL SERVICE

CLEVELAND PARK STA 20008

110 P O METER	9.55
110 P O METER	5.65
090 POSTAGE	.22
-----	
TOTAL	15.42
CASH T	20.00
-----	
CHANGE	4.58
-----	
CLERK #03	9/ 9/36
THANK YOU	

V-298 477 862

RECEIPT FOR INSURED MAIL  
DOMESTIC-INTERNATIONAL

ADDRESSED FOR DELIVERY AT  
(Post Office, State and County)

SAVE THIS RECEIPT UNTIL PACKAGE IS ACCOUNTED FOR

32317

POSTAGE	AIR	\$	
	<input type="checkbox"/>		515
INSURANCE COVERAGE	FEE		
\$	500.00	\$	440
SPECIAL HANDLING			
DOMES- TIC ONLY	Special Delivery	\$	
	Restricted Delivery		
RETURN RECEIPT			
	(Except to Canada)		
Fragile Liquid Perishable	TOTAL	\$	955
	Customer Over		
	Postmaster By		

*(Circular Postmark: SEP 9 CLEVELAND OH)*

V-298 477 861

RECEIPT FOR INSURED MAIL  
DOMESTIC-INTERNATIONAL

ADDRESSED FOR DELIVERY AT  
(Post Office, State and County)

SAVE THIS RECEIPT UNTIL PACKAGE IS ACCOUNTED FOR

22901

POSTAGE	AIR	\$	
	<input type="checkbox"/>		125
INSURANCE COVERAGE	FEE		
\$	500.00	\$	440
SPECIAL HANDLING			
DOMES- TIC ONLY	Special Delivery	\$	
	Restricted Delivery		
RETURN RECEIPT			
	(Except to Canada)		
Fragile Liquid Perishable	TOTAL	\$	565
	Customer Over		
	Postmaster By		

*(Circular Postmark: SEP 9 CLEVELAND OH)*

Examples of Receipts Submitted by the ISTI Representative  
That Do Not Indicate What Was Purchased

RECEIPT  
THANK YOU

2.75	1
3.00	1
3.00	1
3.75	SI
2.50	1
11.25	1
11.25	1
11.25	CA
10.00	CG
259	SP 2
30005	
5101	
--33-37	

*[Handwritten signature]*

⑥

⑬ THANK YOU FOR  
SHOPPING OUR K MART  
RETAIN FOR REFUND  
STORE #7203 09/15/87

EN	3/1.00	1.00
25	266.23	13.78
OTO		1.97
EN		1.27
EN		1.27
EN	1117	2.25
EN	1117	2.25
EN	145	3.18
EN	145	3.18
MAX		1.50H
TOTAL		31.49
CASH		31.49
CHANGE		.00
774	23	7.09PM

⑭  
YOUR RECEIPT  
THANK YOU

2.75	1
10.52	1
10.52	1
4.35	1
4.79	1
4.79	1
3.77	1
59.42	SI
59.42	RL
60.00	CA
5.80	CG

1641	SP	1
000006		
10:45		
25-07-87		

*[Handwritten signature]*

40-51  
V0000 0000  
000-01\*

YOUR RECEIPT  
THANK YOU

50-07-87

.....  
0-52

31-07-87

.....9-251  
.....7-306  
.....15-05 1  
1  
10-22

275 1  
275 SF  
275 IL  
275 CA  
.0000

0758 SP 2  
000006  
19:04  
20-07-87

(12)

13-13-87  
(11)

YOUR RECEIPT  
THANK YOU

YOUR RECEIPT  
THANK YOU

13-07-87  
\*15.00  
\*7.00  
\*2.75  
5 \*20.00

10.00  
12.00  
10.00  
10.00  
10.00

27  
27  
27  
27  
5.00  
22

0000 0000  
19-07

3334 SP 2  
000006  
13:43  
09-07-87

(9)

(10)

0757 SP  
000006  
19:03  
20-07-87

(13)



CAIRO, EGYPT

APPENDIX 1  
Page 1 of 12

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

APR 18 1988

M E M O R A N D U M

TO: Frederick A. Kalhammer, RIG/A/C  
FROM: Charles <sup>H</sup>F. Weden, Deputy Director  
SUBJECT: Draft Audit Report - Review of International Science  
and Technology Institute, Inc. Costs Under Contract  
No. 263-0152-C-00-6123-00

RECOMMENDATION NO. 1

We recommend the cognizant USAID/Egypt Contracting Officer for ISTI Contract No. 263-0152-C-00-6123 review and allow/disallow, as appropriate, the costs questioned and recommended for disallowance, as shown in Exhibits 1 to 10.

