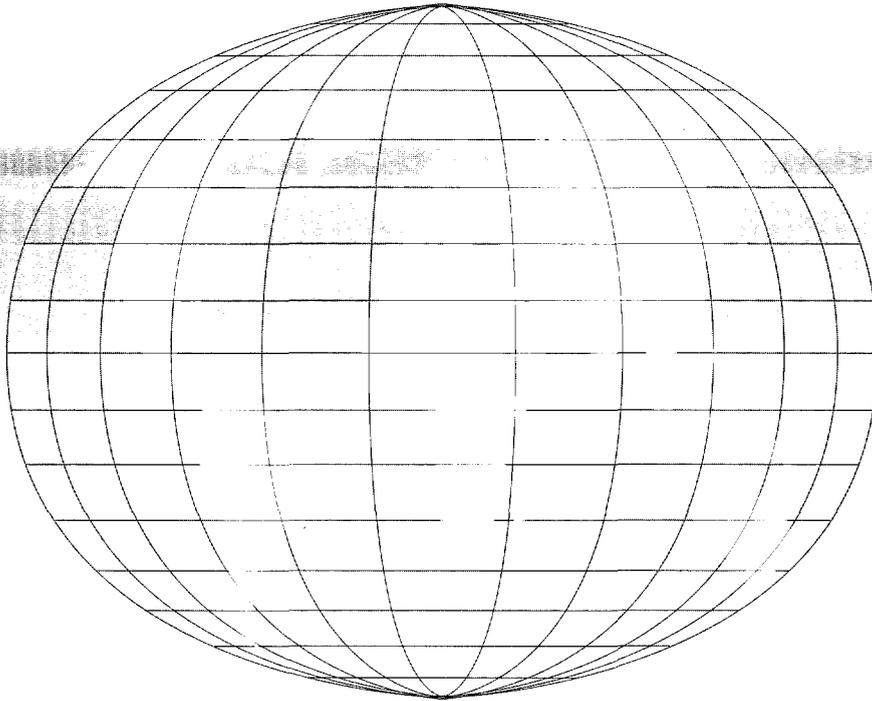


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Report of Audit

Financial Audit of the Principal Bank for Development and Agricultural Credit, Expenditures Incurred Under the Agricultural Production and Credit Project (USAID/Egypt Project No. 263-0202)

Report No. 6-263-97-08-N
December 10, 1996



FINANCIAL INFORMATION CONTAINED
IN THIS REPORT MAY BE PRIVILEGED.
THE RESTRICTION OF 18 USC 1905 SHOULD
BE CONSIDERED BEFORE ANY INFORMATION
IS RELEASED TO THE PUBLIC.

Regional Inspector General for Audit
Cairo, Egypt

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

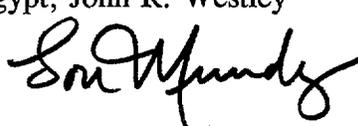


**UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL/AUDIT**

CAIRO, EGYPT

December 10, 1996

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley
FROM: RIG/A/C, Lou Mundy 
SUBJECT: Financial Audit of the Principal Bank for Development and Agricultural Credit, Expenditures Incurred Under the Agricultural Production and Credit Project (USAID/Egypt Project No. 263-0202)

The attached report, transmitted on September 16, 1996, by Price Waterhouse, presents the results of a financial audit of the Principal Bank for Development and Agricultural Credit (Bank) under Project Implementation Letters (PILs) Nos. 7, 35 and 36 of the Agricultural Production and Credit Project, USAID/Egypt Project No. 263-0202. The goal of the project is to support reforms in the agricultural sector and to strengthen market-based incentives, thus encouraging investment in agriculture and increasing overall productivity and income.

We engaged Price Waterhouse to perform a financial audit of the Bank's incurred expenditures of \$419,652 (equivalent to LE1,415,173) for the periods April 1, 1993 through June 30, 1995 for PILs Nos. 7 and 35, and July 1, 1992 through June 30, 1995 for PIL No. 36. The purpose of the audit was to evaluate the propriety of costs incurred during these periods. Price Waterhouse also evaluated the Bank's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The audit report questions \$4,234 (equivalent to LE14,230) in costs billed to USAID/Egypt by the Bank. The questioned costs related primarily to lack of support for overtime expenses and double billing of transportation and per diem expenses. Additionally, the auditors noted two material weaknesses in the Bank's internal control

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structure and three material instances of noncompliance with applicable laws, regulations and agreement terms.

In response to the draft report, responsible Bank officials provided additional explanation to the report findings. Price Waterhouse reviewed the Bank's response to the findings 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 make a management decision on the questioned costs of \$4,234 (ineligible costs of \$217 and unsupported costs of \$4,017) detailed on pages 9 through 11 of the Price Waterhouse audit report, and recover from the Principal Bank for Development and Agricultural Credit the amounts determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Egypt obtain evidence that the Principal Bank for Development and Agricultural Credit has addressed the material internal control weaknesses (lack of cash accounting procedures and inadequate timekeeping records for overtime payments) detailed on pages 13 and 14 of the Price Waterhouse audit report.

Recommendation No. 3: We recommend that USAID/Egypt obtain evidence that the Principal Bank for Development and Agricultural Credit has addressed the material noncompliance issues (failure to maintain individual bank accounts for each PIL, inadequate timekeeping records for overtime payments, and failure to submit a plan to ensure the audit of sub-recipients) detailed on pages 16 and 17 of the Price Waterhouse audit report.

Recommendation No. 1 is open and will be considered to have had a management decision upon the Mission's determination of the amount of recovery; it will be considered to have had final action upon the recovery or offset of funds.

USAID/Egypt requested closure of Recommendation Nos. 2 and 3 since activities were completed under PILs Nos. 7, 35, and 36 and because the Mission has no active commitments planned for the Bank. USAID/Egypt stated that should there be future activities with the Bank, the Mission will ensure that deficiencies identified are corrected

prior to funding (see Appendix C). Based on the Mission's management decision and final action, Recommendation Nos. 2 and 3 are closed upon issuance of this report.

