

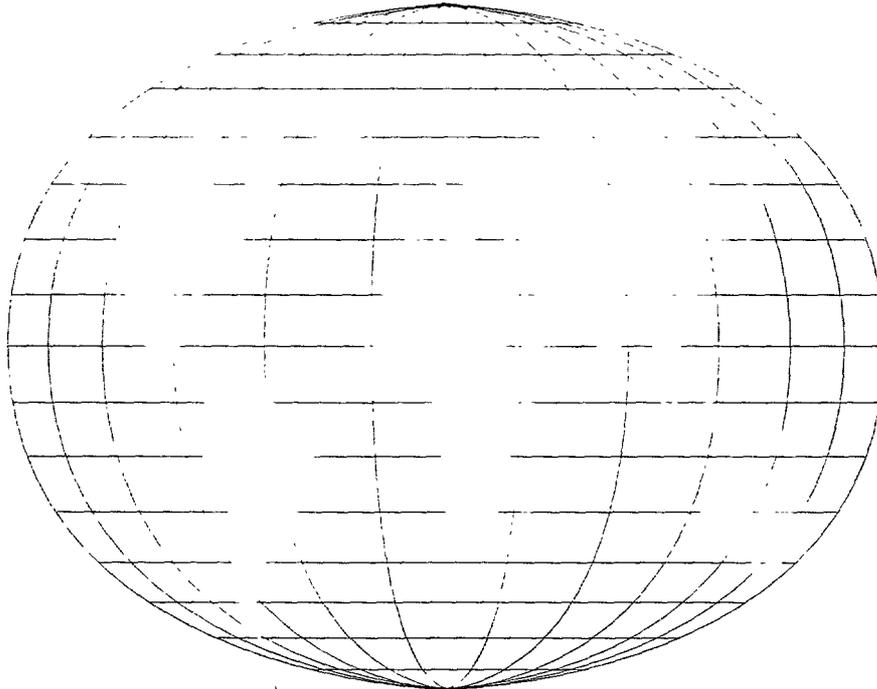
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Report of Audit

Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

Regional Inspector General for Audit
Cairo, Egypt

Report No. 6-263-96-22-N
June 19, 1996



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ANY INFORMATION IS RELEASED TO THE PUBLIC.

**OFFICE OF 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

June 19, 1996

MEMORANDUM

TO : DIRECTOR USAID/Egypt, Toni Christiansen-Wagner (Acting)

FROM: RIG/A/C, Lou Mundy *Lou Mundy*

SUBJECT: Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

The attached report, transmitted April 24, 1996, by Coopers & Lybrand, presents the results of a financial audit of the Survey and Mapping Component managed by the Egyptian Survey Authority (Authority) under Project Implementation Letter No. 87 of the Irrigation Management Systems Project, USAID/Egypt Project No. 263-0132. The objectives of the Irrigation Management Systems Project were to: (1.) plan and design a country-wide structural replacement program; (2.) plan and improve operations and maintenance in the irrigation system; (3.) support feasibility studies and management and technical development programs; and (4.) provide other irrigation-related support. The Survey and Mapping Component, one of ten components under the Irrigation Management Systems Project, was established to provide aerial photography, maps and other geographic information to the Egyptian Survey Authority and to other ministries.

We engaged Coopers & Lybrand to perform a financial audit of the Authority's incurred expenditures of \$1,001,865 for the period January 1, 1993 through March 31, 1995. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Coopers & Lybrand also evaluated the Authority's internal controls and its compliance with applicable laws, regulations and agreement terms as necessary, in forming their opinion regarding the Fund Accountability Statement.

The audit report questions \$33,569 in costs billed to USAID/Egypt by the Authority. The questioned costs related primary to: (1.) ineligible payments for social insurance, a radio license renewal fee, and sales taxes, (2.) a duplicate payment, and (3.) unsupported telephone charges. Additionally, the auditors noted three reportable conditions in the

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Authority's internal control structure that were also addressed in the previous audit report No. 6-263-94-003-N. However, because the Authority did not take actions to resolve these weaknesses, a recommendation to resolve these reportable internal control weaknesses will be included in the Inspector General's recommendation follow-up system. Also, the auditors noted one material instance of noncompliance with applicable laws, regulations and agreement terms.

In response to the draft report, responsible Authority officials provided additional explanation to the questioned costs in the report, however, they did not respond to the internal control structure weaknesses nor to the instance of material noncompliance. Coopers & Lybrand officials reviewed the Authority's response and where applicable made adjustments to the report or provided further clarification of their position. (see Appendices A and B).

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

Recommendation No. 1: We recommend that USAID/Egypt resolve the questioned costs of \$33,569 (ineligible costs of \$30,374 and unsupported costs of \$3,195 detailed on pages 11 through 19 of the Coopers & Lybrand audit report, and recover from the Egyptian Survey Authority the amount determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Egypt obtain evidence that the Egyptian Survey Authority has addressed the reportable internal control condition (inadequate bank reconciliation procedures, failure to document long distance telephone and facsimile calls, and lack of documentation to reconcile accounting records to USAID/Egypt billings) detailed on pages 21 through 23 of the Coopers & Lybrand audit report.

Recommendation No. 3: We recommend that USAID/Egypt obtain evidence that the Egyptian Survey Authority has addressed the material noncompliance issue (commingling USAID/Egypt and Government of Egypt's funds in one bank account) detailed on page 25 of the Coopers & Lybrand audit report.

