

PD ABN-803  
93235

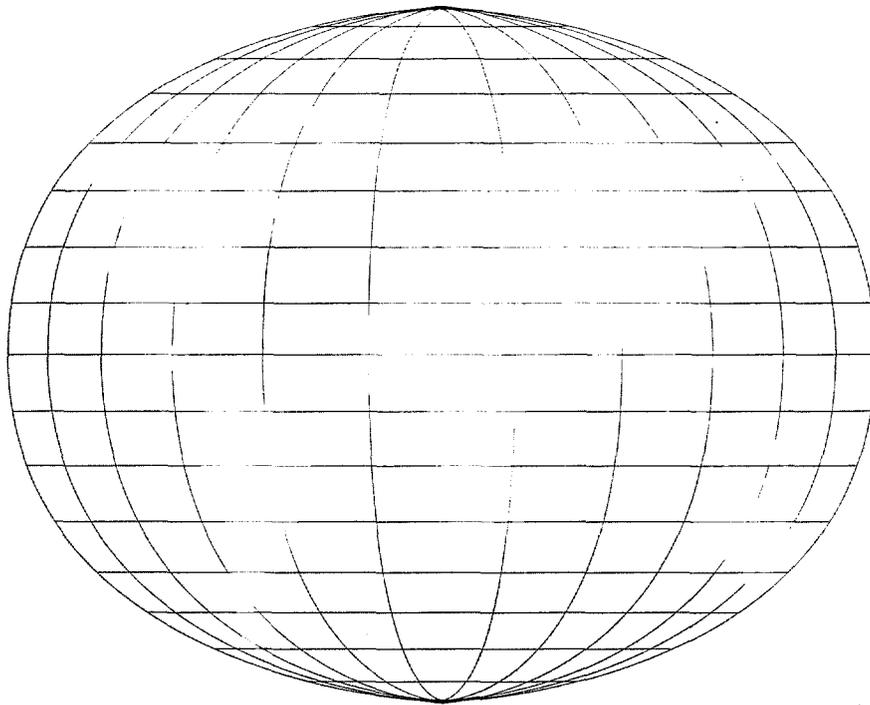
# Report of Audit

---

## Financial Audit of the Institute for Training and Research in Family Planning, Expenditures Incurred Under the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144)

---

Report No. 6-263-97-016-N  
March 12, 1997



---

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

A

**USAID**



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

CAIRO, EGYPT

March 12, 1997

**MEMORANDUM**

**TO :** DIRECTOR USAID/Egypt, John R. Westley  
**FROM:** RIG/A/C, Lou Mundy *Lou Mundy*  
**SUBJECT:** Financial Audit of the Institute for Training and Research in Family Planning, Expenditures Incurred Under the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144)

The attached report, transmitted on March 9, 1997, by Allied Accountants, presents the results of a financial audit of the Institute for Training and Research in Family Planning (Institute), under Project Implementation Letter (PIL) No. 31 of the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144). The purpose of the PIL was to provide leadership and skills training to the Governor's councils of women from Upper and Lower Egypt Governorates enabling them to assess the needs of their communities, identify the gaps in family planning service, and design and implement special projects.

We engaged Allied Accountants to perform a financial audit of the Institute's incurred expenditures of \$155,431 (equivalent to LE520,693) for the period December 19, 1990 through May 31, 1993. The purpose of the audit was to evaluate the propriety of costs incurred during this period. As of the date of the audit report, the project was completed and no additional funding was being provided to the project component for any purpose. Therefore, Allied Accountants did not issue reports on the Institute's internal control structure or on their compliance with applicable laws, regulations, and agreement terms.

The audit did not identify any questioned costs billed to USAID/Egypt by the Institute. As a result, this report does not contain any recommendations to be included in the Office of the Inspector General's recommendation follow-up system.