Please advise this office within 30 days of any action planned or taken to close Recommendation No. 1. 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

**THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT**

**PROJECT IMPLEMENTATION LETTERS ("PILs")
NO. 7, 35 AND 36**

**UNDER THE USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

**FOR THE PERIODS
APRIL 1, 1993 THROUGH JUNE 30, 1995 FOR
PILs NO. 7 AND 35 AND
JULY 1, 1992 THROUGH JUNE 30, 1995
FOR PIL NO. 36**

THE PRINCIPAL BANK FOR DEVELOPMENT AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS ("PILs")
NO. 7, 35 AND 36
UNDER THE USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION

FOR THE PERIODS
APRIL 1, 1993 THROUGH JUNE 30, 1995 FOR
PILs NO. 7 AND 35 AND
JULY 1, 1992 THROUGH JUNE 30, 1995
FOR PIL NO. 36

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Price Waterhouse



September 16, 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 project revenues received and costs incurred by the Principal Bank for Development and Agricultural Credit ("PBDAC"). The audit population includes revenues received and costs incurred by PBDAC under Project Implementation Letters ("PILs") No. 7, 35 and 36 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Agricultural Production and Credit Project Grant Agreement No. 263-0202 ("Grant Agreement" or "project") for the periods April 1, 1993 through June 30, 1995 for PILs No. 7 and 35 and July 1, 1992 through June 30, 1995 for PIL No. 36 (collectively, the "audit periods").

Background

PBDAC is the implementing agency for the Government of Egypt's ("GOE's") policies relating to agricultural credit. PBDAC's goal is to assist the private sector by financing expansion of private services and infrastructure investments needed for agricultural development.

On September 30, 1986, the GOE and USAID/Egypt signed Grant Agreement No. 263-0202, the Agricultural Production and Credit Project ("APCP"). APCP's goal is to support reforms in the agricultural sector and to strengthen market-based incentives, thus encouraging investment in agriculture and increasing overall productivity and income.

Funds subject to this audit report are those used for technical assistance services, training and commodities procurement. Those funds are implemented through PILs No. 7, 35 and 36. PIL No. 7 finances in-country training, local procurement of training and English language courses for PBDAC employees. PIL No. 35 finances technical assistance, including a study on private sector cotton trading in Egypt and a feasibility study for the PBDAC warehousing system. PIL No. 36 finances the monitoring and verification activities associated with Tranches VI and VII of the policy reform component of APCP.

Audit Objectives and Scope

The objective of this engagement was to perform a financial related audit of project revenues received and costs incurred by PBDAC under the Grant Agreement during the audit periods. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed PBDAC project presents fairly, in all material respects, project revenues received and costs incurred during the periods under audit in conformity with generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursements basis;



2. Determine if the costs reported as incurred under PILs No. 7, 35 and 36 are in fact allowable, allocable, and reasonable in accordance with the terms of the Grant Agreement;
3. Evaluate and obtain a sufficient understanding of the internal control structure of PBDAC as it relates to the PILs, assess control risk, and identify reportable conditions, including material internal control weaknesses;
4. Perform tests to determine whether PBDAC complied, in all material respects, with the terms of the Grant Agreement and with applicable laws and regulations; and
5. Determine if PBDAC has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in February 1996. These procedures consisted of discussions with personnel from the office of the Regional Inspector General for Audit in Cairo and PBDAC management, as well as a review of prior non-federal audit reports. Audit fieldwork commenced in May 1996 and was completed in September 16, 1996.

The scope of our audit included a population of project costs amounting to \$419,652 or LE 1,415,173. On a judgmental basis, we selected and tested \$211,485 or LE 713,966 (50%) of these costs. Our audit population also included \$432,877 or LE 1,460,191 of project revenues received. We tested one hundred percent of these revenues.

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

1. Reconciling PBDAC project accounting records to billings issued to USAID/Egypt to ensure that program costs were appropriately supported.
2. Testing project costs funded by USAID/Egypt for allowability and allocability.
3. Establishing the adequacy of PBDAC control procedures, as they relate to the Grant Agreement, to safeguard project funds/assets.
4. Determining if salary costs funded by USAID/Egypt were adequately supported and approved.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.



As part of our examination of PBDAC, we assessed internal controls, as they relate to PILs No. 7, 35 and 36, in order to determine our auditing procedures. We also reviewed PBDAC's compliance with applicable laws, regulations, contracts and grants as they relate to PILs No. 7, 35 and 36 of the Grant Agreement.

Results of Audit

Fund Accountability Statement

Our audit procedures identified \$4,234 or LE 14,230 of questionable project costs. This is comprised of \$217 or LE 733 of ineligible project costs and \$4,017 or LE 13,497 of unsupported project costs. The fund accountability statement and details of questionable project costs, both as incurred in Egyptian pounds, are included in supplemental schedules to this report.

Internal Control Structure

Our audit identified two reportable conditions in the internal control structure of PBDAC, both of which are considered material weaknesses. The first weakness relates to the Monitoring and Verification Unit's lack of controls over PIL No. 36 funds. The second weakness relates to the failure of PBDAC management to maintain adequate time and attendance records for overtime payments relating to PIL No. 36 activities. Additionally, we noted certain matters involving the internal control structure and its operation that we consider to be of a non-reportable nature under standards established by the American Institute of Certified Public Accountants. We have described those conditions in a separate letter dated September 16, 1996 addressed to PBDAC management.

Compliance with Laws, Regulations, Contracts and Grants

Our audit procedures identified three instances of material noncompliance with either the terms of the Grant Agreement, PIL No. 7, 35 or 36, applicable laws and regulations, or a combination thereof. First, management did not establish individual bank accounts for the funds of PILs No. 7 and 35. Second, management did not maintain adequate time and attendance records for overtime payments relating to PIL No. 36 activities. Third, PBDAC management did not ensure that sub-recipients receiving project funds in excess of \$25,000 during a calendar year were audited according to USAID/Egypt guidelines. Additionally, we noted other instances of noncompliance that do not materially affect the fund accountability statement. We have described these instances to PBDAC management in a separate letter dated September 16, 1996.

Follow-up on Prior Audit Recommendations

We have reviewed the prior audit report of PBDAC PILs No. 7, 27, 32 and 35 for the audit period March 1, 1987 through March 31, 1993. Our review revealed the following:

Fund Accountability Statement

The prior audit questioned the cumulative amount of \$186,756 from the four PILs audited. USAID/Egypt officials sustained \$23,601 and accepted PBDAC's justifications for the remaining \$163,155. A bill of collection for \$23,601 has been sent to PBDAC for settlement.



Internal Control

The prior audit report identified six reportable conditions that were considered to be non-material weaknesses. With the exception of the following condition, the other five findings and related recommendations from the prior audit report have been addressed and implemented.

