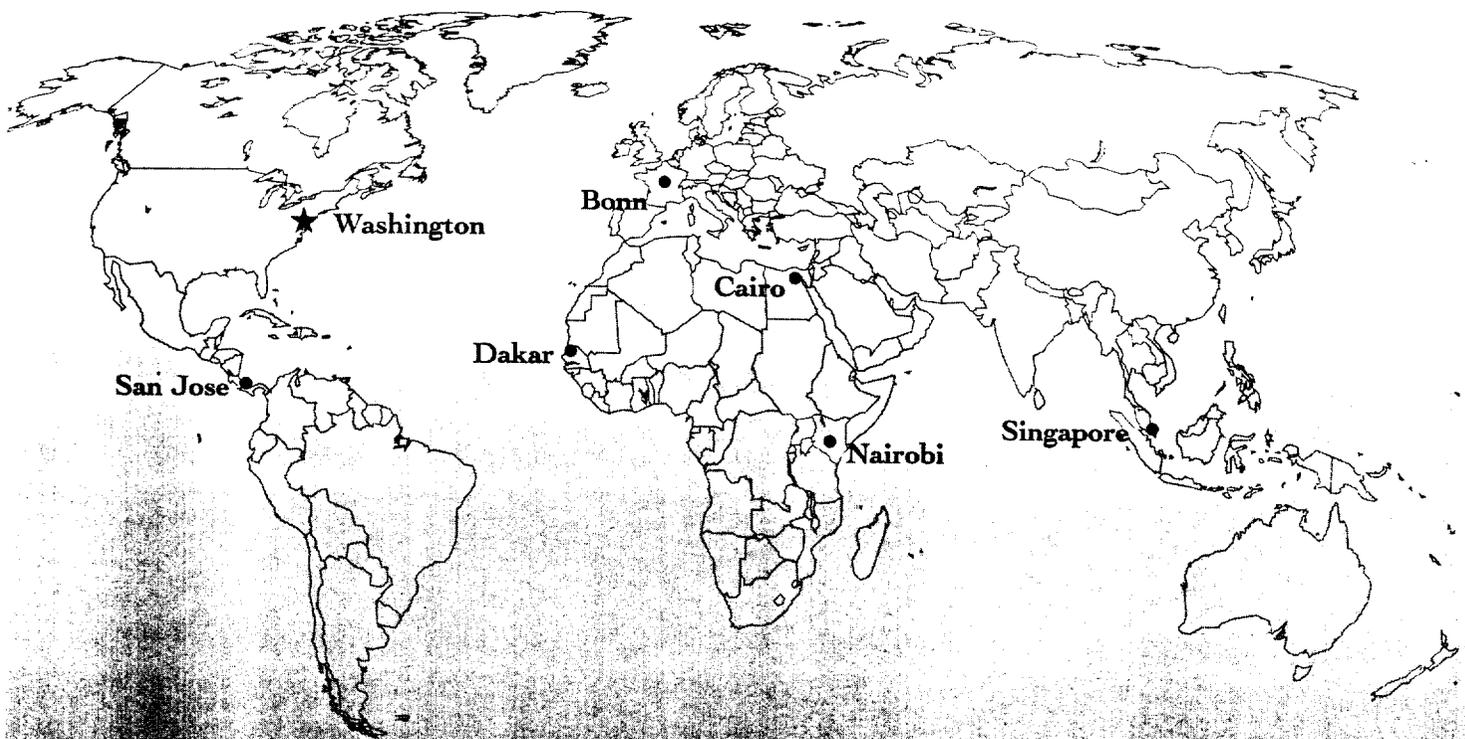

Audit of USAID/Egypt's Payment Process

Report No. 6-263-96-008
May 29, 1996



INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

CAIRO, EGYPT

May 29, 1996

MEMORANDUM

TO: USAID/Egypt Director, John R. Westley
FROM: RIG/A/C, Lou Mundy *Lou Mundy*
SUBJECT: Audit of USAID/Egypt's Payment Process

This is our report on the subject audit. In finalizing the audit report, we considered the Mission's comments on the draft report and have included them in Appendix II.

The report contains one recommendation with six parts which are all closed upon issuance of this report.

Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the audit program in Egypt.