Recommendation No. 1 is unresolved and will be considered resolved upon the Mission's determination of the amount of recovery; it will be considered closed upon the recovery of funds or offset of funds. In its response to the audit report, the Mission stated that the activity was completed and there are no active commitments. Therefore, Recommendations Nos. 2 & 3 are resolved and closed. However, should there be future activities with the Authority, we strongly recommend that an assessment of their internal control systems be performed prior to committing any USAID funds.

Please advise this office within 30 days of any action planned or taken to resolve the open recommendation. Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the financial audit program in Egypt.

Attachment: a/s

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**Coopers
& Lybrand**

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
RELATED TO THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
DURING THE PERIOD FROM
JANUARY 1, 1993 THROUGH MARCH 31, 1995

2

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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TABLE OF CONTENTS

	<u>PAGE</u>
<u>TRANSMITTAL LETTER</u>	
Background	1
Audit objectives and scope	2
Audit results	3
Management comments	6
Independent accountants response	6
Mission response	6
<u>FUND ACCOUNTABILITY STATEMENT</u>	
Report of independent accountants	7
Fund accountability statement and notes	9
<u>INTERNAL CONTROL STRUCTURE</u>	
Report of independent accountants	20
<u>COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS</u>	
Report of independent accountants	24
<u>APPENDICES</u>	
Appendix A: Management comments	
Appendix B: Independent accountants response	
Appendix C: Mission response	

2

April 24, 1996

Mr. Lou Mundy
Regional Inspector General
for Audit/Cairo
United States Agency for
International Development

Dear Mr. Mundy:

This report presents the results of our financial-related audit of United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project under grant agreement number 263-0132 managed by the Egyptian Survey Authority ("ESA") during the period from January 1, 1993 through March 31, 1995.

Background

The IMS project is designed to assist the Government of Egypt ("GOE") in improving the operating efficiency of the total irrigation system and in strengthening the Ministry of Public Works and Water Resources ("MPWWR") operational, maintenance, and planning capabilities. Specific objectives were to (1) plan and design a country-wide structural replacement program, (2) plan and improve operations and maintenance in the irrigation system, (3) support feasibility studies and management and technical development programs and (4) provide other irrigation-related support.

The grant agreement from the USAID/Egypt to the GOE for the IMS project is dated September 22, 1981 and has been amended and now has a project completion date of September 21, 1995. Resources provided totalled 313 million U.S. dollars.

The Survey and Mapping component is one of the ten project components of the IMS project grant agreement no. 263-0132 and was established in December, 1989 to provide aerial photography, maps and other geographic information to ESA, MPWWR, and to other ministries. ESA's activities included planning, designing, and implementing improvements to the irrigation system in the most effective manner.

PIL No. 87 provided funds to ESA for the local operating budget of the survey and mapping activities which are now complete and the agreement has been terminated.

Audit objectives and scope

The objective of this engagement was to perform a financial-related audit of USAID/Egypt resources provided through PIL No. 87 related to the Survey and Mapping Component of the IMS project under grant agreement number 263-0132 managed by the ESA during the period from January 1, 1993 through March 31, 1995.

Specific objectives were to:

1. express an opinion on whether the fund accountability statement for ESA related to PIL No. 87 presents fairly, in all material respects, project costs incurred during the period under audit in conformity with applicable accounting principles;
2. determine if the project costs reported as incurred by ESA related to PIL No. 87 during the period under audit are allowable, allocable, and reasonable in accordance with agreement terms and applicable laws and regulations;
3. evaluate and obtain a sufficient understanding of ESA's internal control structure, assess control risk, and identify reportable conditions, including material internal control weaknesses;
4. perform test to determine whether ESA is in compliance, in all material respects, with agreement terms and applicable laws and regulations; and
5. determine if ESA has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in October, 1995 and consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo ("RIG/A/C") and ESA, and a review of the project grant agreement and PIL No. 87. Audit fieldwork commenced in December, 1995 and was completed in February, 1996.

ESA incurred project costs of \$ 1,001,865 (equivalent to LE 3,390,311) during the audit period. On a judgmental basis, we selected for audit testing project costs incurred of \$ 213,832 (equivalent to LE 723,608) which represents a coverage of 21%. Project costs incurred and tested were converted to U.S. dollars at the exchange rate of 1 U.S. dollar = LE 3.384.

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

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

2. testing of project costs incurred by ESA and funded by USAID/Egypt for allowability, allocability, reasonableness and appropriate support;
3. determining that procurements were made using sound commercial practices including competition, reasonable prices were obtained, and there were adequate controls on qualities and quantities received; and
4. reviewing travel and transportation charges to determine whether they are adequately supported and approved.

As part of our examination of ESA, we made a study and evaluation of relevant internal controls and reviewed compliance with agreement terms and applicable laws and regulations.

Audit results

Fund accountability statement:

Our audit procedures identified \$ 33,569 (equivalent to LE 113,597) in questioned costs: \$ 30,374 (equivalent to LE 102,786) in ineligible and \$ 3,195 (equivalent to LE 10,812) in unsupported project costs. The ineligible questioned costs related primarily to project costs billed to USAID/Egypt for the employer's share of employees' social insurance for ESA and the U.S.-based contractor and items purchased for which there was no USAID/Egypt budget designated.

