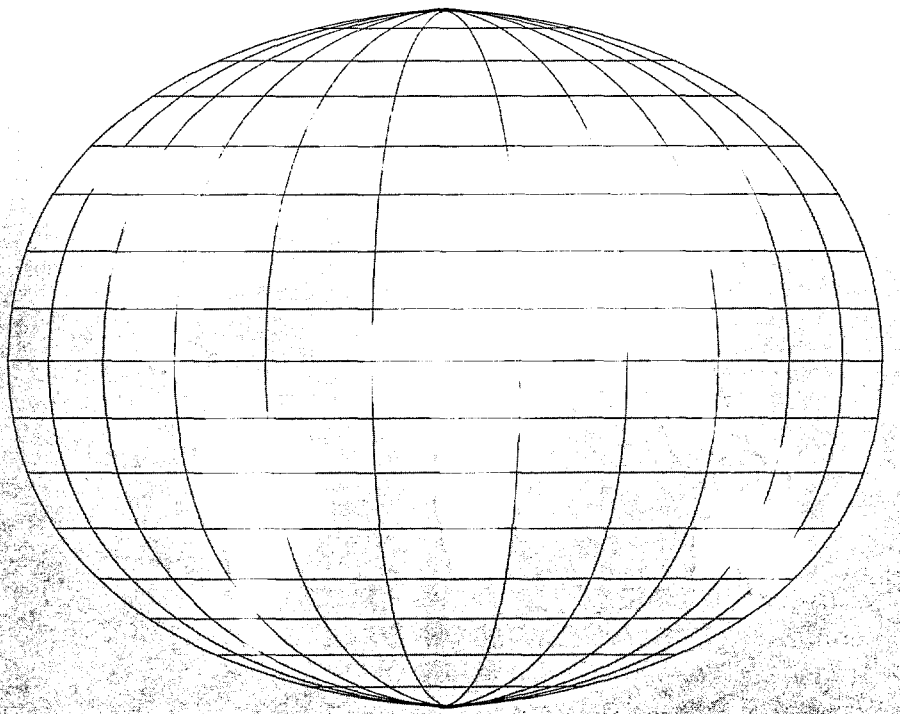
PD-ABN-726

Report of Audit

Financial Audit of the Regional Center for Training, Expenditures Incurred Under the Population and Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)

Report No. 6-263-97-015-N
February 27, 1997



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Regional Inspector General for Audit
Cairo, Egypt
OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

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

CAIRO, EGYPT

February 27, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley

FROM: Acting RIG/A/C, Jim Gaughran

SUBJECT: Financial Audit of the Regional Center for Training, Expenditures Incurred Under the Population and Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)

The attached report, transmitted on January 16, 1997, by Coopers and Lybrand, presents the results of a financial audit of the Regional Center for Training (Center), under Project Implementation Letters (PILs) Nos. 29 and 7B of the Population and Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227). The Center was established to provide quality training to family planning physicians and nurse trainers and service providers, and also to provide technical assistance to other family planning clinical training activities in Egypt.

We engaged Coopers & Lybrand to perform a financial audit of the Center's incurred expenditures of $1,179,977 (equivalent to LE4,023,721) for the period April 1, 1993 through March 31, 1994 for PIL No. 29 and April 1, 1994 through September 30, 1995 for PIL No. 7B. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Coopers & Lybrand also evaluated the Center's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statements.

The audit report questions $4,597 (equivalent to LE15,639) in costs billed to USAID/Egypt by the Center. The questioned costs related primarily to entertainment, purchases subsequent to the termination of the agreement, bonuses paid to employees

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before they were eligible, and duplicate billings. The auditors did not note any material weaknesses in the Center's internal control structure or any instances of material noncompliance with applicable laws, regulations, and the agreement terms.

In response to the draft report, responsible Center officials provided additional explanation to the report findings. Coopers & Lybrand reviewed the Center'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 recommendation is 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 $4,597 (ineligible costs of $3,792 and unsupported costs of $805) detailed on pages 13 through 16 of the Coopers & Lybrand audit report, and recover from the Regional Center for Training the amounts determined to be unallowable.**

In response to the recommendation, the Mission reported that of the total questioned costs of $4,597, it had determined that $345 is allowable and the remaining $4,252 was sustained and collected from the Center (see Appendix C). Based on the Mission's management decision and final action, Recommendation No. 1 is closed upon issuance of this report.