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2

Table of Contents

	Page
Executive Summary	i
Introduction	1
Background	1
Audit Objective	2
Report of Audit Findings	3
A Significant Proportion of USAID/Egypt Payments Were Not in Full Compliance with the Terms of the Obligating Documents, Applicable Laws and Regulations, and USAID Policies and Procedures	3
Payment Process Should Be Strengthened	3
Management Comments and Our Evaluation	10
Appendices	Appendix
Scope and Methodology	I
Management Comments	II
Projection of Errors Found in the Audit Sample	III

EXECUTIVE SUMMARY

During fiscal year 1995, USAID/Egypt made 16,680 disbursements totaling \$817 million. These disbursements are subject to a system of controls designed to provide reasonable assurance that payments are correct and on time. Within USAID/Egypt, the accounts payable section in the Financial Management Directorate is the focal point for processing payments.

The Office of the Regional Inspector General for Audit/Cairo performed an audit of USAID/Egypt's payment process to answer the following audit objective: Were USAID/Egypt payments in accordance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures?

Based on a random sample of 80 payment transactions, we found that a significant proportion¹ of USAID/Egypt payments were not in full compliance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures. These instances of non-compliance most notably included cases where payments were not administratively approved, payments were not in compliance with the underlying contracts and agreements, and vouchers were not recorded correctly in the accounting system. For the most part, these problems resulted in an increased exposure to risk rather than any actual harm; however, there were cases where interest penalties owed to vendors were not paid and other cases where payments were made even though they were not in accordance with the terms of the underlying contract or agreement.

The principal report recommendations are that USAID/Egypt: communicate to its staff their revised responsibilities for providing administrative approval of payments; establish a written policy on payment due dates; implement a system to pay interest penalties as required by the Prompt Payment Act; implement a strengthened system of quality control to provide better assurance that payments are in accordance with the terms of contracts and agreements; and implement controls to limit access to electronic payment files.

In its comments on the draft audit report, USAID/Egypt stated that, on balance, it believed that the report findings reflected a sound payment process at USAID/Egypt, and

¹ In general, we considered error rates in the audit sample of 5 percent or more to represent significant non-compliance.

that the identified areas where payment procedures could be strengthened did not represent material weaknesses. The Mission took action to fully implement the report recommendations and so the recommendations are closed upon issuance of this report.

Office of the Inspector General

Office of the Inspector General

May 29, 1996

INTRODUCTION

Background

During fiscal year 1995, USAID/Egypt made 16,680 disbursements totaling \$817 million.² Although different rules apply to different types of payments, the main steps in the payment process can be summarized as follows:

- An invoice or voucher is received in the Mission's Financial Management (FM) Directorate and logged into the accounting system. At the same time, FM establishes the payment due date.
- An official with personal knowledge of the goods or services covered by the voucher administratively approves the voucher.
- A voucher examiner in FM verifies that the voucher is in compliance with the terms of the relevant contract or agreement, that the voucher is mathematically correct, and that funds are available to make the payment.
- A scheduling clerk prepares a list of payments to be made, attaches the relevant vouchers, and provides this package to a certifying officer in FM.
- The certifying officer reviews the list of payments to be made and certifies that the listed vouchers are correct and proper for payment.
- The list of payments is sent electronically to a U.S. State Department or U.S. Treasury Department disbursing office, where checks are issued or electronic fund transfers are made to payees' bank accounts.
- The payments are recorded in the accounting system and reconciled with reports from the disbursing offices.

² This amount includes the equivalent of approximately \$47 million in local currency trust funds belonging to the Government of Egypt. These trust funds were disbursed by USAID/Egypt on behalf of the Government of Egypt. Throughout this report, local currency trust funds are converted to dollars at an exchange rate of 3.40 Egyptian pounds to 1 U.S. dollar.

The accounts payable section in FM, which is the focal point for processing payments, is staffed by 13 voucher examiners, 2 scheduling clerks, and 2 supervisors.

Audit Objective

The Office of the Regional Inspector General for Audit/Cairo performed an audit of USAID/Egypt's payment process to answer the following audit objective:

- Were USAID/Egypt payments in accordance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures?

Appendix I contains a discussion of the audit scope and methodology.

REPORT OF AUDIT FINDINGS

The answer to the following audit objective is qualified to the extent of the effect, if any, of not having received written representations for the audit from USAID/Egypt officials directly responsible for the audited activities. Appendix I includes a discussion of this qualification.