1. PBDAC does not maintain detailed ledgers of the budgets and actual expenses of PILs No. 27, 32 and 35.

This finding is considered unresolved and has been included as material weakness No. 1 in our report on internal controls

Compliance with Laws Regulations Contracts and Grants

The prior audit report identified one material instance of noncompliance and one reportable instance of noncompliance. Both findings and their related recommendations have been addressed and implemented.

Management Comments

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

Mission Response

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

This report is intended for the information of PBDAC management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

Pricewaterhouse

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Price Waterhouse



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

September 16, 1996

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

We have audited the fund accountability statement of project revenues received and costs incurred by the Principal Bank for Development and Agricultural Credit ("PBDAC") under Project Implementation Letters ("PILs") No. 7, 35 and 36 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Agricultural Production and Credit Project Grant Agreement No. 263-0202 ("Grant Agreement" or "project") for the periods April 1, 1993 through June 30, 1995 for PILs No. 7 and 35 and July 1, 1992 through June 30, 1995 for PIL No. 36 (collectively, the "audit periods"). The fund accountability statement is the responsibility of PBDAC management. Our responsibility is to express an opinion on this statement based on our audit.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

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

As detailed in the fund accountability statement, and more fully described in Note 4 thereto, the results of our tests disclosed \$4,234 or LE 14,230 of questionable project costs. This is comprised of \$217 or LE 733 of ineligible project costs and \$4,017 or LE 13,497 of unsupported project costs. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program related or are prohibited by PILs No. 7, 35 and 36, the Grant Agreement, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation.



In our opinion, except for the effects of the questionable project costs discussed in the preceding paragraph, the fund accountability statement referred to in the first paragraph presents fairly, in all material respects, project revenues received and costs incurred by PBDAC under PILs No. 7, 35 and 36 of the Grant Agreement during the audit periods, in conformity with the basis of accounting described in Note 2.

In accordance with GAS, we have also issued a report dated September 16, 1996 on our consideration of PBDAC's internal control structure as it relates to PILs No. 7, 35 and 36 of the Grant Agreement, and a report dated September 16, 1996 on its compliance with laws and regulations as they relate to PILs No. 7, 35 and 36 of the Grant Agreement.

This report is intended for the information of PBDAC management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

Pricewaterhouse

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36
UNDER THE USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION

FOR THE PERIODS
APRIL 1, 1993 THROUGH JUNE 30, 1995 FOR PILs NO. 7 AND 35
AND JULY 1, 1992 THROUGH JUNE 30, 1995 FOR PIL NO. 36

	Budget (Note 1)	Actual (Note 1)	Questionable Project Costs		Finding Ref.
			Ineligible (Note 4)	Unsupported (Note 4)	
REVENUES-USAID/EGYPT					
PIL No. 7		\$209,355	-	-	-
PIL No. 35		76,923	-	-	-
PIL No. 36		<u>146,599</u>	-	-	-
Total		\$ <u>432,877</u>	\$ -	\$ -	
EXPENDITURES					
<u>PIL No. 7</u>					
In-country Training	98,096	150,741	-	-	Page 9,A
Local Procurement of Training Materials	66,063	22,993	-	-	Page 9,B
Other Miscellaneous Costs	83,970	6,416	-	-	Page 9,C
English Language Courses	<u>20,249</u>	-	-	-	-
	\$ <u>268,378</u>	\$ <u>180,150</u>	\$ -	\$ -	
<u>PIL No. 35</u>					
Private Sector Cotton Trading Study	4,611	-	-	-	-
Cotton Supply Response Study	3,416	-	-	-	-
Warehouse Feasibility Study	47,337	47,337	-	-	-
Financial Analysis Study	<u>21,559</u>	<u>29,586</u>	-	-	-
	\$ <u>76,923</u>	\$ <u>76,923</u>	\$ -	\$ -	
<u>PIL No. 36</u>					
Data Collection and Processing	56,786	52,323	-	4,017	Page 10,D
Professional Services	103,318	99,931	59	-	Page 10,E
Translation Services	8,586	6,056	-	-	-
Supplies and Materials	<u>5,952</u>	<u>4,269</u>	<u>158</u>	-	Page 11,F
	<u>174,642</u>	\$ <u>162,579</u>	\$ <u>217</u>	\$ <u>4,017</u>	
Total	\$ <u>519,943</u>	\$ <u>419,652</u>	\$ <u>217</u>	\$ <u>4,017</u>	
OUTSTANDING BALANCE (Note 1)		\$ <u>13,225</u>			

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

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36
UNDER THE USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT:

The fund accountability statement includes project revenues received and costs incurred by PBDAC under Project Implementation Letters ("PILs") No. 7, 35 and 36 of Agricultural Production and Credit Project Grant Agreement No. 263-0202 ("Grant Agreement" or "Project") for the periods April 1, 1993 through June 30, 1995 for PILs No. 7 and 35 and July 1, 1992 through June 30, 1995 for PIL No. 36 (collectively, the "audit periods").

"Budget" includes USAID/Egypt approved project costs in accordance with the most recent budget amendments of the PILs within the audit periods and is presented for informational purposes only. Amendment No. 11 to PIL No. 7, dated September 19, 1994, approved total project costs of LE 4,315,896 through September 30, 1995; amendment No. 2 to PIL No. 35(d), dated July 18, 1993, approved total project costs of LE 531,189; and amendment No. 5 to PIL No. 36, dated May 24, 1995, approved total project costs of LE 586,800.

PBDAC records as of March 31, 1993 indicate that since project inception, expenditures of LE 3,408,781 were incurred under PIL No. 7, and LE 271,189 were incurred under PIL No. 35. Thus, the budgets for the current audit period of PILs No. 7 and 35 were calculated to be \$268,378 or LE 907,115 and \$76,923 or LE 260,000, respectively. The entire \$174,642 or LE 586,800 budget per amendment No. 5 to PIL No. 36 applies to the current audit period. Budget in LE has been converted to US Dollars at an average exchange rate of LE to 3.38 and LE 3.36 to one US Dollar for PILs No. 7 and 35 and PIL No. 36, respectively, as explained in Note 3 below.