USAID RESPONSE

In a letter dated April 3, 1989 (see Attachment 1), the USAID/Egypt Contracting Officer advised ISTI of the disallowed costs amounting to \$13,738.60 and questioned costs amounting to \$75,119.12. Negotiations with ISTI are ongoing.

Based on the above action, we request that the recommendation be resolved upon issuance of the audit report and closed upon settlement of the disputed costs.

RECOMMENDATION NO. 2

We recommend the cognizant USAID/Egypt Contracting Officer for the new ISTI contract advise ISTI and its local representative that:

- (a) current cash disbursement practices in Egypt are unacceptable; a local checking account should be established and appropriate records maintained; and records supporting expense vouchers submitted to A.I.D. should be adequately maintained and indexed on a current basis;

- 2 -

- (b) all contract-related procurement should be accomplished through recognized ISTI channels only;
- (c) use of military postal facilities is prohibited and must cease; and
- (d) either advise ISTI and its local representative that employment of a local driver/vehicle is not authorized under the contract and these services should be terminated, or amend the contract, as appropriate.

USAID RESPONSE

Mission management recommends that the recommendation be amended to read as follows:

We recommend that USAID/Egypt review the terms of the current ISTI contract and ISTI's performance thereunder to determine whether:

- (a) current cash disbursement practices in Egypt are acceptable;
- (b) contract-related procurement is being carried out through recognized ISTI channels;
- (c) use of military postal facilities has ceased; and
- (d) any local support personnel was hired in accordance with the terms of the contract.

The USAID/Egypt contracting officer reviewed the terms of ISTI's current contract and performance to date. In a letter dated March 29, 1989, he advised ISTI of acceptable practices relative to cash disbursements, contract-related procurement, and use of military postal facilities (see Attachment 2). ISTI has advised the USAID/Egypt Contracting Officer that the services of a locally hired vehicle driver under the current contract has been terminated (see Attachment 3).

Based on the above actions, we request that this recommendation be closed upon issuance.

- 3 -

(NOTE: In the final report, the order of the following recommendations was reversed.)

RECOMMENDATION NO. 3

We recommend that USAID/Egypt:

- (a) review and issue/amend, as appropriate, a Mission Order and/or Staff Notice formally notifying all USDH and contract employees as to who is, and who is not, eligible to use U.S. military postal facilities in Egypt; and
- (b) review and weigh the implications of the actions of certain USDH employees who received packages via the military mails on behalf of the ISTI representative, and determine what disciplinary actions, if any, are warranted in the circumstances.

USAID RESPONSE

- 3(a) The USAID/Egypt will issue a Staff Notice to remind USDH employees of the limits of military postal privileges, and issue a Contractor Bulletin to inform all contractors of the eligibility rules regarding the use of U.S. military postal facilities.
- 3(b) We are reviewing the actions of certain USDH employees relative to the use of military mails and will make a determination by May 31 on what disciplinary action, if any, we will take.

Based on the above, we request that both recommendations 3(a) and 3(b) be resolved upon issuance of the report until we complete our proposed actions.

RECOMMENDATION NO. 4

We recommend that USAID/Egypt weigh the implications of the ISTI representative's past billing practices to A.I.D., as set forth in the results of this audit, and determine whether said person should continue in his present or any other contractual relationship with USAID/egypt.