Were USAID/Egypt payments in accordance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures?

Based on a random sample of 80 payment transactions, we found that a significant proportion³ of USAID/Egypt payments were not in full compliance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures.

USAID/Egypt generally made sure that payments were charged to the correct appropriations and that funds were available before payments were made. However, as discussed in the following section, improvement was needed in several other areas.

Payment Process Should Be Strengthened

USAID/Egypt is responsible for making sure that payments are in accordance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures. The audit identified a significant number of cases where payments were not administratively approved, proper payment due dates were not established, interest penalties were not paid when required, payments were not in compliance with contracts and agreements, electronic payment files were potentially vulnerable to unauthorized alterations, and vouchers were not recorded correctly. For the most part, these problems resulted in an increased exposure to risk rather than any actual harm; however, there

³ In general, we considered error rates in the audit sample of 5 percent or more to represent significant non-compliance.

were cases where interest penalties owed to vendors were not paid and other cases where payments were made even though they were not in accordance with the terms of the underlying contract or agreement.

Recommendation No. 1 We recommend that USAID/Egypt:

- 1.1** communicate to the responsible staff their revised responsibilities for providing administrative approval of payments;
- 1.2** establish a written policy on payment due dates and implement a quality control system that provides reasonable assurance that the policy is followed consistently;
- 1.3** implement a system to calculate and pay interest penalties as required by the Prompt Payment Act and prepare accurate reports on compliance with the Act;
- 1.4** implement a strengthened system of supervision and quality control to provide better assurance that payments are in accordance with the terms of contracts and agreements;
- 1.5** implement controls to limit access to electronic payment files; and
- 1.6** implement a system to provide reasonable assurance that check numbers and dates are recorded in the accounting system.

The steps in the payment process where the audit disclosed significant errors are discussed in the following sections. Appendix III includes projections of errors found in the audit sample to the population of all disbursements made by USAID/Egypt in fiscal year 1995.

Administrative Approvals

USAID policy requires that payment requests (vouchers) be administratively approved by an official who has personal knowledge of the goods or services covered by the voucher. For example, USAID Handbook 19, Chapter 3, Section 3.H.1.c. states that:

Prudent internal controls, not only to meet minimum legal requirements but also to satisfy reasonable management requirements, require the administrative approval of an officer of the U.S. Government who is in a position to know or to find out if those services for which payment is being requested have in fact been rendered, that goods described in the billing have been delivered, and that payment is in order.

Also, USAID Financial Management Bulletin No. 8, Section III.B.2. states that:

A voucher must be administratively approved by an official who is cognizant of and may truthfully certify to the facts as stated in the voucher. This official may be the authorized Certifying Officer (CO) or it may be another official such as an executive officer, administrative officer, branch chief, project officer, or other official knowledgeable of the transaction.

Of the 60 disbursements covered by the audit where an administrative approval was required,⁴ 14 disbursements were not administratively approved. These disbursements included payments to U.S. personal services contractors, payments for carrier transportation expenses, payments to official travelers for per diem and lodging expenses, and tuition payments. FM officials did not require administrative approval of these disbursements because they believed that these disbursements were adequately substantiated by the supporting documentation provided.

During the audit, FM officials indicated that, in the future, supervisors and other appropriate personnel would administratively approve payments to personal services contractors and official travel costs, that officials in the Management Directorate would approve payments for carrier transportation expenses, and that the authorized certifying officer would administratively approve tuition payments.

Payment Due Dates

USAID Financial Management Bulletin No. 8, Section III.F.10. states that:

It is A.I.D. policy to make payment as close as administratively possible to the due date as specified in the invoice, contract, or other agreement. If no due date is specified, the due date will be considered to be on the thirtieth (30th) day from receipt of the invoice or acceptance of goods/services, whichever is later, and payment will be scheduled to be made on that date.

Notwithstanding this policy, USAID/Egypt had an unwritten policy which established different due dates, depending on the type of payment being made.⁵ During the audit,

⁴ USAID/Egypt was not required to administratively approve the other disbursements in the audit sample of 80 disbursements either because the disbursement was made by another Mission and charged to USAID/Egypt or because the disbursement was made based on a journal voucher or another internal Mission document.