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

Attachment: a/s

Coopers
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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE REGIONAL CENTER FOR TRAINING
PROJECT IMPLEMENTATION LETTER NUMBER 78
UNDER THE POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENT NUMBER 263-0227
AND PROJECT IMPLEMENTATION LETTER NUMBER 29
UNDER THE POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENT NUMBER 263-0144

DURING THE PERIODS FROM APRIL 1, 1994 TO SEPTEMBER 30, 1996 FOR PIL NO. 78
AND APRIL 1, 1993 TO MARCH 31, 1994 FOR PIL NO. 29

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES MANAGED BY THE REGIONAL CENTER FOR TRAINING PROJECT IMPLEMENTATION LETTER NUMBER 7B UNDER THE POPULATION AND FAMILY PLANNING PROJECT GRANT AGREEMENT NUMBER 263-0227 AND PROJECT IMPLEMENTATION LETTER NUMBER 29 UNDER THE POPULATION AND FAMILY PLANNING PROJECT GRANT AGREEMENT NUMBER 263-0144

DURING THE PERIODS FROM APRIL 1, 1994 TO SEPTEMBER 30, 1995 FOR PIL NO. 7B AND APRIL 1, 1993 TO MARCH 31, 1994 FOR PIL NO. 29

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January 16, 1997

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 Letters ("PIL") Number 7B and Number 29 managed by the Regional Center for Training ("RCT"). PIL Number 7B relates to USAID/Egypt's Population and Family Planning Project ("PFPP"), grant agreement number 263-0227 and PIL Number 29 relates to USAID/Egypt's PFPP, grant agreement number 263-0144. The audit was conducted for the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29.

Background

The grant from USAID/Egypt to the Arab Republic of Egypt for the PFPP originated on June 30, 1983 with the objective of reducing the rate of Egyptian population growth in accordance with the Population and Family Planning Policy of the Government of Egypt ("GOE") as outlined in the "National Strategy Framework for Population, Human Resource Development and the Family Planning Program." The PFPP's primary purpose was to assist in strengthening further nationwide family planning systems in order to deliver effective contraceptive services to increasing numbers of married couples; specifically, to include private and public sector service delivery systems, training programs, community population development programs, measurement and analysis activities, and efforts to make people at all levels of society aware, informed and motivated to limit family size through a comprehensive information, education and communication program.

The responsibilities for the grant agreement's activities were assigned to several USAID/Egypt-sponsored population projects, one of which was the RCT. RCT was established in November, 1988 under Ain Shams University. The role of the RCT was to provide quality training to family planning physicians and nurse trainers and service providers. RCT was to also provide technical assistance to other family planning clinical training activities in Egypt.

Funding and management guidance was provided to RCT through the PILs and their amendments beginning June, 1990 for PIL Number 29 with the technical responsibilities as defined under a program started in conjunction with John Hopkins Program for International Education in Reproductive Health. The program and funding was later consolidated with the National Population Council under a host country letter of agreement dated April 30, 1994 and funding was then provided under PIL Number 7B dated April 20, 1994 effective from April 1, 1994 through September 30, 1995.

Audit objectives and scope

The objective of this engagement was to perform a financial-related audit of USAID/Egypt resources provided through PILs Number 7B, grant agreement number 263-0227 and Number 29, grant agreement number 263-0144, to the RCT during the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29.

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Specific objectives were to:

1. express an opinion on whether the fund accountability statements for RCT related to PILs Number 7B, grant agreement number 263-0227, and Number 29, grant agreement number 263-0144, present fairly, in all material respects, project costs incurred during the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL No. 29 in conformity with applicable accounting principles;

2. determine if the project costs reported as incurred by RCT related to the PILs Number 7B, grant agreement Number 263-0227, and Number 29, grant agreement number 263-0144, during the periods 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 RCT's internal control structure over PILs Number 7B and Number 29, assess control risk, and identify reportable conditions, including material internal control weaknesses;

4. perform tests to determine whether RCT is in compliance, in all material respects, with agreement terms and applicable laws and regulations; and

5. determine if RCT has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in May, 1996 and consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo ("RIG/A/C") and RCT, and a review of the grant agreements and PILs Number 7B and Number 29. Audit fieldwork commenced in June and was completed in October, 1996.

RCT incurred project costs of $ 559,530 (equivalent to LE 1,907,997) for PIL Number 7B and $ 620,447 (equivalent to LE 2,115,724) for PIL Number 29 during the previously mentioned audit periods. On a judgmental basis, we selected for audit testing project costs incurred of $ 178,127 (equivalent to LE 607,413) for PIL Number 7B and $ 177,581 (equivalent to LE 600,224) for PIL Number 29 which represent a coverage of 32% and 29%, respectively. Project costs incurred and tested were converted to U.S. dollars at the exchange rate of 1 U.S. dollar = LE 3.41 for PIL Number 7B and 1 U.S. dollar = LE 3.38 for PIL Number 29.

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

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

2. testing of project costs incurred by RCT and funded by USAID/Egypt for allowability, allocability, reasonableness and appropriate support;

3. determining that procurement was 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 were adequately supported and approved.