USAID RESPONSE

Mission management recommends that the recommendation be amended to read as follows:

- 4 -

We recommend that USAID/Egypt weigh the implications of the ISTI representative's past billing practices to A.I.D., as set forth in the results of this audit, and determine whether said person should continue in his present contractual relationship with USAID/Egypt and whether to seek suspension or debarment of said person for future A.I.D.-financed contracts through appropriate A.I.D./W channels.

With regard to the current contract, the Mission Director has reviewed, in consultation with the Legal Advisor, the contract clause that concerns contractor employee misconduct. I decided to take no further action because the problems identified under the old contract have been rectified and because the current contract will terminate in fewer than ninety days. My decision, however, in no way prejudices the merits of the case for debarment or suspending the employee from future A.I.D.-financed contracts.

With regard to suspension or debarment of the ISTI representative from future A.I.D.-financed contracts, Mission management will refer the matter to A.I.D./W for consideration.

Based on the above, we request that the recommendation be closed upon issuance.

Att: a/s above



CAIRO, EGYPT

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

Office of Contract Services  
USAID/Egypt  
Box 10  
FPO NY 09527-0008

April 3, 1989

Mr. Robert Otto  
Vice President for Operations  
International Science and  
Technology Institute Inc.,  
1129 20th Street, N.W.  
Washington DC 20036

Subject: Contract No. 263-0152-C-00-6123-00

Dear Mr. Otto:

The draft results of the review of other direct and local costs claimed under subject contract has been issued. The review has revealed duplicate billings, supporting documentation that is lacking, unclear or insufficient, and evidence of costs that are either unauthorized, not contract related, or required to be provided by the host country. Overall, it is felt that these problems demonstrate weak internal controls and inadequate oversight by your Head Office. Disallowed costs total \$13,738.60 and questioned costs total \$75,119.12.

The following costs are disallowed under vouchers 1-19:

A. Duplicate or improper billings		\$7,666.36
B. Direct charging of U.S. holidays		6,544.45
C. Supporting documents not provided or inadequate		350.32
D. Overcharges and refundable deposits		481.31
E. Other		<u>1,247.34</u>
	Sub-Total	\$16,289.78
Corrected on Voucher No. 19		<u>(4,023.17)</u>
	Sub-Total	\$12,266.61
	G&A @ 12%	<u>1,471.99</u>
	TOTAL	\$13,738.60

A. Duplicate or Improper Billings

1. Local expenses of \$5,957.34 were claimed on both vouchers 15 and 16. This was partially corrected by \$4,023.17 on voucher 19. The balance of \$1,934.17 is disallowed.
2. Electric bills totaling \$753.20 were claimed twice. This is particularly disturbing since the payment receipts were billed under voucher 16 and then notices of amount due were claimed on voucher 18!
3. Monthly telephone bills were repeatedly charged to the contract resulting in an overcharge of \$570.90.

(2)

4. \$352.04 was billed as an electricity expense when the supporting documentation showed that it was being deducted from a credit balance.
5. Mail charges of \$32.88 were billed twice (the postal cash receipt and postal insurance stub were used as receipts).

B: Direct Charging of U.S. Holidays

Employee holidays were considered when establishing ISTI's fringe benefit rates. 15 U.S. Holidays were directly charged to the contract resulting in an over-billing of \$3,990.52. This was increased by 20% Post Differential and 44% Fringe and Field Overhead rates for an additional \$2,553.93. Therefore \$6,544.45 is disallowed.

C. Supporting documents not provided or inadequate

Claimed cost included \$245.64 for which no receipts were provided and \$104.68 for which receipts were deemed inadequate. \$350.32 is disallowed.

D. Overcharges & Refundable Deposits

This involves a refundable deposit of \$437.83 and an overcharge of \$43.48 on a deposit for international telephone service.

E. Other

\$1,247.34 is disallowed because:

1. Errors in calculating post differential, fringe and field overhead, and claimed cost totals amount to \$1,133.40.
2. An error of \$42.08 in computation of the dollar equivalent of local costs.
3. \$58.04 for books unrelated to contract performance.
4. \$13.82 penalty for late payment of a phone bill.