⁵ According to FM officials, their policy was to adhere to the following due dates: payments subject to the Prompt Payment Act - 30 days, most international travel - 30 days, grants - 15 days, project implementation letters - 15 days, letters of commitment -15 days unless the letter of commitment provides for a different due

FM officials recognized the need to establish a written policy on payment due dates to provide more consistent treatment to payees.

Compliance with Prompt Payment Act

The Prompt Payment Act (Title 31 U.S. Code § 3901 et. seq.) states that, when a U.S. Government agency pays a business concern after the required payment date, the agency must pay an interest penalty.⁶

The audit sample included 27 disbursements which were subject to the Prompt Payment Act. Eight of the 27 disbursements were made after the required payment date and interest penalties totaling \$5,956 were due for five of these late payments.⁷ However, USAID/Egypt did not pay any of the interest penalties due. With respect to one of these items, representing \$5,873 in accrued interest, the Mission stated and the contractor confirmed that it was notified of a potential rejection of the invoice. The Mission eventually paid the invoice, after it received additional information from the contractor, but did not pay the interest penalty due.

Interest penalties were not paid mainly because FM did not have a system to calculate and pay interest penalties based on actual payment dates, as required by the Prompt Payment Act. Instead, FM relied on its payment tracking system which, in most circumstances, did not calculate interest penalties correctly. If a voucher was scheduled for payment on or after the payment due date recorded in the system, the system would add an interest penalty. However, many vouchers scheduled for payment before the payment due date were not actually paid until after the due date. When this happened, the system did not calculate interest penalties. Also, FM personnel sometimes entered incorrect dates in the system, causing additional errors.

As indicated above, these problems led to underpayment of interest due to contractors. They also caused inaccurate reporting to USAID/Washington on USAID/Egypt's compliance with the Prompt Payment Act. Inaccurate reporting occurred, not because of any intent to deceive on the part of USAID/Egypt officials, but because USAID/Egypt used its payment tracking system to prepare its annual reports on compliance with the Prompt Payment Act, and many payments where interest was due were not properly recorded in the system.

date, local vendors - 15 days, local freight - 7 days, local travel - 7 days.

⁶ The Prompt Payment Act applies to payments to direct U.S. Government contractors. It does not apply to payments to grantees, payments to employees of the U.S. Government, or to payments under letters of commitment established to finance host country contracts. According to the Act and Office of Management and Budget Circular No. A-125, interest penalties under one dollar need not be paid.

⁷ For the other late payments, the interest payments were under one dollar and therefore did not need to be paid.

USAID/Egypt needed to implement a system to calculate and pay interest penalties when checks are prepared after the due date as required by the Prompt Payment Act and prepare accurate reports on compliance with the Act.

Compliance with Contracts and Agreements

Contracts and agreements contain provisions describing what expenses may be paid, what documentation must be provided to obtain payment, and so on. USAID Financial Management Bulletin No. 8, Section III.F.3. states that voucher examiners are responsible for verifying that requested payments are in compliance with the relevant contract or agreement. Among other things, they are responsible for verifying that certifications and statements required by law, regulations and terms of the implementing document are made and signed; that the amount and items claimed are in agreement with the basic documents authorizing the claim; and that the payee is, in fact, the proper person to receive payment.

Of the 49 disbursements where we could test compliance with the underlying contract or agreement, 4 were not in compliance with the underlying document. Details on these disbursements are provided below:

- One disbursement was made under a contract with a budget which permitted the contractor to adjust the budget line items by up to 15 percent. Even after these adjustments were made, however, two of the budget line items were exceeded by a total of \$51,740. (However, the total contract budget was not exceeded.)
- Two other disbursements (both made to the same contractor) were not in accordance with contract provisions because they included: (1) salary costs in excess of an approval threshold for which FM had no evidence of contracting officer approval; (2) subcontract costs for which FM had no evidence of contracting officer approval; (3) overtime costs for which FM had no evidence of contracting officer approval; (4) indirect costs which were not provided for in the contract; and (5) a math error in the contractor's favor. These costs totaled \$179,522.
- A disbursement for \$21,495 was made under a fixed-price contract which provided that the contractor would be entitled to monthly payments "upon successful progressive completion of the work as determined and approved by the Contracting Officer." FM paid the voucher even though it had no evidence of approval by the contracting officer. Another problem is that the payment was made to an individual rather than the corporation with which the contract was signed. Although this individual was the Managing Director of the corporation, FM had no evidence that he was entitled to payment on behalf of the corporation.