Internal control structure:

We identified three reportable internal control structure weaknesses, none of which is considered a material weakness. These reportable internal control weaknesses related to: 1) inadequate bank reconciliation procedures; 2) the lack of supporting documentation for long distance telephone calls; and 3) the inability to reconcile the monthly billings to USAID/Egypt to ESA's project accounting records.

Compliance with agreement terms and applicable laws and regulations:

We identified one material instance of noncompliance with agreement terms and applicable laws and regulations related to the commingling of GOE and USAID/Egypt funds in the same bank account.

Status of prior audit findings:

For the audit completed for the period from January 1, 1988 through December 31, 1992, report No. 6-263-94-003-N:

1. Internal Control

The system of internal accounting controls surrounding the accounting function of ESA contained several weaknesses including:

- A) reconciliations were not prepared between the cash book and the general ledger;
- B) adjustments were made on billings submitted to USAID/Egypt, but were not reflected in the general ledger;
- C) advances were not properly tracked to ensure that they were properly liquidated;
- D) outstanding checks were not aged; and
- E) a detailed log of telephone and facsimile calls was not maintained.

Current status

Findings 1(A), 1(B), 1(D) and 1(E) above are also reported for the current year audit. For finding 1(C), we did not find any advances that were not properly tracked.

2. Time sheets

ESA did not implement a policy requiring time sheets for all support staff and project consultants.

Current status

Daily attendance sheets were prepared by all project personnel and contained all necessary information.

3. Segregation of duties

An inadequate segregation of duties existed in the areas including the voucher cycle, performance of bank reconciliations and purchasing.

Current status

An adequate segregation of incompatible duties has been achieved.

4. Invoices

Invoices were not defaced with a "paid" stamp after their approval for payment.

Current status

Invoices are now being stamped "paid".

5. Fiscal reports

The fiscal report at the end of the prior audit period (December, 1992) was not submitted on a timely basis.

Current status

The fiscal reports for July, August, and September, 1995 were not submitted on a timely basis.

6. Commingling of GOE and USAID/Egypt funds

GOE and USAID/Egypt funds were commingled in the same bank account.

Current status

GOE and USAID/Egypt funds are still commingled in the same bank account.

7. GOE funding

The GOE's funding for vehicle operation and maintenance to the project was not in accordance with agreement terms.

Current status

Where GOE costs have been paid for by USAID/Egypt, we have questioned the costs.

8. Tax assessments

The project paid stamp and sales taxes assessed by the GOE.

Current status

We have continued to question stamp and sales taxes assessed by the GOE.

9. Source and origin

Source and origin requirements were not being met.

Current status

Source and origin requirements are being met.

Management comments

ESA's management comments have been obtained and are included in Appendix A of this report.

Independent accountants response

In response to management's comments, we have either provided further clarification of our position in Appendix B of this report or have adjusted the final report.

Mission Response

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

This report is intended for the information of ESA's management and the United States Agency for International Development. However, this report is a matter of public record, and its distribution is not limited.

February 10, 1996

Mr. Lou Mundy
Regional Inspector General
for Audit/Cairo
United States Agency for
International Development

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FUND ACCOUNTABILITY STATEMENT**

We have audited the accompanying fund accountability statement of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project under grant agreement number 263-0132 managed by the Egyptian Survey Authority ("ESA") during the period from January 1, 1993 through March 31, 1995. This fund accountability statement is the responsibility of ESA's management. Our responsibility is to express an opinion on this fund accountability 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 fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 31 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 Coopers and Lybrand worldwide internal quality control program which requires the Coopers and Lybrand Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers and Lybrand offices.

As described in Note 2, the accompanying 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 accompanying fund accountability statement and as more fully described in Note 4 thereto, the results of our tests disclosed \$ 30,374 in ineligible and \$ 3,195 in unsupported project costs. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program-related or are prohibited by applicable agreement terms or laws and regulations. Project costs that are unsupported are those that are not supported with adequate documentation.

In our opinion, except for the effects of the questioned project costs as 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 ESA through PIL No. 87 related to the Survey and Mapping Component of the IMS project under grant agreement number 263-0132 during the period from January 1, 1993 through March 31, 1995 in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 1996 on our consideration of ESA's internal control structure and a report dated February 10, 1996 on its compliance with agreement terms and applicable laws and regulations.

This report is intended for the information of ESA's management and the United States Agency for International Development. However, this report is a matter of public record, and its distribution is not limited.

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
 PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
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 MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
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 JANUARY 1, 1993 THROUGH MARCH 31, 1996

FUND ACCOUNTABILITY STATEMENT

<u>Budget Line Item</u>	<u>Budget</u> (Note 1)	<u>Actual</u> (Note 1)	<u>Questioned Project Costs</u>		<u>Finding Reference</u>
			<u>Ineligible</u> (Note 4)	<u>Unsupported</u> (Note 4)	
Support Personnel	\$ 294,686	\$ 162,108	\$ 18,535	\$ 288	Page 13, A
Professional Consultants	34,663	12,703	-	-	
In-country Training	48,767	8,884	-	-	
Office Equipment and Supplies	177,801	33,060	587	-	Page 14, B
Professional Equipment and Supplies	275,169	31,270	-	-	
Training Equipment and Supplies	17,028	437	-	-	
Consultant's Office Preparation	157,633	13,331	-	-	
Communication and Reports	143,357	63,109	10,825	2,262	Page 16, D
Travel and Per diem	1,223,507	372,857	-	-	
<u>Other Support Costs</u>	<u>539,687</u>	<u>304,106</u>	<u>331</u>	<u>-</u>	Page 18, F
Other Income and Cash	-	-	96	-	Page 18, G
Net Over Billing	-	-	-	<u>645</u>	Page 19, H
TOTALS	\$ <u>2,912,298</u>	\$ <u>1,001,865</u>	\$ <u>30,374</u>	\$ <u>3,195</u>	