"Actual" represents cumulative project revenues received and cost incurred by PBDAC less \$82,986 or LE 280,494 of costs incurred under PIL No. 7's In-country Training line item which were disallowed during the audit periods by USAID/Egypt. The apparent overbudget amount of the In-country training line item under PIL No. 7 is not questioned as PIL No. 7 stipulated that 15% of total PIL funds can be reallocated between budget line items without obtaining USAID/Egypt prior written approval. Additionally, the apparent overbudget in the Financial Analysis Study line item under PIL 35 is not questioned as PBDAC management was granted the authority to reallocate budgeted funds through the Project Implementation Letter amendments. The outstanding balance represents reimbursements of prior period expenditures received during the current audit periods in excess of the difference between current audit period expenditures and reimbursements.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statement of PBDAC has been prepared on the basis of cash receipts and disbursements. Consequently, project revenues are recognized when received. Project costs are recognized when paid rather than when the obligation is incurred.

NOTE 3 - FOREIGN EXCHANGE:

Actual and budgeted project revenues and costs incurred in LE have been converted to US dollars at an exchange rate of LE 3.38 and LE 3.36 to one US Dollar for PILs No. 7 and 35 and PIL No. 36, respectively. The exchange rate has been calculated by averaging the ending monthly exchange rates during the respective audit periods.

NOTE 4 - QUESTIONABLE PROJECT COSTS:

Questionable project costs are presented in two categories; ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not project related or are prohibited by the PILs, Grant Agreement, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation.

Questionable project costs identified as either ineligible or unsupported are detailed below:

NOTE 4 - QUESTIONABLE PROJECT COSTS (CONT'D):

Questionable Amounts

Ineligible

Unsupported

Item Description:

PIL No. 7

A. In-country Training:

1. Costs totaling \$698 relating to a training course entitled "Preparation for taking charge of high management positions" were charged and billed to USAID/Egypt during the audit period. According to PIL No. 7, amendment No. 11, dated September 19, 1994, USAID/Egypt agreed to finance specialized training courses specifically delineated by course title in the amendment. The aforementioned course title was not among the USAID/Egypt approved courses. PBDAC management concurred with this finding. Accordingly, the amount is considered ineligible. **Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information, this finding has been removed from the final report.**

\$ - \$ -

Total In-country Training

\$ - \$ -

B. Local Procurement of Training Materials:

1. Costs in the amount of \$58 relating to fees paid to trainers for conducting a course entitled "Preparation for taking charge of high management positions" were charged and billed to USAID/Egypt during the audit period. According to PIL No. 7, amendment No. 11, dated September 19, 1994, USAID/Egypt agreed to finance specialized training courses specifically delineated by course title in the amendment. The aforementioned course title was not among the USAID/Egypt approved courses. PBDAC management concurred with this finding. Accordingly, the amount is considered ineligible. **Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information, this finding has been removed from the final report.**

- -

Total Local Procurement of Training Materials

\$ - \$ -

C. Other Miscellaneous Costs:

1. Costs in the amount of \$137 relating to the purchase of stationary supplies for a training course entitled "Preparation for taking charge of high management positions" were charged and billed to USAID/Egypt during the audit period. According to PIL No. 7, amendment No. 11, dated September 19, 1994, USAID/Egypt agreed to finance specialized training courses specifically delineated by course title in the amendment. The aforementioned course title was not among the USAID/Egypt approved courses. PBDAC management concurred with this finding. Accordingly, the amount is considered ineligible. **Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information, this finding has been removed from the final report.**

- -

Total Other Miscellaneous Costs

\$ - \$ -

TOTAL PIL NO. 7 QUESTIONABLE COSTS

\$ - \$ -

Questionable Amounts

Ineligible

Unsupported

Item Description:

PIL NO. 36

D. Data Collection and Processing:

1. Payments amounting to \$10,713, were paid to employees of the Ministry of Agriculture's Sector for Agriculture and Economic Affairs who worked overtime to perform administrative, data collection and processing activities for the project. The Monitoring and Verification ("M/V") unit did not maintain appropriate support evidencing the time and work performed by these employees. According to PIL No. 36, dated July 5, 1992, and a letter dated June 13, 1996 from the USAID/Egypt Project Officer, "Appropriate records and rosters for time and attendance.....should be maintained in the official PBDAC files." According to M/V unit management, such records are not consistently utilized by GOE organizations. Due to the lack of supporting documentation, this amount is questioned as unsupported. **Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information, this finding has been adjusted to the final questioned cost amount shown.**

\$ - \$ 3,320

2. An amount of \$697 relating to transportation and per diem payments to M/V data collection and processing employees was double billed to USAID/Egypt; once during April 1994, and again in May 1994. No support was available for the cost related to the May billing. According to PIL No. 36, dated July 5, 1992, "All costs funded under this PIL, must be allocable, allowable, reasonable and supported by documents." M/V unit management concurred with this finding. Therefore, the amount is questioned as unsupported.

- 697

Total Data Collection and Processing

\$ - \$ 4,017

E. Professional Services:

1. A half-month bonus payable to the M/V unit administrative secretary was miscalculated. As a result, the amount of \$59 was overpaid to the employee. According to PIL No. 36, dated July 5, 1992, "All costs funded under this PIL, must be allocable, allowable, reasonable and supported by documentation." According to M/V unit management, the miscalculation was inadvertent and the resulting overpayment should be refunded to USAID/Egypt. Therefore, the amount is questioned as ineligible.

59 -

Total Professional Services:

\$ 59 \$ -

F. Supplies and Materials:

1. We identified \$26 of sales taxes billed to USAID/Egypt related to the purchase of office supplies. According to Section 5.15 of amendment No. 5 to the Grant Agreement dated September 30, 1991, "Any transaction financed under the grant is not exempted from identifiable taxes, tariffs, duties, or other levies.....PBDAC will pay the same with funds other than those provided under the grant." M/V unit management concurred with the finding. Therefore, the amount is questioned as ineligible.

26 -

NOTE 4 - QUESTIONABLE PROJECT COSTS (CONT'D):

Questionable Amounts

Ineligible

Unsupported

Item Description:

F. Supplies and Materials (Cont'd)

2. Costs totaling \$132 relating to computer maintenance were paid and billed to USAID/Egypt. According to PIL No. 36, dated July 5, 1992, "Supplies and materials budget line item provides local currency funds for expendable supplies....." Maintenance costs are not, by definition, expendable. They are expended to maintain an asset in its present condition. Accordingly, this amount does not constitute an allowable charge to this budget line item. M/V unit management concurred with this finding. This amount is questioned as ineligible.