These cases, in which payments were made even though they were not in compliance with the underlying contracts and agreements, were caused by several related factors.

First, in some cases, FM staff assumed that requested payments were in compliance with the relevant contracts and agreements rather than checking to be sure. Second, the mathematical accuracy of requested payments was not routinely verified. Third, in our opinion, supervisors spent most of their effort trying to ensure that vouchers were processed in a timely fashion, and that any decision to disallow expenses was properly justified. More effort needs to be spent verifying that approved payments are in accordance with the underlying contracts and agreements. USAID/Egypt needed to implement an improved system of supervision and quality control to provide reasonable assurance that payments are in accordance with obligating documents.

Transmission of Payment Files

After vouchers are certified correct and proper for payment, the payment file is transmitted electronically to the disbursing office in Birmingham, Alabama or Paris, France. Because USAID/Egypt processes hundreds of millions of dollars in disbursements per year, controls to prevent unauthorized alteration of payment files are an important precaution. Controls did not appear adequate to prevent scheduling clerks from altering payee names, addresses, and amounts in payment files sent to the disbursing office in Paris, France. (However, we found no indications that any such alterations were made.) USAID/Egypt needed to implement controls to prevent unauthorized alteration of electronic payment files.

Recording of Disbursements

For 79 of the disbursements in the audit sample, we were able to compare information recorded in USAID/Egypt's accounting and payment tracking system with source documents. This comparison disclosed 16 inaccuracies in the information recorded in the accounting and payment tracking system. Specifically:

- Three disbursement records were missing the check number and date.
- Three disbursement records had an incorrect invoice received date.
- Three disbursement records had an incorrect payment due date.
- Five disbursements were shown as being not subject to the Prompt Payment Act when in fact they were subject to the Prompt Payment Act.
- One disbursement, made pursuant to a journal voucher, had an incorrect journal voucher number recorded in the accounting system.
- One incoming advice of charge had the amount recorded incorrectly.

These inaccuracies, among other things, made it difficult for the Mission to ensure compliance with the Prompt Payment Act. USAID/Egypt needed to implement a system to provide reasonable assurance that check numbers and dates are recorded in the accounting system. In addition, implementing recommendations 1.2 and 1.3 should help ensure that accurate information is recorded in the accounting system.

MANAGEMENT COMMENTS AND OUR EVALUATION

In its comments on the draft audit report (Appendix II), USAID/Egypt stated that, on balance, it believed that the report findings reflected a sound payment process at USAID/Egypt, and that the identified areas where payment procedures could be strengthened did not represent material weaknesses. The Mission took action to fully implement the report recommendations as outlined below:

- Recommendation No. 1.1 - The Mission assigned responsibilities to its staff for approving payments for personal services, carrier transportation expenses, per diem and lodging expenses, and tuition.
- Recommendation No. 1.2 - The Mission established a written policy on payment due dates and established a quality control system to verify that the policy is being followed.
- Recommendation No. 1.3 - The Mission implemented a system to calculate and pay interest penalties as required by the Prompt Payment Act.
- Recommendation No. 1.4 - The Mission implemented a strengthened system of supervision and quality control. Under this system, vouchers exceeding specified dollar thresholds are subjected to different levels of supervisory review before they are paid.
- Recommendation No. 1.5 - The Mission limited access to electronic payment files to authorized certifying officers.
- Recommendation No. 1.6 - The Mission implemented a system to verify that check numbers and dates are recorded in the accounting system.

Based on the actions described above, all of the report recommendations are closed upon issuance of this report.

SCOPE AND METHODOLOGY

Scope

We conducted our audit in accordance with generally accepted government auditing standards. These standards require auditors to obtain written representations from management when they deem them useful. The Office of Inspector General deems such representations necessary to support potentially positive findings. USAID/Egypt's Director provided us a management representation letter for the audit that contained essential assertions about the activities we audited. However, USAID/Egypt officials directly responsible for these activities did not provide written representations. As a result, our answers to the audit objectives are qualified to the extent of the effect, if any, of not having such representations.