TOTAL DISALLOWED COSTS	\$13,738.60
------------------------	-------------

The following costs are questioned on vouchers 1-19:

A. Payments for an unauthorized subcontract		\$10,480.73
B. Home Office Support costs		9,357.94
C. Computer equipment and software		7,667.14
D. Rental and renovation costs		10,500.02
E. Inadequately documented claims		10,947.03
F. Direct charging of Egyptian Holidays		6,540.45
G. Shipment of household effects		5,250.61
H. Mail charges		3,990.54
I. Other costs		2,336.18
	Sub-Total	\$67,070.64
	G&A @ 12%	8,048.48
	Total	\$75,119.12

- A. Payments for an unauthorized Subcontract  
Costs amounting to \$10,480.73 are questioned because the subcontract (for chauffeur and other services) was entered into without the prior approval of A.I.D. and the SBA as required by the contract. There also seems to be some confusion about the nature of services procured, the number and timing of salary increases, and payments made in addition to those called for in the subcontract.
- B. Home Office support costs  
These costs include Home Office salary and the applicable fringe and overhead charged to the contract. This amounts to \$9,357.94. Given the background, these costs must be justified.
- C. Computer Equipment and Software  
Commodities amounting to \$7,667.14 were purchased outside the scope of the contract without prior authorization.
- D. Rental and Renovation costs  
In the fourth month of the contract period the Project Manager's quarters were upgraded without prior approval. The new apartment cost \$3,000 more per year. The pro-rated difference over the contract period amounts to \$5,500. In addition to the upgrade, renovations amounting to \$5,000.02 were undertaken.
- E. Inadequately Documented Claims  
International calls amounting to \$6,171.60 have been questioned. Telephone calls amounting to \$723.64 from a non ISTI employee are questioned. \$2,593.00 in travel costs are questioned. First, a round trip ticket in September 1986 for \$1,886 and second \$707.00 for Washington DC per diem and stopover charges. An Additional \$1,458.59 is questioned due to inadequate receipts.
- F. Direct charging of Egyptian Holidays  
As in U.S. holidays above, 15 Egyptian Holidays were charged to the contract at a cost of \$6,540.45. This includes the applicable post differential and fringe and field overhead. These costs are questioned.
- G. Shipment of Household Effects  
Apparently, the ISTI local representative was a resident of Cairo in September 1986; therefore, shipment costs of \$5,250.61 are questioned.
- F. Mail Charges  
Postage in the amount of \$3,990.54 is questioned. Using a rough estimate of \$1 per Pound for first class insured mail this means that approximately two tons of goods have been shipped.
- I. Other  
Other costs in the amount of \$2,336.18 are questioned as follows:
1. The purchase of three telephones for \$473.94
  2. Items shipped to "SIDO LTD. re ODIS KENDRICK" totalling \$217.21.

(4)

3. Payments of \$1,173.91 for report preparation and data entry.
4. Express mail Package address label for \$37.70
5. Undetermined U.S. phone and telefax charges of \$278.36.
6. Unidentified magazines and books at \$127.72
7. A receipt for \$16.59 that identifies the purchaser as "NARF".
8. A charge for \$10.75 for mail sent to a relative of the ISTI representative.

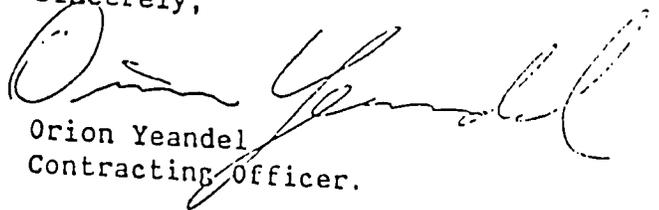
TOTAL QUESTIONED COSTS

\$75,119.12

The disallowed and questioned costs outlined above cover vouchers 1-19. Our records indicate that vouchers 1-14 were completely paid, while on vouchers 15-18 ISTI received partial payments. Voucher 19 has not been paid and a final voucher has yet to be submitted. In order to reach a settlement it is suggested that ISTI prepare a schedule showing what has been vouchered including your final voucher and what payments have been received listed by voucher. This office awaits your early written response to the questioned amounts outlined above. Please provide this before arranging a visit to Cairo. Once your schedule and response have been received, final settlement and close out can be initiated.