As part of our examination of RCT, 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 statements:

Our audit procedures identified the following questioned costs:

For PIL Number 7B total questioned project costs are $ 3,399 (equivalent to LE 11,590) which consists of $ 3,320 (equivalent to LE 11,321) in ineligible and $ 79 (equivalent to LE 269) in unsupported project costs. The ineligible questioned costs related primarily to project costs billed to USAID/Egypt for entertainment and items purchased subsequent to the termination of the agreement.

For PIL Number 29 total questioned project costs are $ 1,198 (equivalent to LE 4,049) which consists of $ 472 (equivalent to LE 1,595) in ineligible and $ 726 (equivalent to LE 2,454) in unsupported project costs. The ineligible questioned costs related primarily to project costs billed to USAID/Egypt for bonuses paid to employees prior to those employees becoming eligible to receive such bonuses. The unsupported questioned costs related primarily to project costs billed twice to USAID/Egypt.

Internal control structure:

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

Compliance with agreement terms and applicable laws and regulations:

The results of our test disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

Status of prior audit findings:

For the audit completed for the RCT related to PIL Number 29 for the period from June 1, 1990 through March 31, 1993, report number 6-263-94-012-N, dated March 22, 1994:

A. Internal Control

The prior audit noted four weaknesses involving the system of internal accounting controls of RCT as follows:

1) Insurance for RCT/STC's assets was not maintained.

Current Status:

Resolved.

2) Fidelity insurance was not maintained.

Current Status:

Resolved.

3) There was a lack of control over the payment process.

Current Status:

Not resolved. This matter will be reported to the RCT management in our management letter dated October 13, 1996.

4) Certain costs were misclassified among budget line items.

Current Status:

Resolved.

B. Compliance

The prior audit noted four instances of noncompliance with agreement terms and applicable laws and regulations as follows:

1) RCT paid an amount of $715 for refurbishing a training center that it was not responsible for.

Current status:

We do not agree that this is a material instance of noncompliance. However, RCT credited their billings to USAID/Egypt with this amount.

2) RCT paid instructors more than was approved in the budget.

Current status:

We do not agree that this is a material instance of noncompliance. However, RCT credited their billings to USAID/Egypt with this amount.

3) RCT did not comply with the revenue agreement.

Current status:

We did not audit the RCT revenue agreement.

4) RCT did not comply with the Egyptian tax laws.

Current status:

Resolved.

5) RCT did not comply with the Egyptian labor law.

Current status:

Resolved.

Management comments

RCT'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 provided further clarification of our position in Appendix B of this report.

Mission response

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

This report is intended for the information of RCT'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.

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October 13, 1996

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

REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FUND ACCOUNTABILITY STATEMENTS

We have audited the accompanying fund accountability statements of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letters ("PIL") Number 7B and Number 29 and managed by the Regional Center for Training ("RCT"). PIL Number 7B relates to USAID/Egypt's Population and Family Planning Project ("PFPP"), grant agreement number 263-0227 and PIL Number 29 relates to USAID/Egypt's PFPP, grant agreement number 263-0144. The audit was conducted for the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29. These fund accountability statements are the responsibility of RCT's management. Our responsibility is to express an opinion on these fund accountability statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statements 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 & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

As described in Note 2, the accompanying fund accountability statements were prepared on the basis of cash disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

As detailed in the accompanying fund accountability statements and as more fully described in Note 4 thereto, the results of our tests disclosed the following questioned project costs: 1) for PIL Number 7B, $ 3,399 (equivalent to LE 11,590) which consists of $ 3,320 (equivalent to LE 11,321) in ineligible and $ 79 (equivalent to LE 269) in unsupported project costs and 2) for PIL Number 29, $ 1,198 (equivalent to LE 4,049) which consists of $ 472 (equivalent to

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LE 1,595) in ineligible and $ 726 (equivalent to LE 2,454) in unsupported project costs. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program-related or are prohibited by agreement terms or applicable 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 statements referred to in the first paragraph present fairly, in all material respects, project costs incurred by RCT through PILs Number 7B and Number 29 during the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29 in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 1996 on our consideration of RCT's internal control structure and a report dated October 13, 1996 on its compliance with agreement terms and applicable laws and regulations.