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

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT:

The "Budget" column includes all USAID/Egypt-approved project costs related to PIL No. 87 and is based on the most recent budget amendment within the audit period. This information is presented for informational purposes only.

The "Actual" column represents cumulative project costs incurred by ESA related to PIL No. 87 during the period from January 1, 1993 through March 31, 1995.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statement of ESA 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 Egyptian pounds have been converted to U.S. dollars at the exchange rate of 3.384 LE to one U.S. dollar. The exchange rate used is the average monthly exchange rate for the audit period from January 1, 1993 through March 31, 1995.

NOTE 4 - QUESTIONED PROJECT COSTS:

Questioned project costs are presented in two separate categories -- ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program-related or are prohibited by applicable agreement terms or laws and regulations. Unsupported project costs are those that are not supported with adequate documentation.

Questioned project costs identified as either ineligible or unsupported are detailed as follows:

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
A. Support Personnel		
1. The employer's share of social insurance was paid to the Government of Egypt ("GOE"). The seventh amendment of the host country contract dated July, 1991 specifically disallows the employer's share of social security for USAID/Egypt reimbursement. The project became aware that such payments were ineligible for USAID/Egypt reimbursement and stopped billing such costs in July, 1993. Amounts previously billed to USAID/Egypt, but not refunded have been questioned.	\$ 8,421	\$ -
2. This questioned cost has been removed as a result of the management comments to our draft report.	-	-

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
A. Support Personnel (cont.)		
3. The employer's share of social insurance payments for the U.S.-based contractor's staff were charged to PIL No. 87. Part of the cost questioned is a cost that was questioned in a prior RIG/A/C Non-federal audit of the U.S.-based contractor. Upon resolution of the costs questioned in the U.S.-based contractor's audit report, ESA charged the cost to PIL No. 87 and reimbursed USAID/Egypt for the questioned cost on behalf of the contractor. This cost is not allocable to PIL No. 87, but is a cost of the U.S.-based contractor which should be covered out of the U.S.-based contractor's profits or the GOE contribution to the contractor's activities (if any). This cost, if allocable to PIL No. 87, would also be ineligible for USAID/Egypt reimbursement as the employer's share of social insurance is considered a host country tax. The seventh amendment of the host country contract dated July, 1991 specifically disallows the employer's share of social security for USAID/Egypt reimbursement.	\$ 10,114	\$ -

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u> <u>Ineligible</u>	<u>Unsupported</u>
A. Support Personnel (cont.)		
4. A retroactive salary adjustment was paid to office employees and drivers that were not supported with signed receipts. One check was issued to cover the retroactive salary adjustment for all employees which we traced to the bank statement. All employees were required to sign as to having received the salary adjustment. We questioned those amounts for which we were not provided a signed receipt. Following issuance of our draft report, ESA provided receipts to support \$ 400 of the cost questioned in our draft report. For the remaining amount, we were not able to verify with the related employees that such amounts were actually received by them.	\$ -	\$ <u>288</u>
Total Support Personnel	<u>18,535</u>	<u>288</u>
B. Office Equipment and Supplies		
1. This questioned cost has been removed as a result of the management comments to our draft report.	-	-

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
B. Office Equipment and Supplies (cont.)		
2. Two vacuum cleaners were purchased and recorded under the other support costs budget line item. The other support costs budget line item's detailed budget does not contain a budget for purchases of fixed assets. We have reclassified the amount by recording it under the office equipment and supplies budget line item. The charge is, however, not allowable under the office equipment and supplies budget line item because the budget covered by USAID/Egypt for fiscal year 1993/1994 is zero.	\$ <u>587</u>	\$ <u>-</u>
Total Office Equipment and Supplies	<u>587</u>	<u>-</u>
C. Professional Equipment and Supplies		
1. This questioned cost has been removed as a result of the management comments to our draft report.	<u>-</u>	<u>-</u>
Total Professional Equipment and Supplies	<u>-</u>	<u>-</u>

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
D. Communication and Reports		
1. A radio license renewal fee and its related sales tax was recorded under the communication and reports budget line item and was subsequently charged to PIL No. 87. Radio license renewal fees are not allowable according to the USAID/Egypt-approved detailed budget. Sales taxes are ineligible for USAID/Egypt regardless of which budget line item the cost is recorded under. The seventh amendment of the host country contract dated July, 1991 specifically disallows any type of identifiable tax of the host country for USAID/Egypt reimbursement.	\$ 5,407	\$ -
2. Telephone bills were paid which contained sales taxes. Sales tax is ineligible for USAID/Egypt reimbursement. The seventh amendment of the host country contract dated July, 1991 specifically disallows any type of identifiable tax of the host country for USAID/Egypt reimbursement.	1,039	-
3. A telephone bill paid to ARENTO, the telephone company, for which no related supporting documents were provided and for which the check has remained outstanding for over one year.	-	2,262