Total Supplies and Materials

TOTAL PIL No. 36 QUESTIONABLE COSTS

TOTAL PILs No. 7 AND 36 QUESTIONABLE COSTS

\$	132	\$	-
\$	158	\$	-
\$	217	\$	4,017
\$	217	\$	4,017

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Price Waterhouse



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

September 16, 1996

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

We have audited the fund accountability statement of project revenues received and costs incurred by the Principal Bank for Development and Agricultural Credit ("PBDAC") under Project Implementation Letters ("PILs") No. 7, 35 and 36 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Agricultural Production and Credit Project Grant Agreement No. 263-0202 ("Grant Agreement" or "project") for the periods April 1, 1993 through June 30, 1995 for PILs No. 7 and 35 and July 1, 1992 through June 30, 1995 for PIL No. 36 (collectively, the "audit periods"), and have issued our report thereon dated September 16, 1996.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

The management of PBDAC 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 basis of accounting described in Note 2 of the report on the fund accountability statement. 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 the fund accountability statement of PBDAC for the audit periods, we obtained an understanding of the internal control structure as it relates to the PILs under audit. 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 our 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 judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the fund accountability statement.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the fund accountability statement of PBDAC for the audit periods.

REPORTABLE CONDITIONS - MATERIAL WEAKNESSES

1. The Monitoring and Verification ("M/V") unit does not have adequate controls in place to properly manage PIL No. 36 funds.

During the course of our audit of expenditures incurred by the M/V unit funded under PIL No. 36, we noted the following internal controls that were absent or deficient:

- ▶ A general ledger and a cash transaction log were not maintained.
- ▶ Monthly bank statements and deposit slips were not obtained.
- ▶ Monthly bank reconciliations were not performed.
- ▶ Management failed to properly review billing vouchers, which resulted in an underbilling to USAID/Egypt.
- ▶ M/V unit management failed to properly compare and investigate discrepancies between USAID/Egypt billings and receipts.

Although we were able to substantiate the related expenditures based on the audit procedures we performed, Statement of Auditing Standard ("SAS") No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, states that an entity's control procedures should include ".....adequate safeguards over access to, and use of assets and records." Furthermore, control procedures should ensure the design and use of adequate documents and records and appropriate monitoring to help ensure the proper recording of transactions, independent checks on performance, and proper valuation of recorded amounts. Additionally, Grant Agreement section B.5.b. states that ".....the grantee shall maintain accounting books, records, documents, and other evidence relating to the project, adequate to show, without limitation, all costs incurred under the grant....." M/V unit management acknowledge their satisfaction about the established controls, and did not see that improvement was required.

Failure to maintain the aforementioned controls may lead to the occurrence and non-detection of errors or irregularities.



Recommendation No. 1

For future awards, M/V unit management should establish proper and effective internal controls and procedures to ensure that funds awarded are properly monitored and expended. Specifically, a general ledger, cash transaction log, bank statements and deposit slips should be maintained. The cash account should be reconciled to the bank statement balance on a monthly basis. Moreover, management needs to dutifully review USAID/Egypt billing vouchers to ensure that proper amounts are billed. After USAID/Egypt billings are issued, management must ensure the bills are collected.

* * * * *

2. The M/V unit does not maintain appropriate time and attendance records for overtime payments.

During our review of the overtime payment policies established by the M/V unit, we noted that management failed to maintain adequate time and attendance records supporting overtime payments made to employees of the Sector of Agriculture and Economic Affairs who performed monitoring and verification activities for the project. According to PIL No. 36, dated July 5, 1992, and USAID/Egypt Project Officer's instructions set forth in correspondence dated June 13, 1996, "..... appropriate records and rosters for time and attendance and tasks approved by the authorized person should be maintained in the official PBDAC files....." M/V unit management failed to establish policies and procedures that would have provided adequate evidence to support the propriety of said payments. We have questioned \$3,320 of such payments as unsupported in our report on the fund accountability statement. According to M/V unit management, these procedures are not consistently applied by GOE entities. Lack of adequate controls over overtime payments may lead to a material misappropriation of grant funds.

* * * * *

Recommendation No. 2

We recommend that M/V unit management establish adequate control procedures sufficient to monitor and identify time and attendance for employees who work overtime.

* * * * *

We also noted other matters involving the internal control structure and its operations that we have reported to management in a separate letter dated September 16, 1996.

This report is intended for the information of PBDAC management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

Prisc Waterhouse

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Price Waterhouse



**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS**

September 16, 1996

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

We have audited the fund accountability statement of project revenues received and costs incurred by the Principal Bank for Development and Agricultural Credit ("PBDAC") under Project Implementation Letters ("PILs") No. 7, 35 and 36 of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") Agricultural Production and Credit Project Grant Agreement No. 263-0202 ("Grant Agreement" or "project") for the periods April 1, 1993 through June 30, 1995 for PILs No. 7 and 35 and July 1, 1992 through June 30, 1995 for PIL No. 36 (collectively, the "audit periods"), and have issued our report thereon dated September 16, 1996.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

Compliance with laws, regulations, contracts and grants applicable to PBDAC is the responsibility of PBDAC management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of PBDAC's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. For purposes of this report, we have categorized the provisions of laws, regulations, contracts and grants we tested as part of obtaining such reasonable assurance into the following categories:

- ▶ Procurement policies and procedures
- ▶ Restrictions on billing taxes
- ▶ Deposit and investment restrictions
- ▶ Budgetary expenditure limitations
- ▶ Maintenance of accounting books, records and documents
- ▶ Compensation limitations

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instances of noncompliance.



MATERIAL INSTANCES OF NONCOMPLIANCE

1. PBDAC management failed to maintain individual bank accounts for PILs No. 7 and 35.

During the course of our examination, we noted that PBDAC had not established individual bank accounts for the receipts and disbursements related to PILs No. 7 and 35. Instead, funds were disbursed from a PBDAC bank account ("Disbursement Account") prior to being submitted to USAID/Egypt for reimbursement. This account contained activity related to various receipts and disbursements corresponding to a wide range of PBDAC's operations. Funds reimbursed by USAID/Egypt for expenditures made related to the PILs were deposited into yet another bank account ("Deposit Account"). The Deposit Account was established solely for the purpose of tracking USAID/Egypt reimbursements related to both of the aforesaid PILs. Once PBDAC received reimbursement from USAID/Egypt, they deposited the check in the Deposit Account then subsequently transferred these funds to cover expenditures which were made from the Disbursement Account. This situation resulted in the commingling of disbursements made by PBDAC. According to PBDAC management, the nature of the cost reimbursement system used for the grant agreement did not necessitate such segregation between the bank's operational funds and USAID/Egypt funds.