The audit fieldwork was performed from December 19, 1995 through April 16, 1996 in USAID/Egypt's Financial Management Directorate. The audit covered disbursements with transaction dates from October 1, 1994 through September 30, 1995. Based on information in USAID/Egypt's accounting system and reports to USAID/Washington, we identified 16,680 disbursements valued at \$817 million which were made during this period. From this population of 16,680 disbursements, we randomly selected 80 disbursements valued at \$1.6 million for detailed review.

The audit included an assessment of the internal controls related to the audit objective. We obtained an understanding of the relevant internal controls, determined whether they were placed in operation, and evaluated control risk. The audit also included an assessment of compliance with applicable laws and regulations. Specifically, we examined compliance with the Prompt Payment Act, Office of Management and Budget Circular No. A-125, and the contracts and agreements relevant to the disbursements in the audit sample.

Methodology

To answer the audit objective, we performed tests on the random sample of 80 disbursements discussed above. For these 80 disbursements, we performed the following steps:

- Traced the disbursement through the payment process from the receipt of the invoice or voucher until after the payment was made and recorded in the accounting system, noting the dates at which significant steps occurred.
- Noted whether an administrative approval was provided.
- Compared the payee name with the name shown on the underlying obligating document.
- Verified whether the payment requested was in compliance with the terms of the obligating document.
- Determined whether the voucher was subject to the Prompt Payment Act and, if so, verified that interest penalties were paid when required.
- Verified whether the payment was authorized under the appropriation it was charged to.
- Reviewed information in USAID/Egypt's accounting system to see if funds were available for each payment.
- Verified that the disbursement was recorded correctly in the accounting system.

We also observed the process used to extract vouchers for payment and transmit payment files to the disbursing office.

In evaluating the results of the fieldwork, we generally considered error rates of 5 percent or more of the audit sample to represent significant problems. This threshold reflects our judgment about the extent of compliance that is practical and cost effective to achieve.

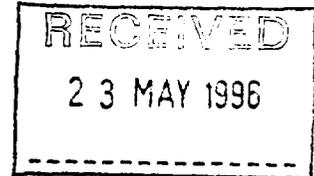


UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

MEMORANDUM

MAY 23 1996



TO: Lou Mundy, RIG/A/C

FROM: John R. Westley, DIR

SUBJECT: Audit of USAID/Egypt's Payment Process
Draft Report dated April 22, 1996

The subject audit has received a thorough review. During the course of this audit, the open communication and constructive observations from your staff were very much appreciated throughout the Directorate for Financial Management. On balance, we believe the findings reflect a sound payment process at USAID/Egypt, and the identified areas where our procedures could be strengthened do not represent material weaknesses. As the report indicated, observed problems tended to result in increased exposure to risk rather than any actual harm. However, we have taken the report's recommendations for strengthening our payment procedures very seriously. Outlined below are the various actions which have been taken to fully implement the audit report's recommendations. Based on these completed actions, I request that the final audit report reflect all recommendations as closed. Please feel free to contact the Mission Controller if any further information on actions taken to address the recommendations would be helpful.

Recommendation No. 1.1:

We recommend that USAID/Egypt communicate to the responsible staff their revised responsibilities for providing administrative approval of payments;

Mission Response:

There were four types of vouchers cited by RIG/A/C as lacking the administrative approval. The Mission has taken the following actions:

1. The PSC payroll: The Mission's Office of Procurement has determined that the current practice of accepting a time and attendance card (instead of SF-1034), which is independently reviewed/approved by the cognizant supervisor, is consistent with the intent of the PSC General Provision 11, the payment provision. A copy of the procurement office memo has been provided to RIG/A/C. To further strengthen the control over the approval process, the voucher examiners have been instructed to require supervisory approval on each time card before it is processed for payment.

2. American Express Invoices: An internal office memo has been issued to all voucher examiners, requiring them to obtain administrative approval for all American Express invoices (representing carrier transportation expenses) from the Management Office. Furthermore, the Accounts Payable Section in concert with the Management office has established an internal system to facilitate the approval process. A copy of the internal memo has been forwarded to RIG/A/C.

3. International Travel Vouchers: The Mission has issued a Staff Notice requiring all travellers to obtain administrative approval from the cognizant supervisor or the official knowledgeable of the travel before the payment is processed. A copy of the Mission Staff Notice has been forwarded to RIG/A/C.