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
D. Communication and Reports (cont.)		
4. PIL No. 87 was charged with a delay penalty assessed due to late payment of the project's telephone bill. USAID/Egypt should not be billed for fines or penalties according to standard provision B.4. attached to the grant agreement which states that identifiable ...levies ... (should be) reimbursed from funds other than those provided under the Grant." As the fine is imposed by a public sector company, such a fine should not be reimbursed by USAID/Egypt.	\$ 141	\$ -
5. An international telephone bill was double charged to PIL No. 87. USAID/Egypt should not be charged for services which have not been rendered.	1,269	-
6. Three checks were billed to the GOE as part of their project contribution to ESA activities and they were also charged to PIL No. 87. These costs should have been billed to the GOE only. The project listed these costs as being part of the GOE contribution. These amounts also include sales taxes which are ineligible for USAID/Egypt reimbursement. The seventh amendment of the host country contract dated July, 1991 specifically disallows any type of identifiable tax of the host country for USAID/Egypt reimbursement.	<u>2,969</u>	<u>-</u>
Total Communication and Reports	<u>10,825</u>	<u>2,262</u>

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
E. Travel and Per diem		
1. This questioned cost has been removed as a result of the management comments to our draft report.	\$ -	\$ -
Total Travel and Per diem	<u>-</u>	<u>-</u>
F. Other Support Costs		
1. A repair cost for an air conditioning unit was charged to PIL No. 87 while the cost should have been charged to the GOE. This repair cost was incurred on February 28, 1994. The budget for the fiscal year 1993/1994 beginning October 1, 1993 attached to PIL No. 87, provides no budget for maintenance and repair costs for the USAID/Egypt share of the project expenditures. A budget is provided, however, for the GOE share of project expenditures.	236	-
2. Kitchen supplies costs were incurred which are not eligible for USAID/Egypt reimbursement. According to USAID/Egypt resolution of the prior NFA audit report which also questioned amounts related to "tea room cost", USAID/Egypt had sustained these questioned cost. Included in these costs are the cost for items such as drinking glasses and a small kitchen electric water heater.	44	-

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u> <u>Ineligible</u>	<u>Unsupported</u>
F. Other Support Costs (cont.)		
3. Vehicle license renewal fees were paid which are not eligible for USAID/Egypt reimbursement. Contractor Notice 1-93 dated January 14, 1993 states that fees such as those collected by the GOE upon registration or reregistration of a vehicle are not to be reimbursed as they are exempt under the bilateral agreement and are a liability of the host government.	\$ 51	\$ -
4. This questioned cost has been removed as a result of the management comments to our draft report.	<u>-</u>	<u>-</u>
Total Other Support Costs	<u>331</u>	<u>-</u>
G. Other Income and Cash		
1. Income received by the project for the personal use of project vehicles for the period from July 1, 1994 through March 31, 1995 was not refunded to USAID/Egypt.	<u>96</u>	<u>-</u>
Total Other Income and Cash	<u>96</u>	<u>-</u>

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
H. Net Over Billing		
1. The billings to USAID/Egypt for our audit period did not match the project's books and records. We noted an overall over billing for our audit period. ESA was not able to explain the differences.	\$ -	\$ <u>645</u>
Total Net Over Billing	<u>-</u>	<u>645</u>
TOTAL ESA QUESTIONED PROJECT COSTS	\$ <u>30,374</u>	\$ <u>3,195</u>

February 10, 1996

Mr. Lou Mundy
Regional Inspector General
for Audit/Cairo
United States Agency for
International Development

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

We have audited the fund accountability statement of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project number 263-0132 managed by the Egyptian Survey Authority ("ESA") during the period from January 1, 1993 through March 31, 1995, and have issued our report thereon dated February 10, 1996 in which we qualified our opinion due to the effect of \$ 33,569 in ineligible and unsupported project costs.

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

The management of ESA 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 recorded properly to permit the preparation of the fund accountability statement in accordance with the cash disbursements method. 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.

In planning and performing our audit of ESA's fund accountability statement as described in the first paragraph, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our 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 statement. Our audit disclosed the following conditions which we believe constitute reportable conditions:

REPORTABLE CONDITIONS

- 1. Bank account reconciliation procedures, when performed, were not adequate.**

We noted that cash receipts from USAID/Egypt were not recorded in ESA's accounts during the periods from May 1, 1993 through June 30, 1993 and from January 1, 1995 through March 31, 1995 although the cash receipts were deposited in the project's bank account. Although bank accounts were reconciled during the period from May 1, 1993 through June 30, 1993 and ESA project staff were aware that cash receipts were not properly recorded, they did not properly correct the accounts. In addition, bank accounts were not reconciled beginning August 1, 1993.

Bank reconciliations will not necessarily disclose irregular transactions, but should limit the opportunity to conceal them. For example, bank reconciliations may provide evidence that transactions have not been recorded or have been improperly recorded. Additionally, the value and vulnerability of cash necessitates a frequent reconciliation, usually monthly, to detect possible loss through errors or irregularities.

If bank account reconciliation procedures are inadequate or not performed, errors or irregularities might go undetected by the project accountants which may allow for the possibility for misappropriation of project funds.