Section 4.2 (e) of the Fourth Amendment of the Grant Agreement mandates that ".....the Grantee shall have furnished, in form and substance..... a designation of the interest-bearing bank account to which Grant proceeds of performance disbursements..... are to be deposited, together with the Grantee's and bank's certification that such bank account is established and will be maintained in a manner required by the Grant Agreement." Additionally, Section 5.12 of the same amendment continues on to state that "The Grant proceeds of performance disbursements.....will be deposited to an interest bearing account.....established by the Grantee solely for the receipt of the proceeds of such performance disbursements by A.I.D., together with interest earned on funds so deposited. Such proceeds may not be co-mingled with other funds from whatever source....."[Emphasis added]

Recommendation No. 1

We recommend that PBDAC management maintain separate bank accounts for USAID/Egypt funded projects, and the PILs within.

2. PBDAC's Monitoring and Verification unit ("M/V") funded under PIL No. 36 does not maintain appropriate time and attendance records for overtime payments

During our review of the overtime payment policies established by the M/V unit, we noted that management failed to maintain adequate time and attendance records supporting overtime payments made to employees of the Sector of Agricultural and Economic Affairs who performed monitoring and verification related activities for the project. According to PIL No. 36, dated July 5, 1992, and USAID/Egypt Project Officer's instructions set forth in correspondence dated June 13, 1996,appropriate records and rosters for time and attendance and tasks approved by the authorized person should be maintained in the official PBDAC files....." M/V unit management failed to establish policies and procedures that would have provided adequate evidence to support the propriety of said payments. We have questioned \$3,320 of such payments as unsupported in our report on the fund accountability statement. According to M/V unit management, these procedures are not consistently applied by GOE entities. Lack of adequate controls over overtime payments may lead to a material misappropriation of grant funds.



Recommendation No. 2

We recommend that M/V unit management maintain appropriate time and attendance records sufficient to support the propriety of overtime payments made to employees.

3. **PBDAC failed to submit to USAID/Egypt a plan ensuring that sub-recipients who received project funds in excess of \$25,000 were audited in accordance with USAID/Egypt guidelines.**

During the course of our examination, we noted that during the audit period a significant number of technical services were provided by professional organizations. These organizations received project funds over the course of 27 months totaling \$105,325 or LE 356,000 for services rendered for the project. However, PBDAC management failed to submit to USAID/Egypt a plan ensuring that said sub-recipients will be audited in accordance with established USAID/Egypt guidelines. According to Section B.5.e. of the sixth amendment to the Grant Agreement, PBDAC is required to ".....submit to A.I.D.,a plan by which the Grantee will ensure that funds made available to sub-recipients that receive \$25,000 or more in one calendar year under the Grant are audited in accordance with this agreement." Failure to comply with such regulation, may result in federal awards being misappropriated. PBDAC management was not aware of such a regulation.

Recommendation No. 3

We recommend that in the future, PBDAC management provide plans to USAID/Egypt ensuring that audits will be conducted on subrecipients to whom they intend on providing project funds in excess of \$25,000 in one calendar year.

We considered these material instances of noncompliance in forming our opinion on whether PBDAC's fund accountability statement presented fairly, in all material respects, in conformity with the cash receipts and disbursements basis of accounting, and this report does not affect our report dated September 16, 1996, on that fund accountability statement.

The results of our tests disclosed immaterial instances of noncompliance with the above requirements which we have communicated to the management of PBDAC in a separate letter dated September 16, 1996.

This report is intended for the information of PBDAC management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

Pricewaterhouse

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS

APCP

AGRICULTURAL PRODUCTION AND CREDIT PROJECT
PRINCIPAL BANK FOR DEVELOPMENT & AGRICULTURAL CREDIT

مشروع الانتاج الزراعى والائتمان

البنك الرئيسى للتربية والائتمان الزراعى

PRICE WATERHOUSE
4, ROAD 261
NEW MAADI, CAIR
EGYPT

SEP. 16, 1996

DEAR SIRs,

THIS IS TO RESPOND TO FUND
ACCOUNTABILITY STATEMENT FOR PIL NO. 7
"INELIGIBLE QUESTIONABLE PROJECT COSTS" \$893. -
ACCORDING TO PIL NO 7 AMEND. N= . 11 THE APPROVED COURSES
INCLUDE LE 22,250 FOR COURSES TITLED " 3. BANK DEVELOPMENT
MGT.
" THE ARABIC INTERPRETATION WAS " DEVELOPMENT OF
MANAGEMENT CAPABILITIES FOR BANK SENIOR MANAGERS " AND
NOT PREPARATION FOR TAKING CHARGE OF HIGH MANAGEMENT
POSITIONS.
EVENTHOUGH PREPARATION FOR TAKING CHARGE OF HIGH
MANAGEMENT POSITIONS IS
CONSIDERED TO BE A BANK MANAGEMENT COURSE AS STATED IN
THE ATTACHED ARABIC LETTER DATED NOV. 16,1994 OF APPROVED
COURSES TO BE FUNDED UNDER PIL NO. 7 AMENDMENT NO, 11.
IT IS CLEAR THAT IT IS THE SAME APPROVED COURSE.
THEREFORE , WE THINK IT IS AN ELIGIBLE COURSE AND IT WAS A
MATTER OF MISINTERPRETATION. -

MATERIAL INSTANCES OF NON COMPLIANCE

1. PBDAC MANAGEMENT FAILED TO MAINTAIN IN DIVIDUAL BANK
ACCOUNTS FOR PILS NO. 7 AND 35.

~~PBDAC MANAGEMENT MAINTAINED A SEPARATE
BANK ACCOUNT FOR U.S.AID/EGYPT FUND FOR
PIL 7 A/C NO. 1802 USAID AGREED THAT PBDAC~~

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS

APCP

AGRICULTURAL PRODUCTION AND CREDIT PROJECT
PRINCIPAL BANK FOR DEVELOPMENT & AGRICULTURAL CREDIT

مشروع الانتاج الزراعي والائتمان

البنك الرئيسي للتربية والائتمان الزراعي

PAGE 2

WILL FINANCE MOST COSTS
ASSOCIATED WITH IN-COUNTRY TRAINING FROM
ITS RETAINED EARNING AND US-AID AGREES TO
FINANCE SPECIALIZED TRAINING. SO PBDAC
DISBURSED FROM BANK ACCOUNT NO. 1834 PRIOR
TO BEING SUBMITTED TO USAID FOR REUNBURSEMENT. FUNDS
REIMBURSED BY USAID FOR EXPENDITURES MADE RELATED TO
PIL 7
DEPOSITED INTO BANK A/C NO. 1802 AND TRANSFERED
TO COVER EXPENDITURES WHICH WERE MADE FROM A/C NO.1834.
THEREFORE NOW IT IS VERY CLEAR THAT PBDAC
MANAGEMENT NOT FAILED TO MAINTAIN AN IN
DIVIDUAL BANK A/C FOR PIL 7.