If you have any questions or require further information please contact me direct at 20-2-354-8211 (X3257).

Sincerely,

  
Orion Yeandel  
Contracting Officer.

Office of Contract Services  
USAID/Egypt  
Box 10  
FPO NY 09527-0008

March 29, 1989

Mr. Robert Otto  
Vice President for Operations  
International Science and  
Technology Institute Inc.,  
1129 20th Street, N.W.  
Washington DC 20036

Subject: Contract No. 263-0152-C-00-6123-00

Dear Mr. Otto:

The International Science and Technology Institute, Inc. is formally advised that:

- (1) Current cash disbursement practices in Egypt are unacceptable; a local checking account should be established and appropriate records maintained; and records supporting expense vouchers submitted to AID should be adequately maintained and indexed on a current basis;
- (2) All contract-related procurement should be accomplished through recognized ISTI channels only;
- (3) Use of military postal facilities is prohibited and must cease;

Please advise your local representative accordingly.

Sincerely,

Orion Yeandel  
Contracting Officer

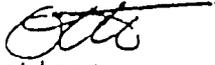
International Science and Technology Institute

Headquarters: 1129 20th Street, N.W., Washington, D.C.  
202-785-0531 • Telex 272785 ISTI UR • FAX 202-278-1133

DATE: March 22, 1989.

TO: Michael Nicholas Contracting Officer  
USAID AMEMBASSY

C.C. D\DIR, Charles Weden  
OD\AGR, Edwin Stains

FROM: Robert Otto   
V.P. for Operations  
ISTI, Inc.

SUBJECT: Contract No. 263-0152-C-00-9001  
Technical Services for the Egyptian National  
Agricultural Research Project

REF: Your Telex of March 9, 1989

*Contract cost*

Point by point response to ref telex follows.

1. I have directed Mr Kendrick to not deviate from the contract's provisions re normal working periods without advance approval by the USAID Project Manager. In future, any time worked outside of normal work periods that have not been approved by the Project Manager will not be billed.
2. We stand by our earlier commitment to terminate all further utilization of Workman. Thank you for your consideration under Invoice #2.
3. Mr. Kendrick has informed me that effective March 15, 1989, Mr Amr Mostafa Sakep's assistance under this contract has been terminated. Mr. Kendrick has advanced strong arguments in support of his having retained Mr. Sakep, for his rapid increases in pay over the period Mr. Sakep has worked with NARP and the quality and cost effectiveness of the work he has performed over time. However, these arguments may not be compelling in light of the terms of the contract and given standard operating procedures of AID. I assume his departure from the service of NARP will obviate the need for a contract amendment. Please advise if I am wrong.
4. I understand Mr. Kendrick has provided you by letter dated 13 March 1989 information concerning EMS Egypt NPO (LE 72.00), ARENTO (LE 50.00) and Quick Copy bill (LE 14.50). I trust his letter provides sufficient information to allow you to make a judgement on their allowability. If you have need for further information, please advise.

I am very concerned about the problems we have been having with this and previous NARP contracts. I understand from a meeting of the Regional Auditor with our senior personnel here in Washington that a large sum of claimed expenses is being questioned and some expenses are being considered for outright disallowance. In addition to the matter of the funds in question, I have particular concern for the impression your post might have that ISTI is not competent to manage this contract.

I am prepared to travel to Cairo to meet with you, the ISTI and AID Project Managers and, if appropriate, the Auditor to discuss how we might best resolve remaining issues. To that end, we have asked for a copy of the Auditor's Preliminary Findings report to supplement what we have learned from the Auditor's visit to our offices some weeks back. I plan to travel as soon as I have had a chance to review that report.

Thank you for your consideration of all the issues in this and prior communications. END\ISTI\OTTO

U.S. and Overseas Offices

Washington, Virginia • Lewes, Delaware • Guatemala City, Guatemala • Cairo, Egypt • Jakarta, Indonesia  
Riyadh, Saudi Arabia • Dakar, Senegal

International Science and Technology Inc.