Generally, the lack of proper recording of cash transactions and bank reconciliations procedures could be attributed to:

- Inadequate understanding of the basis and purpose for preparing bank reconciliations.
- Insufficient attention by ESA management in the monitoring of the accounts.

Recommendation 1

Bank statements and canceled checks should be delivered unopened directly to the employee responsible for preparing reconciliations. Bank reconciliation procedures may constitute a test or review of cash transactions if they include the following procedures:

- Comparison of deposit amounts and dates with cash receipt entries.
- Comparison of payee name, date and amount on canceled checks with cash disbursement records.
- Comparison of endorsements on canceled checks to payees as shown on the face of the check. (This may be done on a test basis.)
- Comparison of book balances used in reconciliation with general ledger balances.
- Footing the cash books.

A responsible corporate official, who is also independent of all cash processing and recording activities, should review and approve all completed reconciliations. After the review and approval process is completed, the accounts should be adjusted as necessary.

* * * * *

2. ESA management failed to adequately document long-distance telephone and facsimile calls.

We noted that there were numerous long-distance telephone calls charged to PIL No. 87 that were not adequately supported to enable us to determine if the charged calls related to the project's activities. We were told by ESA project staff that many of these long-distance calls were not related to the project's activities.

This condition may allow for non-PIL No. 87 related calls to be charged to USAID/Egypt. This condition existed in the prior audit of ESA's PIL No. 87 activities and there was no progress made to improve this weakness. Generally, the cause of inadequate documentation can be attributed to inattention by the management team to ensure that all long-distance calls are properly documented.

Recommendation 2

A log of all long distance telephone and facsimile calls should be maintained which lists the number, time and the project-related business purpose of the call. This log should be reviewed by the appropriate level of management and any calls which are not directly related to activities of PIL No. 87 should not be charged to USAID/Egypt.

* * * * *

3. Documentation was not available to reconcile ESA's accounting records to USAID/Egypt billings.

We found numerous situations where ESA's accounting records did not agree with the monthly amounts billed to USAID/Egypt. ESA management was unable to explain the rationale for or provide any supporting documentation for the differences.

In our report on ESA's fund accountability statement we questioned those costs that exceeded ESA's accounting records on a cumulative basis.

Recommendation 3

We recommend that project accounting records should agree with or be reconciled to billings to USAID/Egypt.

* * * * *

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 fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to ESA's management in a separate letter dated February 10, 1996.

This report is intended for the information of ESA's management and the United States Agency for International Development. However, this report is a matter of public record and its distribution is not limited.

February 10, 1996

Mr. Lou Mundy
Regional Inspector General
for Audit/Cairo
United States Agency for
International Development

**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

We have audited the fund accountability statement of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project under grant agreement number 263-0132 managed by the Egyptian Survey Authority ("ESA") during the period from January 1, 1993 through March 31, 1995, and have issued our report thereon dated February 10, 1996 in which we qualified our opinion due to the effect of \$ 33,569 in ineligible and unsupported project costs.

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

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

The results of our tests of compliance disclosed the following instance of material noncompliance with the provisions discussed in the preceding paragraph:

MATERIAL NONCOMPLIANCE

1. **USAID/Egypt and Government of Egypt ("GOE") funds were commingled in the same bank account.**

During our audit, we noted that one bank account was used for both USAID/Egypt and GOE funds. A separate bank account should be used for USAID/Egypt funds only.

The Payment Provisions for Periodic Revolving Advances, step 2, Special Bank Account, attached to the IMS project agreement no. 263-0132, state that, "the Grantee/Contractor shall open a special bank account in Egypt for the purpose of depositing all cash provided by USAID under this Grant/Contract."

Primarily, this noncompliance occurred because ESA's management did not believe that requirement was important. Not maintaining a separate bank account results in noncompliance with the Payment Provisions referred to above and unduly complicates the financial accounting for the project.

Recommendation 1

We recommend that a separate bank account is used for USAID/Egypt funds only.

* * * * *

We also noted other noncompliance matters that we have reported to ESA's management in a separate letter dated February 10, 1996.

This report is intended for the information of ESA's management and the United States Agency for International Development. However, this report is a matter of public record and its distribution is not limited.

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
RELATED TO THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
DURING THE PERIOD FROM
JANUARY 1, 1993 THROUGH MARCH 31, 1995**

MANAGEMENT COMMENTS



April 20, 1996

Mr. Chuck Houston,
Project Officer
US Agency for International Development (USAID)
Cairo, Egypt.

Dear Mr. Houston,

Reference to the external auditors -Cooper & Lebrand- draft report of auditing for PIL 87 of Survey and Mapping Component (S. & M.) of Irrigation Management Systems (I. M. S.) in Egyptian Survey Authority (E. S. A.) for the period from January 1, 1993 up till March 31, 1995.

You will find attached our response to the above mentioned report with the approved supporting documentations.

If you want any further information or more details do not hesitate to contact with us.

We appreciate your kind cooperation with our best regards.

A handwritten signature in black ink, appearing to read 'Eng. Moh. Mosaad Ibrahim', is written over a horizontal line.