This report is intended for the information of RCT'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.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 7B AND MANAGED BY THE REGIONAL CENTER FOR TRAINING UNDER THE POPULATION AND FAMILY PLANNING PROJECT NUMBER 263-0227

DURING THE PERIOD FROM APRIL 1, 1994 TO SEPTEMBER 30, 1995

FUND ACCOUNTABILITY STATEMENT

Budget Line Item	Approved Budget (Note 1) ($)	Actual (Note 1) ($)	Questioned Project Costs: Ineligible (Note 4) ($)	Questioned Project Costs: Unsupported (Note 4) ($)	Finding Reference (Note 4)
Revenues:					
Cash received during the period		$ 580,584			
Salaries	$ 249,792	$ 126,986	-	-	
Capital Purchases	24,660	26,839	-	-	
Transportation and Per diem	24,838	16,996	-	-	
Purchase Expenditure	129,079	97,443	-	-	
General Administration	59,399	55,873	$ 2,616	$ 79	Page 14, A
Technical Assistance	41,642	39,370	704	-	Page 15, B
Workshops	35,065	30,157	-	-	
Subtotals carried forward	$ 564,475	$ 393,664	$ 3,320	$ 79	

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 7B AND MANAGED BY THE REGIONAL CENTER FOR TRAINING UNDER THE POPULATION AND FAMILY PLANNING PROJECT NUMBER 263-0227

DURING THE PERIOD FROM APRIL 1, 1994 TO SEPTEMBER 30, 1995

FUND ACCOUNTABILITY STATEMENT (CONTINUED)

Budget Line Item	Approved Budget (Note 1) ($)	Actual (Note 1) ($)	Questioned Project Costs: Ineligible (Note 4) ($)	Questioned Project Costs: Unsupported (Note 4) ($)	Finding Reference (Note 4)
Subtotals brought forward	$ 564,475	$ 393,664	$ 3,320	$ 79	
Training Courses	196,264	165,866	-	-	
	$ 760,739	$ 559,530	$ 3,320	$ 79	
Excess of revenues over expenses		21,054			
Fund Balance at April 1, 1994		0			
Fund Balance at September 30, 1995 (Note 5)		$ 21,054			

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 29
AND MANAGED BY THE REGIONAL CENTER FOR TRAINING
UNDER THE POPULATION AND FAMILY PLANNING PROJECT NUMBER 263-0144

DURING THE PERIOD FROM APRIL 1, 1993 TO MARCH 31, 1994

FUND ACCOUNTABILITY STATEMENT

Budget Line Item	Approved Budget (Note 1) ($)	Actual (Note 1) ($)	Questioned Project Costs: Ineligible (Note 4) ($)	Questioned Project Costs: Unsupported (Note 4) ($)	Finding Reference (Note 4)
Revenues: Cash received during the period		$ 660,027			
Satellite Training Center					
Training equipment	$ 50,189	$ 16,751	$ -	$ -	
Office equipment	80,649	13,281	-	-	
Personnel	139,046	57,532	166	-	Page 15, A
Training materials	254,383	47,795	-	-	
Technical assistance	61,286	2,825	-	-	
Regional Center for Training					
Staff salaries	493,110	187,996	266	-	Page 16, B
Professional fees	5,518	2,160	-	-	
Staff development	9,728	4,552	-	-	
Subtotal carried forward	$ 1,093,909	$ 332,892	$ 432	$ -	

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 29 AND MANAGED BY THE REGIONAL CENTER FOR TRAINING UNDER THE POPULATION AND FAMILY PLANNING PROJECT NUMBER 263-0144

DURING THE PERIOD FROM APRIL 1, 1993 TO MARCH 31, 1994

FUND ACCOUNTABILITY STATEMENT (CONTINUED)

Budget Line Item	Approved Budget (Note 1) ($)	Actual (Note 1) ($)	Questioned Project Costs: Ineligible (Note 4) ($)	Questioned Project Costs: Unsupported (Note 4) ($)	Finding Reference (Note 4)
Subtotal brought forward	$ 1,093,909	$ 332,892	$ 432	$ -	
Travel	191,734	121,511	-	-	
Commodities	182,412	100,370	-	-	
General administration	39,423	22,562	-	-	
Technical assistance	44,617	26,535	-	-	
Miscellaneous training costs	17,831	16,577	40	726	Page 16, C
	$ 1,569,926	$ 620,447	$ 472	$ 726	
Excess of revenues over expenses		39,580			
Fund balance at April 1, 1993		(1,158)			
Fund balance at March 31, 1994 (Note 5)		$ 38,422			

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

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**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE REGIONAL CENTER FOR TRAINING
PROJECT IMPLEMENTATION LETTER NUMBER 7B
UNDER THE POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENT NUMBER 263-0227
AND PROJECT IMPLEMENTATION LETTER NUMBER 29
UNDER THE POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENT NUMBER 263-0144**

**DURING THE PERIODS FROM APRIL 1, 1994 TO SEPTEMBER 30, 1995 FOR PIL NO. 7B
AND APRIL 1, 1993 TO MARCH 31, 1994 FOR PIL NO. 29**

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - SCOPE OF STATEMENT:

The "Budget" columns include all USAID/Egypt-approved project costs related to PILs Number 7B and Number 29 and are based on the most recent budget amendments within the audit periods. This information is presented for informational purposes only.