*U.S. Mailing Address*  
**USAID-RIG/A/C Unit 64902**  
**APO AE 09839-4902**

*Tel. Country Code (202)*  
**357-3909**  
*Fax # (202)* **355-4318**

*#106 Kasr El Aini St.,*  
**Cairo Center Building,**  
**Garden City, Cairo, Egypt**

*B*

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

C

**Institute for Training and Research in Family Planning**

Audit of Local Expenditures Incurred Under the  
Private/Commercial Sector Family Planning Services Component of the  
Population/Family Planning II Project  
Grant Agreement No. 263-0144  
Project Implementation Letter No. 31

**Fund Accountability Statement**  
for the Period December 19, 1990 to May 31, 1993

Financial information contained in this report may be privileged. The restrictions of  
18 USC 1905 should be considered before any information is released to the public.

**Institute for Training and Research in Family Planning**

Audit of Local Expenditures Incurred Under the  
Private/Commercial Sector Family Planning Services Component of the  
Population/Family Planning II Project  
Grant Agreement No. 263-0144  
Project Implementation Letter No. 31

**Fund Accountability Statement**  
for the Period December 19, 1990 to May 31, 1993

<b>Table of Contents</b>	<b>Page</b>
<b>Transmittal letter</b>	
Background	1
Audit Objectives, Scope, and Methodology	1
Results of Audit	4
<b>Fund Accountability Statement</b>	
Report of Independent Public Accountants	5
Fund Accountability Statement	7
Notes to the Fund Accountability Statement	8

E

# ALLIED ACCOUNTANTS

Ragheb, Istanbouli & El Kilany

A Member Firm of ARTHUR ANDERSEN & Co. SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



# المحاسبون المتضامنون

راغب ، اسطنبولي والكيلاني

مراسلو آرثر أندرسون وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

March 9, 1997

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

Dear Mr. Mundy:

This report presents the results of the financial audit for the expenditures incurred by the Institute for Training and Research in Family Planning under the Private/Commercial Sector Family Planning Services Component, funded by the United States Agency for International Development Mission to Egypt (USAID/Egypt), pursuant to the Population/Family Planning II Project, through Project Implementation Letter (PIL) No. 31, Grant Agreement No. 263-0144. We were engaged to perform an audit of the operating expenditures incurred and reimbursed for the period December 19, 1990 to May 31, 1993.

## Background

Grant Agreement No. 263-0144 between the Arab Republic of Egypt and the United States of America for the Population/Family Planning II Project was signed on June 30, 1983 and expired on May 31, 1993. The Project had eight components, implemented by three Government of Egypt (GOE) agencies and the private sector.

The Institute for Training and Research in Family Planning (ITRFP) is a non-governmental organization, established under the auspices of the Egyptian Family Planning Association. Funds were provided under the Private/Commercial Sector Family Planning Services Component, through Project Implementation Letter (PIL) No. 31, signed on December 19, 1990 and expired on May 31, 1993. The purpose of the PIL was to provide leadership and skills training to Governor's councils of women from Upper and Lower Egypt Governorates. By equipping these council members with family planning knowledge and skills, the councils were also expected to assess the needs of their communities, identify the gaps in family planning service delivery, and design and implement special projects to expand utilization of family planning services to be funded by the National Population Council Development Support Grant.

## Audit Objectives, Scope, and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by ITRFP for the Private/Commercial Sector Family Planning Services Component, under Project Implementation Letter No. 31, Grant Agreement No. 263-0144, for the period December 19, 1990 to May 31, 1993.

The specific objectives of our engagement were to:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed project presents fairly, in all material respects, funds received and costs incurred for the audit period in conformity with generally accepted accounting principles or other comprehensive bases of accounting, including a cash basis and/or modifications of a cash basis;

2. Determine if the costs reported as incurred under the Private/Commercial Sector Family Planning Services Component are in fact allowable, allocable, and reasonable in accordance with the terms of the PIL and Grant Agreement;
3. Evaluate and obtain a sufficient understanding of the internal control of ITRFP, as it relates to the Private/Commercial Sector Family Planning Services Component, to assess control risk;
4. Perform tests to determine whether ITRFP complied, in all material respects, with the PIL, Grant Agreement terms, and applicable laws and regulations; and
5. Determine if ITRFP has taken corrective actions on prior audit report recommendations.