Eng. Moh. Mosaad Ibrahim
Chairman, Egyptian Survey Authority
Director, Survey and Mapping Project

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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MANAGEMENT COMMENTS

Finding A: Support Personnel

A.1. LE. 28,498 Employer share of social insurance:

According to the IMS steering committee meeting of July 30, 1994, the committee is in the process of negotiation with USAID and an agreement whereby USAID would support the social insurance payment for the project components and their prime contractors.

"Enclosed a copy of the meeting minutes"

A.2. LE. 509 Overtime exceeded IMS committee guidelines:

The component's Director issued a managerial decree state that because of the extra driving hours are working by the drivers of the project's buses, they will get pay of their overtime according to the actual working hours for maximum 75 % of basic salary instead of 10%.

"Enclosed a copy of the managerial decree"

A.3. LE. 34,227 Employer share of s. insurance for contractor:
See A.1.

A.4. LE. 2,329 Retroactive salary adjustment:

The component employees were signing an individual receipts for receiving their monthly payments. The salary adjustment for 3 months was added to the bottom of the receipts of October 1994.

"Enclosed copies of the mentioned receipts"

Finding B: Office equipment and Supplies:

B.1. LE. 2,985 Unsupported expense:

Find attached a copy of the required supporting documents.

B.2. LE. 1,985 Non-expendable expense

This amount was paid under the "other support costs" line item which have enough funds to finance such expenses. In the same time, the internal memorandum from the project administration manager and approved by the project Director stated that it would be more visible to buy new vacuum instead of repairing the depreciated unit.

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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RELATED TO THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132
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JANUARY 1, 1993 THROUGH MARCH 31, 1995**

MANAGEMENT COMMENTS

Finding C: Professional Equipment and Supplies:

C.1. LE. 20,481 Paper supplies for project contractor:

The local operating budget has to finance the component's activities as well as the project's prime contractor requirements and supplies from the local market. In the same time the approved budget for that year have fund for this purpose.

The sales tax of LE. 91 was mentioned in the supplier's invoice but was not calculated in the total amount of the check.

Finding D: Communications / Reports:

D.1. LE. 18,297 Radio license renewal:

This amount represents the first pay to ARENTO to issue the license of the imported radios for the project field works. ARENTO's bill covered the period from the date of releasing of radios in November 1992 till end of December 1993.

Whereas, the approved budget for 1992/93 had GOE contribution for operating and maintenance expenses only.

D.2. LE 3,516 Sales tax:

The component started the procedures with The Sales Tax Department to refund of the amount was added to ARENTO's bills as sales tax and it will be credited to the bank as well as USAID when the project receive the check.

D.3. LE. 7, 654 Without supporting documents:

This amount represents a check was canceled and was not billed to USAID.

D.4. LE. 476 Delay penalty:

This amount will be credited to USAID with the first coming report.

D.5. LE. 4,295 Double charged:

This amount will be credited to the USAID fund in the first coming report.

D.6 LE. 10,046 Billed to GOE in the same time.

This amount will be credited to the USAID fund in the first coming report.

78

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
RELATED TO THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
DURING THE PERIOD FROM
JANUARY 1, 1993 THROUGH MARCH 31, 1995

MANAGEMENT COMMENTS

Finding E: Travel and Per diem:

- E.1. LE. 10,000 Without supporting documents:
Find attached a copy of the required supporting documents.

Finding F: Other Support Costs:

- F.1. LE. 800 Air conditioner maintenance
This amount has to allocate under "consultant office preparation" line item which has fund to finance that amount in the approved budget of that fiscal year.
- F.2. LE 150 Kitchen supplies:
These supplies are not for refreshment as it consists of cups, glasses and other supplies for the use of the project guests which considered an eligible expense.
- F.3. LE. 172 Vehicle license renewal:
This amount represents a part of the approved budget for that year
- F.4. LE 400 Advance for vehicle maintenance:
Find attach a copy of the required supporting documents.

Finding G: Other Income and Cash:

- G.1. LE. 324 Personal use the project vehicles:
The monthly amounts collected from project staff were credited to the petty cash ledger under the "other support costs" line item which means that these amounts were credited to the USAID fund.

Finding H: Net Over-Billing:

- H.1. LE. 2,182 Over billing to USAID:
The final reconciliation of the over/under billing to USAID will be finalized with the first coming report.

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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JANUARY 1, 1993 THROUGH MARCH 31, 1995**

INDEPENDENT ACCOUNTANTS RESPONSE

The Egyptian Survey Authority ("ESA") management provided comments relating to the draft report presented at the exit conference on March 26, 1996. ESA's comments are included, unedited, in Appendix A to this report. In response to their comments, we have reviewed additional supporting documents provided by ESA's management. Please note that the finding references used below correspond to those used in our draft and final reports.

QUESTIONED COSTS

A.1. Support personnel

ESA management comments state that ESA is in the process of negotiating with USAID/Egypt to allow ESA to submit social insurance payments to USAID/Egypt for reimbursement. As no agreement has been reached through April 24, 1996, our position is unchanged.

A.2. Support personnel

We have removed this questioned cost from our final report.

A.3. Support personnel

The principal issue which resulted in questioning this cost is that ESA should not bear the costs of the U.S.-based contractor who, incidentally, had a local currency budget provided by USAID/Egypt. The ESA management comments do not support their conclusion that the U.S.-based contractor's costs should be paid by ESA, especially those that have been questioned in the audit performed of the U.S.-based contractor's USAID/Egypt-provided funds.