The "Actual" columns represents project costs incurred by RCT related to PILs Number 7B and Number 29 managed by the RCT during the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statements of RCT have 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 3.41 LE to 1 U.S. dollar for PIL Number 7B and 3.38 LE to 1 U.S. dollar for PIL Number 29. The exchange rate used is the average monthly free market exchange rate for the audit periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29 as quoted by the Cairo Barclays Bank.

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 agreement terms or applicable laws and regulations. Unsupported project costs are those that are not supported with adequate documentation.

The general causes for the ineligible costs related primarily to a lack of understanding of the Agreement or insufficient attention devoted to the terms of the Agreement which resulted in RCT incurring ineligible costs and billing them to USAID/Egypt. The unsupported questioned costs related to project costs billed to USAID/Egypt that were not supported with adequate documentation.

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

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED)

Item Description	Questioned Project Costs Ineligible	Questioned Project Costs Unsupported
PIL Number 7B		
A. General Administration		
1. RCT billed USAID/Egypt for sales taxes paid to the Government of Egypt. According to Project Implementation Letter No. 7B, Section A, Page 5, Paragraph (4), regarding payment by the RCT of taxes, tariffs, duties, and other levies, "AID assistance is exempted from taxes, tariffs, duties, fees, etc. and, in case where taxes, tariffs, duties etc. are not exempted, the RCT/NPC is responsible for paying such taxes."	$ 277	$ -
2. RCT charged USAID/Egypt with costs related to a farewell party for a USAID/Egypt official. Costs relating to a farewell party are not allocable to any of the line items in the approved PIL No. 7B budget.	$ 1,862	$ -
3. USAID/Egypt was charged a "per person" fee for the project's steering committee which exceeded the rate approved by USAID/Egypt. The RCT 15-month Budget for the period from April 1, 1994 through June 30, 1995, approved by USAID/Egypt through the PIL Number 7B, Amendment Number 2, specifies the daily rate the steering committee members should receive.	$ 132	$ -

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED)

Item Description	Questioned Project Costs Ineligible	Questioned Project Costs Unsupported
A. General Administration (Continued)		
4. This questioned cost has been removed from our final report.	$ -	$ -
5. USAID/Egypt was billed for machine maintenance cost incurred after the termination of PIL Number 7B.		
RCT was granted a no cost extension from June 30 through September 30, 1995 in PIL Number 7B, Amendment 3, page 1, paragraph 1.	$ 93	$ -
6. RCT billed USAID/Egypt for maintenance costs which exceeded the amount specified in the maintenance contract. The maintenance contract was the primary supporting document for this cost.		
Article VIII entitled "Records and Audits" of the Host Country Agreement states that "RCT shall keep . . . books, records and accounts with respect to all goods and services provided and costs incurred under this agreement in such form and detail as is necessary and sufficient to establish accurately that such goods and services were provided, the cost of such goods and services and that the costs of such goods and services have been duly incurred and paid by the RCT . . ."	$ -	$ 79
7. USAID/Egypt was billed for insurance costs incurred after the no cost extension period of PIL Number 7B.		
RCT was granted a no cost extension from June 30 through September 30, 1995 in PIL Number 7B, Amendment 3, page 1, paragraph 1.	$ 252	$ -
Total General Administration	$ 2,616	$ 79

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED)

Item Description	Questioned Project Costs Ineligible	Questioned Project Costs Unsupported
B. Technical Assistance		
1. RCT paid technical assistants more than the daily stipends that the technical assistants should receive.		
The RCT 15-month Budget for the period from April 1, 1994 through June 30, 1995, approved by USAID/Egypt through the PIL Number 7B, Amendment Number 2, specifies the daily stipends that the technical assistants should receive.	$ 704	$ -
Total Technical Assistance	$ 704	$ -
TOTAL PIL NUMBER 7B QUESTIONED PROJECT COSTS	$ 3,320	$ 79
PIL Number 29		
A. STC Personnel		
1. Employees were given a 10% salary increase prior to completing one year of service.		
According to PIL Number 29, Amendment 10, page 2, a salary increase of 10% is allowed for employees is permissible provided that such increase is granted only to "those personnel who spent at least 12 months of service with RCT...."	$ 166	$ -
Total STC Personnel	$ 166	$ -
B. RCT Staff Salaries		
1. Bonuses were paid to employees who were not entitled to receive bonuses.		