3- PBDAC FAILED TO SUBMIT TO USAID/EGYPT APLAN
ENSURING THAT SUB-RECIPIENTS WHO RECEIVED
PROJECT FUNDS IN EXCESS OF \$ 25,000 WERE AUDITED IN
ACCORDANCE WITH USAID/EGYPT GUIDELINES

~~FUNDS RECEIVED BY SUB-RECIPIENTS WHICH FINANCED BY
USAID/EGYPT UNDER PIL 35 WERE PAID TO CONSULTANTS
CERTIFIED ACCOUNTANTS AND AUDITORS. THEREFORE
FUNDS TO BE CONSIDERED AUDED IN ACCORDANEC WITH
USAID /EGYPT GUIDELINES.~~

THANK YOU FOR YOUR COOPERATION.

E. Hassouna

SINCERELY

Kamal Khedr

MR. M. KAMAL KHEDR
P.B.D.A.C. VICE CHAIRMAN AND
APCP EXECUTIVE MANAGER

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS



تحريراً في : ١٦ / ١١ / ١٩٩٤

البنك الرئيسي للتنمية والإئتمان الزراعي

قطاع : _____

إدارة : الإدارة العامة للمحاسبة

السيد الأستاذ / المدير المالي
لمشروع الإنتاج الزراعي والإئتمان

تحية طيبة وبعد ،،،

استمررا لتدعيم وظيفة لتدريب فهد ولقت وكالة للتنمية الدولية الامريكية علي خطة لتدريب
المعلمة من علم ١٩٩٥/٩٤ مواد تلك للممولة من P1L7 أو للممولة من حساب ثنت للطانة وقد تم
تحديد الدورات التي سوف تمولها الوكالة بتكلفة لجمالية قدرها ٤٥٠٤٥٠ جنيه علي النحو التالي :-

١٤٨٥٠	جنيه	١ -	مختبر السياسات لتمويلية والإئتمانية
٧٥٠٠	"	٢ -	ادارة لتسويق للمصري
٢٢٢٥٠	دورة ٢	٣ -	تنمية المهارات القبلية للادارة البنكية
١٤٥٠٠	دورة ٢	٤ -	لدوة للمراجعة الداخلية للادارة لطيا
١١٧٠٠	دورة ٢	٥ -	تقنيات الخطط والموازنات لتخطيطية
		٦ -	لتحليل الأئتماني والحسابات
١٣٥٠	"	٧ -	تدريب مدرسي للجدارة الأئتمانية
٣٦٥٠٠	"	٨ -	مهارات لتحليل الأئتماني والحسابي
٣٢٥٠٠	"	٩ -	لتحليل لمالي والأئتماني للمشروعات
٥٩٠٠	دورة ٥	١٠ -	مهارات تسويق للقروض والمخبرات
٥٩٠٠	دورة ٥	١١ -	مهارات ترويج للخدمات لبنكية
٤٩٠٠	دورة ٥	١٢ -	تنمية مهارات للمرجعات
٨٣٧٠٠	دورة ٥	١٣ -	الاضرف علي اصال للمراجعة الداخلية
١٤٩٠٠	"	١٤ -	مختبر ادارة مهارات للمراجعة الداخلية
٤٨٠٠٠	دورة ٢	١٥ -	لتحليل لمالي لميزانيات البنوك
٦٥٠٠	دورة ٢	١٦ -	دراسة الاصول وتكوين للمخصصات
٦٥٠٠	دورة ٢	١٧ -	تطبيق نظم الأئتماني
١٣٠٠٠	"	١٨ -	تطوير الموازنات لبنكية الحاسبية
٧٥٠٠٠	"		مختبر خطة العلم لتسليح للمشروع
٤٥٠٠٠	"		تدريب قر مبعث لتدريب

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS



١٩ / / : تحريراً في:

البنك الرئيسي للتنمية والإنتاج الزراعي

قطاع: _____

إدارة: _____

هذا وقد طلبت وكالة التنمية الأمريكية أن يستمر البنك في تقديم التقرير الربع سنوي عن خطة المشروع شاملاً للتشاور التدريبي الذي يمول من الوكالة أو من البنك وكذلك لأن يكون هناك دفع مقدم ولكن سيتم استعاضة المنصرف بموجب مظلة شهرية .

لذا نرجو التفضل بالاحاطة ورفق لكم طيه صورة من كتاب الوكالة المعتمدة من السيد المهندسة نائب رئيس مجلس الإدارة والمدير التنفيذي للمشروع وكذلك صورة من خطة للتدريب قسماق مولفة السيد الدكتور رئيس المجلس عليها .

رجاء العلم والاحاطة لوحدة الحسابية بذلك آمين استمرار التعاون في سبيل تطوير اعمال البنك .

والسلام عليكم ورحمة الله وبركاته ...

مدير علم للتدريب

• صورة في : الأستاذ/عبدالله كز نعيم
رجاء التكرم بالاحاطة ..

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS

APCP

AGRICULTURAL PRODUCTION
AND CREDIT PROJECT (APCP)

MVU

MONITORING AND VERIFICATION UNIT

MALR's Agencies and Companies Building
7 Nady El Saaid Street, Dokki, Giza
Tel.: 349-9278/9 - 349-6386 Fax: 337-4873

September 16, 1996

Price Waterhouse
4, Road 261
New Maadi, Cairo-
Egypt.

Dear Sirs :

This memo is in response to the 'fund accountability statement and additional information' prepared by your firm on Project Implementation Letter (PIL) No. 36 of the Agricultural Production and Credit Project (APCP), which covered the expenses of the Monitoring and Verification Unit (MVU).

1. On page 14 of your request you mentioned "The M/V Unit does not maintain appropriate time and attendance records for overtime payments".

There were two line items in PIL 36 that covered overtime payments for some of the staff in the Economic Affairs Sector.