4. Education Allowances: All tuition payments are authorized by the Management Office on the SF-1190 form and related claims are paid against this authorization. When the tuition claims are received, the Voucher Examiner (VE) matches the claim against the SF 1190 authorization and verifies the payment. Based on VE verification, the Authorized Certifying Officer administratively approves the claim for payment.

Recommendation No. 1.2:

We recommend that USAID/Egypt establish a written policy on payment due dates and implement a quality control system that provides reasonable assurance that the policy is followed consistently;

Mission Response:

Based on the recommendation, the Mission has established a written policy on payment due dates. A written check list including payment due date criteria is being followed by voucher examiners before vouchers are certified. A copy of the memo describing the due date policy has been forwarded to RIG/A/C.

Recommendation No. 1.3:

We recommend that USAID/Egypt implement a system to calculate and pay interest penalties as required by the Prompt Payment Act and prepare accurate reports on compliance with the Act;

Mission Response:

The Mission has implemented a system to calculate and pay interest penalties as required by the Prompt Payment Act. Under this system, the A/P Supervisor, or her designee, generates an IQ report of the prior month disbursements. The A/P supervisor reviews the IQ report and highlights the vendors with the interest amounts due. When the vendors are identified, the supervisor generates a Lotus Spreadsheet to calculate interest amounts due on the late payments. The interest penalty is assessed based on the prevailing interest rate beginning the day after the payment due date through the actual check date.

After the spreadsheet is completed, the cognizant voucher examiner prepares an administrative voucher and pays the penalty. A copy of the memo describing the system of calculating and paying the interest penalties has been forwarded to RIG/A/C.

Recommendation No. 1.4:

We recommend that USAID/Egypt implement a strengthened system of supervision and quality control to provide better assurance that payments are in accordance with the terms of the contracts and agreements;

Mission Response:

The Mission has strengthened its system of supervision and quality control requiring the supervisor and/or her designee to perform a second review for different thresholds before they are paid. The reviews are performed using a prescribed check list similar to that required for the compliance and substantive test. The review process is properly documented and the cognizant voucher examiners are notified of the review findings on a regular basis. To further strengthen the quality control, the Mission has scheduled formal training sessions to reenforce some of the principles and the practices of the voucher examination.

15

The training will be conducted by the Mission's senior staff including the Authorized Certifying Officer. A copy of the memo describing the quality control system has been forwarded to RIG/A/C.

Recommendation No. 1.5:

We recommend that USAID/Egypt implement controls to limit access to electronic payment files;

Mission Response:

In response to the audit recommendation, the Mission has restricted the access of the payment file only to the Authorized Certifying Officer (ACO). Therefore, effective immediately, the ACO is responsible to down-load and transmit the payment file to RAMC/Paris. A copy of the memo designating the ACO for the task has been forwarded to RIG/A/C.

Recommendation No. 1.6:

We recommend that USAID/Egypt implement a system to provide reasonable assurance that check numbers and dates are recorded in the accounting system.

Mission Response:

Based on the audit recommendation, the Mission has implemented a system to ensure that the check numbers and dates are recorded in the accounting system. The system is maintained by the data entry personnel under the direct supervision of the Accounts Payable Supervisor. On a weekly basis, the data entry clerk down-loads the FMC 80 report and merges the report with the MACSTRAX payment record. After the merge, the data entry clerk generates an IQ report to verify whether or not the check numbers and dates are recorded in the payment system. A memo describing the FMC 80 report/MACSTRAX updating system has been forwarded to RIG/A/C.

Att: a/s

**Projection of Errors Found in the Audit Sample to
the Population of All Fiscal Year 1995 Disbursements**

Type of Error	Number of Errors in Sample of 80 Disbursements	Projected Number of Errors in Population of 16,680 Disbursements (With 95% Confidence)		
		Lower Limit	Best Estimate	Upper Limit
Administrative approval required but not provided.	14	1,656	2,919	4,602
Disbursements subject to the Prompt Payment Act and paid after due date.	8	739	1,668	3,125
Disbursements subject to the Prompt Payment Act, with interest penalties due but not paid.	5	345	1,043	2,330
Disbursements not in compliance with the terms of the underlying contracts or agreements.	4	231	834	2,050
Disbursements not recorded correctly in the accounting system.	16	1,986	3,336	5,073

**Regional Inspector General
for Audit, Cairo, Egypt**

Tim Cox, Audit Manager
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