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED)

Item Description	Questioned Project Costs Ineligible	Questioned Project Costs Unsupported
B. RCT Staff Salaries (Continued)		
The PIL Number 29 Implementation Plan, page 50, lists those employee positions who are entitled to receive bonuses.	$ 266	$ -
Total RCT Staff Salaries	$ 266	$ -
C. RCT Miscellaneous Training Courses		
1. RCT billed USAID/Egypt twice for a training course.		
Article VIII entitled "Records and Audits" of the Host Country Agreement states that "RCT shall keep . . . books, records and accounts with respect to all goods and services provided and costs incurred under this agreement in such form and detail as is necessary and sufficient to establish accurately that such goods and services were provided, the cost of such goods and services and that the costs of such goods and services have been duly incurred and paid by the RCT . . ."	$ -	$ 726
2. USAID/Egypt was charged a "per trainee" fee which exceeded the rate approved by USAID/Egypt.		
The PIL Number 29 budget for the period from June 1 through December 31, 1993 and approved by USAID/Egypt through the PIL Number 29, Amendment Number 10, stipulates a "per trainee" fee that will paid.	$ 40	$ -
Total RCT Miscellaneous Training Courses	$ 40	$ 726
TOTAL PIL NUMBER 29 QUESTIONED PROJECT COSTS	$ 472	$ 726
TOTAL RCT QUESTIONED PROJECT COSTS	$ 3,792	$ 805

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NOTE 5-FUND BALANCE

The fund balance at September 30, 1995 comprises the following amounts:

PIL Number 7B	Amount (US$)
Cash at Bank at September 30, 1995	80,677
Outstanding checks	(118,824)
Disallowed expenditures	120,608
Creditors' deductions	(38,390)
Other creditors	(26,222)
Advances	3,205
Total	**21,054**

PIL Number 29	Amount (US$)
Cash at Bank at March 31, 1994	96,710
Outstanding checks	(2,358)
Other creditors	(55,930)
Total	**38,422**

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October 13, 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 accompanying fund accountability statements of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letters ("PIL") Number 7B and Number 29 and managed by the Regional Center for Training ("RCT"). PIL Number 7B relates to USAID/Egypt's Population and Family Planning Project ("PFPP"), grant agreement number 263-0227 and PIL Number 29 relates to USAID/Egypt's PFPP, grant agreement number 263-0144. The audit was conducted for the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29 and have issued our report thereon dated October 13, 1996 in which we qualified our opinion due to the effect of $ 4,597 in questioned 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 statements are 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 & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

The management of RCT 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 statements 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.

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In planning and performing our audit of RCT's fund accountability statements 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 statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of RCT in a separate letter dated October 13, 1996.

This report is intended for the information of RCT'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.

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October 13, 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 accompanying fund accountability statements of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources provided through Project Implementation Letters ("PIL") Number 7B and Number 29 and managed by the Regional Center for Training ("RCT"). PIL Number 7B relates to USAID/Egypt's Population and Family Planning Project ("PFPP"), grant agreement number 263-0227 and PIL Number 29 relates to USAID/Egypt's PFPP, grant agreement Number 263-0144. The audit was conducted for the periods from April 1, 1994 to September 30, 1995 for PIL Number 7B and April 1, 1993 to March 31, 1994 for PIL Number 29 and have issued our report thereon dated October 13, 1996 in which we qualified our opinion due to the effect of $ 4,597 in questioned 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 statements are 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 & Lybrand worldwide internal quality control program which requires the Coopers & Lybrand Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Coopers & Lybrand offices.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

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This report is intended for the information of RCT'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.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

Regional Center for Training in Family Planning and Reproductive Health
RCT
المركز الإقليمي للتدريب على تنظيم الأسرة والصحة الإنجابية

Jeff Hentges
Coopers & Lybrand
Tiba 2000 Center
Rabea El-Adaweya
Naser City

Date: January 9, 1996

Re. Financial - Related Audit of USAID/Egypt Resources
From April 1, 1994 to Sep. 30, 1995 for PIL No. 7B and
April 1, 1993 to March 31, 1994 for PIL No. 29

Dear Hentges:

We reviewed the above referenced report and have prepared a response to the questioned costs detailed in the report. Attached to this letter is our response. And for each cost which we consider allowable we have provided detailed explanations and supporting documentation. We are also attaching a table which categoryes the questioned costs into those for which the agree are unallowable and those for which we think are allowable.

Our best regards.

Dr Gafa El-Biaa
Executive Director

CC Dr Samah El-Saharty, USAID

Obstetrics/ Gynecology Hospital, Ain Shams Faculty of Medicine, Abbassia, Cairo. Fax 2829825 . Tel 2831956-2829422
مستشفى عرض النساء والتوليد - كلية طب عين شمس - العباسية - القاهرة - فاكس: ٢٨٢٩٨٢٥ - تليفون: ٢٨٣١٩٥٦ - ٢٨٢٩٤٢٢