Headquarters: 1129 20th Street, N.W., Washington, D.C. 20037  
202/785-0831 • Telex: 272785 ISHT US • Fax: 202/785-0832

13 March 1989

Mr. Michael J. Nicholas, Contracts Officer  
Office of Contract Services  
United States Agency for  
International Development  
106 Kasr El Aini Street  
Garden City, Cairo, Egypt

Dear Mr. Nicholas:

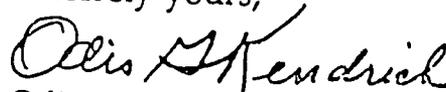
RE: National Agricultural Research Project  
USAID Project No. 263-0152  
Contract 263-0152-C-00-9001-00  
Local Transportation

Attached is a notice of termination for the local transportation furnished by Mr. Ismail Mostafa. Mr. Mostafa agreed to terminate the agreement without the fifteen days notice.

This action was taken to avoid any potential contradiction with IB 1 Supplement B 4C2a(5) which prohibits "long term lease" on non-American made vehicles. Apparently there is no mission policy which defines "long term". In discussions with various mission offices I am told that any lease less than six months may be considered reasonable. However in the absence of clear mission guidance the existing arrangement was terminated, effective COB 17 January 1989.

The conditions described in my letter to you of 28 December 1988 and the situation explained in Dr. Momtaz's letter of 12 January 1989 to Mr. Lawhead still exist.

Sincerely yours,



Odie G. Kendrick  
Project Manager

U.S. and Overseas Offices

Arlington, Virginia • Lewes, Delaware • Guatemala City, Guatemala • Cairo, Egypt • Tripoli, Libya  
Rabat, Morocco • Dakar, Senegal

12 January 1989

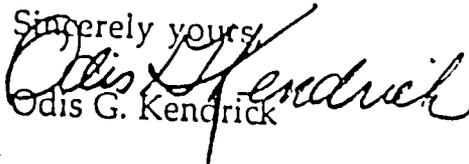
Mr. Ismail Mostafa  
59 Gomhorya Street  
Cairo

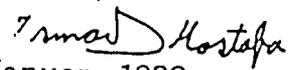
Dear Mr. Ismail:

This is to confirm our discussions regarding the cancellation of our agreement of 3 October 1988 for the rental of an automobile and driver to provide local transportation within greater Cairo. Our agreement is terminated, by mutual consent and without prejudice, effective on the close of business 17 January 1989.

The final payment will be pro-rated for the month of January 1989.

Please indicate below your acceptance of this cancellation and these terms and conditions.

Sincerely yours,  
  
Odis G. Kendrick

Accepted:   
Dated: 12 January 1989

APPENDIX 2REPORT DISTRIBUTION

	<u>No. of Copies</u>
Mission Director, USAID/Egypt	10
Assistant Administrator, Bureau for Asia and Near East (ANE)	2
U.S. Ambassador to Egypt	1
Office of Egypt Affairs (ANE/E)	3
Audit Liaison Office (ANE/DP)	1
Assistant Administrator, Bureau for External Affairs (XA)	2
Office of Press Relations (XA/PR)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Directorate for Program and Management Services, Office of Procurement (M/SER/OP/OS)	1
Assistant to the Administrator for Personnel and Financial Management (AA/PFM)	1
Office of Financial Management (PFM/FM/ASD)	2
Center for Development Information and Evaluation (PPC/CDIE)	3
Bureau for Science and Technology, Office of Program Analysis and Evaluation (S&T/PO)	1
Inspector General	1
Deputy Inspector General	1
Office of Policy, Plans and Oversight (IG/PPO)	2
Office of Legal Counsel (IG/LC)	1
Office of Administration (IG/ADM)	12
Assistant Inspector General for Investigations (AIG/I)	1
Regional Inspector General for Investigations (RIG/I/C)	1
Office of Programs and Systems Audits (IG/PSA)	1
Other RIG/A field offices	1 each