A .4 Data Entry / Analysis which covered overtime payments for the staff working in the General Directorate of Census by sampling who entered the data related to the monitoring and verification activities.

A .5 Secondary data processing, which covered overtime payments for staff working in the General Directorate for Statistics. For logistical and administrative reasons, there was a general agreement between the two directorates and based upon the instructions of Dr. Saad Nassar, Ministry Advisor and Supervisor of Economic Affairs Sector, Ministry of Agriculture that the support staff, administrative, financial, elevator men and the staff working at Dr. Nassar's office will sign attendance sheets and receive their overtime payment through the Statistics Directorate headed by Dr. Ismail Gamal El Din.

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

MANAGEMENT COMMENTS

During the course of audit, Miss Sandy Konsouah, Price Waterhouse was given overtime attendance sheets by Engineer Saeed El Agati, deputy director of the General Sampling Directorate based upon her request.

Concerning the overtime sheets of the rest of the staff which were kept by the administrative and financial manager at the statistics general directorate, they were not presented to Ms. Sandy because Dr. Ismail Gamal El Din wrongly thought that the performance report, which he used to submit monthly to USAID, was enough, therefore he did not show the time sheets to Ms. Sandy (Ms. Sandy could attest to that).

At the meeting with Price Waterhouse staff, AID RIG staff and AGR office staff on Monday September 9 at Cairo Center, George Kondos General Coordinator of the Monitoring and Verification Unit explained the situation and promised to contact Dr. Ismail Gamal El Din who kept the sheets and was willing to offer them to the auditors. (copies of samples of the sheets attached).

We believe that this will provide adequate evidence to support the propriety of the US\$ 10,713 that were paid as overtime.

G.T. Kondos

G. T. Kondos
General Coordinator of the
Monitoring and Verification Unit

Ali Gaber

Financial and Administrative
Director of the Economic
Affairs Sector, MALR.

THE PRINCIPAL BANK FOR DEVELOPMENT
AND AGRICULTURAL CREDIT

PROJECT IMPLEMENTATION LETTERS NO. 7, 35 AND 36

UNDER USAID/EGYPT
AGRICULTURAL PRODUCTION AND CREDIT
PROJECT GRANT AGREEMENT NO. 263-0202

INDEPENDENT ACCOUNTANTS' RESPONSE

Management of the Principal Bank for Development and Agricultural Credit (PBDAC) provided comments to our draft report presented at the exit conference held on September 9, 1996. These comments are included, unedited, in Appendix A to this report. We have reviewed these comments and either adjusted our final report or clarified our positions. Our response below parallels our audit report's findings and management's comments.

RESPONSE TO PBDAC MANAGEMENT COMMENTS TO
QUESTIONABLE COSTS AS DETAILED IN
NOTE 5 OF THE FUND ACCOUNTABILITY STATEMENTS

PIL No. 7

A. In-Country Training:

1. We have reviewed management's response relating to the amount questioned. Management states that the questioned amount stemmed from an incorrect translation of the course title from Arabic to English. Based upon our review of additional support provided by management, we concur and have adjusted our report to exclude the previously questioned cost of \$698 or LE 2,358.

B. Local Procurement of Training Materials:

1. We have reviewed management's response relating to the amount questioned. Management states that the questioned amount stemmed from an incorrect translation of the course title from Arabic to English. Based upon our review of additional support provided by management, we concur and have adjusted our report to exclude the previously questioned cost of \$58 or LE 197.

C. Other Miscellaneous Costs:

1. We have reviewed management's response relating to the amount questioned. Management states that the questioned amount stemmed from an incorrect translation of the course title from Arabic to English. Based upon our review of additional support provided by management, we concur and have adjusted our report to exclude the previously questioned cost of \$137 or LE 462.

PIL No. 36

D. Data Collection and Processing:

1. During field work, we requested support for this questioned cost several times. However, management was unable to provide the required support. Subsequent to the issuance of our draft report, management provided the previously requested support; accordingly, the amount has been reduced to \$3,320 or LE 11,155. The remaining questionable cost relates to payments that management could not provide adequate support for.
2. Management did not respond to this questioned cost; accordingly, our report remains unchanged.

E. Professional Services:

1. Management did not respond to this questioned cost; accordingly, our report remains unchanged.
2. Management did not respond to this questioned cost; accordingly, our report remains unchanged.

**RESPONSE TO PBDAC MANAGEMENT COMMENTS TO THE
REPORT ON INTERNAL CONTROL STRUCTURE**

1. M/V unit Management did not respond to this condition; accordingly, our report remains unchanged.
2. During field work, we requested support for this item several times. However, management was unable to provide the required support. Subsequent to the issuance of our draft report, management provided the previously requested support; accordingly, the amount has been reduced to \$ 3,320 or LE 11,155. The remaining questionable cost relates to payments that management could not provide adequate support for.

**RESPONSE TO PBDAC MANAGEMENT
COMMENTS TO THE REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

1. Based on our review of management's comments, our position remains unchanged.
2. During field work, we requested support for this item several times. However, management was unable to provide the required support. Subsequent to the issuance of our draft report, management provided the previously requested support; accordingly, the amount has been reduced to \$ 3,320 or LE 11,155. The remaining questionable cost relates to payments that management could not provide adequate support for. Accordingly, our position remains unchanged.
3. Based on our review of management's comments, our position remains unchanged.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

December 8, 1996

CAIRO, EGYPT

MEMORANDUM
 RECEIVED
 09 DEC 1996

To : Lou Mundy, RIG/A/C

From : Shirley Hunter, OD/FM/FA

Subject: Financial Audit of the Principal Bank for Development and Agricultural Credit (USAID/Egypt Project No. 263-0202)

Recommendation No. 1

Mission has made its determination re Recommendation No. 1, which will be sent to the auditee for one week for their review and final response. Resolution/closure will be requested upon receipt of auditee response and collection of amount sustained.

Mission response to Recommendation Nos. 2 and 3:

All activities under PIL Nos. 7, 35 and 36 were completed. There are currently no active commitments with PBDAC and none are anticipated in the future.

Therefore, it is not cost effective to require PBDAC to address the internal control and non-compliance issues identified in the audit. However, should there be future activities with PBDAC, Mission will conduct a full audit to ensure that an adequate internal control is in place prior to provision of funds.

Therefore, Mission requests closure of Recommendations No.2 and 3.

Based on the above, please issue the final report.