The secondary issue which resulted in questioning this cost is that ESA may not submit costs for USAID/Egypt reimbursement which are explicitly

A.3. Continued

ineligible (taxes assessed by the GOE) for such reimbursement. See discussion above under A.1. relating to the ineligibility for USAID/Egypt reimbursement of the employer's share of social insurance.

Our position is unchanged.

A.4. Support personnel

ESA provided supporting documents to resolve LE 1,352 in questioned costs. LE 977 remains unsupported questioned costs as follows:

<u>Date</u>	<u>Check</u>	<u>LE Amount</u>
10/31/93	237384	115
		<u>862</u>
		<u>977</u>

B.1. Office equipment and supplies

We have removed this questioned cost from our final report.

B.2. The cost for two vacuum cleaners may have been a legitimate cost of the project, however, costs for which ESA does not have a USAID/Egypt-approved budget may not be submitted for USAID/Egypt reimbursement.

This cost is ineligible for USAID/Egypt reimbursement under both the office equipment and supplies and the other support costs budget line items because the office equipment and supplies budget covered by USAID/Egypt for fiscal year 1993/1994 is zero and the other support costs detailed budget does not provide for purchases of fixed assets.

Our position is unchanged.

C.1. Professional equipment and supplies

We have removed this questioned cost from our final report.

D.1. Communications/Reports

Costs for which there is no USAID/Egypt-approved budget must be born by the GOE contribution to the project. The absence of a GOE budget provision for a particular item does not dictate that such item may be charged to USAID/Egypt. Further, USAID/Egypt's intention for the GOE to support the costs for radio license renewal is evident by USAID/Egypt's omission of and the GOE's inclusion of a budget line item entitled "radio license renewal" for fiscal year 1993/1994.

Our position is unchanged.

D.2. Communications/Reports

Sales taxes billed to USAID/Egypt for which ESA is seeking recovery from the public sector telephone company should be immediately refunded to USAID/Egypt. ESA's agreement with USAID/Egypt does not allow for advance billing of project costs, especially those that are explicitly ineligible for USAID/Egypt reimbursement (taxes assessed by the GOE).

Our position is unchanged.

D.3. Communications/Reports

We selected for testing only those costs that were billed to USAID/Egypt. We noted that this cost was billed and was only supported by a cancelled check. The ESA management comments do not support their claim that this cost was not billed to USAID/Egypt.

Our position is unchanged.

D.4. Communication/Reports

Management agrees to refund this cost to USAID/Egypt.

D.5. Communication/Reports

Management agrees to refund this cost to USAID/Egypt.

D.6. Communication/Reports

Management agrees to refund this cost to USAID/Egypt.

E.1. Travel and per diems

We have removed this questioned cost from our final report.

F.1. Other support costs

This maintenance cost was incurred on February 28, 1994 and was paid by check # 281371. The budget for the fiscal year 1993/1994 beginning October 1, 1993 attached to the PIL No. 87, provides no budget for maintenance and repair costs for the USAID/Egypt share of the project expenditures. A budget of LE 25,115 is provided, however for the GOE share of project expenditures.

Our position is unchanged.

- 32

F.2. Other support costs

Supplies purchased for the establishment and operation of a "tea room" are explicitly ineligible for USAID/Egypt reimbursement. USAID/Egypt's position relating to such costs is demonstrated by their sustaining questioned costs in ESA's prior NFA audit which also related to "tea room costs."

Our position is unchanged.

F.3. Other support costs

Regardless of the existence of "available budget" in a particular budget line item, the cost incurred must be eligible for USAID/Egypt reimbursement. Contractor Notice 1-93 dated January 14, 1993 states that fees such as those collected by the GOE upon registration or reregistration of a vehicle are not to be reimbursed as they are exempt under the bilateral agreement and are a liability of the host government.

Our position is unchanged.

F.4. Other support costs

We have removed this questioned cost from our final report.

G.1. Other income and cash

ESA deducted employee payments for the personal use of USAID/Egypt-financed vehicles from the USAID/Egypt billings prior to July, 1994. We have questioned those amounts occurring after July, 1994.

Our position is unchanged.

H.1. Net over under billing

Management agrees to refund this difference to USAID/Egypt on the final close-out billing.

It should be noted that our audit did not include the final close-out billing to USAID/Egypt as ESA has not submitted this billing to USAID/Egypt.

**INTERNAL CONTROL STRUCTURE AND COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

ESA did not respond to the internal control structure weaknesses and instance of material noncompliance reported in our draft report.

**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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MISSION RESPONSE



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

June 18, 1996

MEMORANDUM

TO: Lou Mundy, RIG/A/C

FROM: Shirley Hunter, OD/FM/FA

RECEIVED
18 JUN 1996

SUBJECT: Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132) Draft Report dated May 16, 1996.

Mission is working with the implementing agency to resolve and close Recommendation No. 1 under the subject audit report, and has no comments to offer at this time.

Recommendations 2 & 3 deal with internal control and non-compliance issues. Please note that this activity was completed on March 31, 1995. Currently there are no active commitments with ESA. However, should there be future activities with ESA, Mission will ensure that the entity Financial Accounting System is recertified to manage USAID appropriated funds. Therefore, Mission requests closure of Recommendations 2 & 3.

Please issue the final report.