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

RCT/POP II - POP III

Finding #	Line-Item	Audit Question Costs			RCT Respond				
		Ineligible	Unsupported	Total Q Costs	Ineligible Costs		Unsupported Costs		Not Investigated Yet
					Agrees	Disagrees	Agrees	Disagrees	
[redacted]									
(A)	General Administration								
1		944			944				
2		6,350			1,950	4,400			
3		450				450			
4		5,042				5,042			
5		316				316			
6			269					269	
7		861				861			
8		2,400				2,400			
	Sub-Total PIL # 7B	16,363	269	16,632	2,894	13,469	0	269	
[redacted]									
(A)	STC Personnel								
1		560							560
(B)	RCT Staff Salaries								
1		900				900			
(C)	RCT Miscellanious Training Courses								
1			2,454				2,454		
2		135			135				
	Sub-Total PIL # 29	1,595	2,454	4,049	135	900	2,454	0	
	TOTAL	17,958	2,723	20,681	3,029	14,369	2,454	269	560
				%	15	69	12	1	3

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

Item Description
PIL Number 7B

A. General Administration

Finding # 1: "RCT billed USAID/Egypt for sales taxes paid to the Government of Egypt. Total (L.E. 944).

Although RCT has no exemption documentation, we has requested the payment of taxes from the concerned company.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

Finding #2: "RCT charged USAID/Egypt with costs related to a farewell party for a USAID/Egypt official"
Total (L.E. 6,350)

As regards item No 2 concerning the cost spent by RCT in this item, they were in response to the demand sent by fax from NPC dated May 28, 1995 to hold a final information gathering between USAID officials and directors of different organizations working in the field of family planning.

RCT held the gathering and the cost includes invitation letters to the 200 invited guests and some refreshments served during the meeting.

The cost of the expenses of the gathering were spent under the line item concerning staff development and RCT wanted to enrich the staff and other directors working in the field with the experience of a well-known in Egypt for 4 years and accumulated a solid foundation on knowledge in our field. The gathering comprised a number of presentations by various guests who helped inform our staff of the widespread efforts in family planning locally, nationally and around the world. then RCT considers only the gift costs (L.E. 1.950) not allowable and not the other expenses.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES PROVIDED THROUGH PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

Finding # 3: "USAID/Egypt was charged a -per person- fee for the project's committee which exceeded the rate approved by USAID/Egypt by L.E. 50. Total (L.E. 450)

According to our letter addressed to USAID dated Aug. 2, 1995 and to the USAID approval PIL No 7B amendment no. 3 dated Aug. 24, 1995 under the (general administration line item), in addition to calculation previously made and approved by USAID, RCT reacted to that by taking the meeting attendant fees which had previously been allocated to the steering committee and expending it on the newly formed board of directors, according to PIL no 7B amendment 3 The money was then divided according to the duration of the extension and the number of people on the board.

i.e. L.E. 5400 *÷ 3 month = L.E. 1800/month*
L.E. 1800 /month / 9 persons = L.E. 200/person

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

A (4) General Administration:
Finding #4: ***"USAID/Egypt was billed for computer maintenance cost incurred after the no cost extension period of PIL Number 7B.***
Total (L.E. 5,842)

Corrected documents replacing the previous ones are attached to prove that the vendor made a mistake in the date of invoice to RCT.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

A. General Administration

Finding # 5: *"USAID/Egypt was billed for machine maintenance cost incurred after the no cost extension period of PIL Number 7B"*
Total (L.E. 316)

Finding # 6: *"RCT billed USAID/Egypt for maintenance costs which exceeded the amount specified in the maintenance contract. the maintenance contract was the primary supporting document for this cost. The total amount of the invoice is 2,956"*
Total (L.E. 269)

Under the general administration line were already questioned by the FAST team June 3, 1996 and it was settled on the fact that the annual contract made with the maintenance company could not be for less than one year.

This amount was already disallowed by the USAID except for the (L.E. 74).

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

A. General Administration

Finding # 7: "USAID/Egypt was billed for insurance costs incurred after the no cost extension period of PIL Number 7B.
Total (L.E. 861)

The annual contract made with the maintenance company could not be for less than one year

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

A. General Administration

Finding # 8: ***"RCT paid technical assistants L.E. 20 per day more than these assistants should have received (L.E. 220 per day was paid)***

Under general administration line item. According to the attached document, the daily rate is not mentioned under PIL No. 7B amendment No. 2 it is only included in the final implementation plan (3.25 years) as a guideline rate not as a fixed rate. The line item budget was not exceeded, therefore this is an allowable cost.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29

MANAGEMENT COMMENTS

Item Description

PIL Number 29

(A) *STC Personnel*
Under this item the audit report did not identify the voucher number that we need to investigate the questioned cost for this item.

(B) *RCT Staff Salaries:-*
As regards the questioned cost of L.E. 900 which concerns staff salary voucher number 1960/April 1993, this amount had already deducted in March 1994 voucher in accordance with the FAST questioned cost report number 95-06 Feb./1995.
Attached is a copy of cost which was deducted and return it back.

(C) *RCT Miscellaneous Training Courses*

1. RCT billed to USAID/Egypt twice for a training course.
Total (L.E. 2,454)

RCT has its measure to return back this amount of money from the concerned company.

2. USAID/Egypt was charged a -per trainee- fee which exceeded the rate approved by USAID/Egypt by L.E. 1 per trainee.
Total (L.E. 135)

The graduation ceremony included the participants as well as the director and other personnel from the projects. The 135 was because the increased in number.

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**FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
PROVIDED THROUGH
PROJECT IMPLEMENTATION LETTERS NUMBER 7B AND NUMBER 29
MANAGED BY THE REGIONAL CENTER FOR TRAINING
UNDER THE POPULATION AND FAMILY PLANNING PROJECT NUMBER 263-0144**

**DURING THE PERIODS FROM APRIL 1, 1994 TO SEPTEMBER 30, 1995 FOR PIL NO. 7B
AND APRIL 1, 1993 TO MARCH 31, 1994 FOR PIL NO. 29**

INDEPENDENT ACCOUNTANTS RESPONSE

The Regional Center for Training ("RCT") management provided comments relating to the draft report presented at the exit conference held on December 8, 1996. RCT's comments are included, unedited, in Appendix A to this report. In response to their comments, we reviewed additional supporting documents provided by RCT management. Please note that the finding references used below correspond to those used in our draft and final reports.

We will respond only to those questioned items that RCT management disagreed with (see table prepared by RCT management at Appendix A, page 2).

PIL Number 7B - Questioned Costs

A. General Administration

2. As RCT did not have a budget for such costs and the activity is similar to "entertainment", RCT should have obtained a special USAID/Egypt approval before billing USAID/Egypt. Consequently, this questioned cost is unchanged.

3. As USAID/Egypt approved the RCT budget containing the per person rates, RCT should have obtained USAID/Egypt's approval to exceed those rates. If the budget is to be divided by the RCT's Board of Directors, RCT should have provided more information for us to evaluate this reallocation. Consequently, this questioned cost is unchanged.

4. This questioned cost has been removed from our final report.

5. RCT did not provide evidence to prove that this amount was deducted from their billings to USAID/Egypt. Our work papers do not support their contention. Consequently, this questioned cost is unchanged.

6. RCT did not provide evidence to prove that this amount was deducted from their billings to USAID/Egypt. Our work papers do not support their contention. Consequently, this questioned cost is unchanged.

7. USAID/Egypt should not be charged for RCT operating expenses for periods in which there was no USAID/Egypt project. This questioned cost is unchanged.

8. As USAID/Egypt approved the RCT budget containing the per person rates, RCT should have obtained USAID/Egypt's approval to exceed those rates. Consequently, this questioned cost is unchanged.

PIL Number 29 - Questioned Costs

B. RCT Staff Salaries

1. Upon review of the FAST report, we did not note that this questioned item was reported by them. This questioned cost is unchanged.

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

MEMORANDUM

25 FEB 1997

DATE : February 23, 1997

TO : Lou Mundy, RIG/A/C

FROM : Shirley A. Hunter, OD/FM/FA

SUBJECT : Draft Financial Audit on the Regional Center for Training, Expenditures Incurred under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227) Draft Report dated January 22, 1997

Following is the Mission response to Recommendation No. 1 under the subject audit report:

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the questioned costs of $4,597 (ineligible costs of $3,792 and unsupported costs of $805) detailed on pages 13 through 16 of the Coopers and Lybrand audit report, and recover from the Regional Center for Training the amounts determined to be unallowable.

Mission Response:

Based on the Mission's review of the findings under the recommendation, it was determined that of the total amount questioned, $345 (LE 1,177) is considered allowable, and $4,252 (LE 14,462) is sustained. The sustained amount was refunded by RCT check No. 335929 dated February 4, 1997 in the amount of LE 10,062, and check No. 335930 dated February 17, 1997 in the amount of LE 4,400. Copies of the two checks and GR#A000285, dated February 19, 1997 in the amount of LE 14,462 are included in Attachment No. 1.

The amount of $345 (LE 1,177) is determined to be allowed based on the following :

Finding A.5 in the amount of $93 (LE 316) represents the maintenance costs which was paid and billed during the life of the PIL and covered a post completion period. The Project Officer in his memo dated February 17, 1997 (Attachment No. 2), has provided his approval for this cost. His approval was based on the fact that the contract could not be executed for less than one year, and that the equipment continue to further the project objectives and remain under the USAID monitoring.

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Garden City
Cairo, Egypt

Finding No. A.7 in the amount of $252 (LE 861) represents the cost of insurance for equipment which was paid and billed during the life of the PIL and covered a post completion period. This finding is similar to Finding A.5 above, and was similarly approved by the Project Officer in his memo dated February 17, 1997 (Attachment No. 2).

Therefore, Mission believes the amount of 345 (LE 1,177) is considered allowable.

Based on the above, please issue the final report with the recommendation closed.

Thank you for your cooperation.

Att: a/s