The scope of the financial cost-incurred audit included all funds provided by USAID/Egypt and the expenditures remitted for the Private/Commercial Sector Family Planning Services component under PIL No. 31 for the period December 19, 1990 to May 31, 1993.

The methodology of the audit consisted of evaluation of the internal control, testing of expenditures remitted under the PIL, and testing of ITRFP's compliance with the PIL, Grant Agreement, and the applicable laws and regulations.

Our testing included systematic and judgmental selection of costs incurred for each significant account disclosed in the fund accountability statement. We tested expenditures as follows:

<u>Line Item</u>	<u>Actual</u>	<u>Tested Amount</u>	<u>Percent %</u>
Funds provided by USAID/Egypt (LE) (Equivalent in US \$)	520,693 155,431	520,693 155,431	100
Expenditures (LE) (Equivalent in US \$)	520,693 155,431	364,672 108,857	70

Our testing included, but was not limited to, the following procedures:

1. A review of direct expenditures billed to and reimbursed by USAID/Egypt. Records were reconciled to reports submitted to USAID/Egypt.
2. A review of the funds provided by USAID/Egypt to ensure that they were deposited in a separate bank account, and that the related transactions were properly recorded. We also performed a review of the procedures used to control cash.
3. A review of Project Ledgers to determine whether costs reported were properly recorded. A review reconciliation of direct costs billed to and reimbursed by USAID/Egypt to the project ledgers.
4. A review of procurement procedures to determine that sound commercial practices, including competitive bids, were used.
5. A review of training, travel, and transportation charges to determine whether they were adequately supported, approved, and in accordance with the project implementation plans.
6. A determination of whether advances of funds were justified based on existing documentation, including a reconciliation of funds advanced, disbursed, and available.

7. A review of whether project income and/or reimbursements, if any, representing recoveries of direct costs, were recorded as income or credited to project cost accounts.
8. A determination of whether USAID direct procurements were accounted for and adequate controls were in place.
9. A review of mathematical accuracy of administrative overhead billed to USAID/Egypt to determine whether it was in accordance with the PIL terms.

During our audit planning, we considered ITRFP's internal control, as it relates to the Private/Commercial Sector Family Planning Services Component, PIL No. 31, to obtain an understanding of the design of relevant control policies and procedures, and whether those policies and procedures have been placed in operation. We obtained a sufficient understanding of the internal control to plan the audit and to determine the nature and extent of tests to be performed.

Initial planning began with an entrance conference attended by RIG/A/C, USAID/FM, USAID/Egypt Project Officer, ITRFP officials, and our audit team. At the end of the field work we held a meeting with ITRFP management staff to discuss unresolved findings identified during our fieldwork.

The Grant Agreement, the PIL, and their amendments were reviewed to gain an understanding of the agreement terms and applicable laws and regulations.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These 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 Government Auditing Standards since no such quality 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 Arthur Andersen & Co. worldwide internal quality control program, which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date on our report on the fund accountability statement for the Private/Commercial Sector Family Planning Services component, PIL No. 31, under the Population/Family Planning II Project, Grant Agreement No. 263-0144, the project was completed and no additional funding was provided for this component. General recommendations on the Internal Control and Compliance with Applicable Laws and Regulations have been addressed through a separate letter to management dated January 29, 1997.

Results of AuditFund Accountability Statement

Our audit did not identify questioned costs.

Internal Control

We have not issued a Report on Internal Control as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for the Private/Commercial Sector Family Planning Services Component, under the Population/Family Planning II Project, Grant Agreement No. 263-0144, PIL No. 31, the project was completed and no additional funding was provided for this component. General recommendations on the Internal Control have been addressed through a separate letter to management dated January 29, 1997.

Compliance with Applicable Laws and Regulations

We have not issued a Report on Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for the Private/Commercial Sector Family Planning Services Component, under the Population/Family Planning II Project, Grant Agreement No. 263-0144, PIL No. 31, the project was completed and no additional funding was provided for this component. General recommendations on Compliance with Applicable Laws and Regulations have been addressed through a separate letter to management dated January 29, 1997.

Follow-Up of Prior Audit Recommendations

No prior financial audits have been performed for PIL No. 31.

*Arthur Andersen*

Allied Accountants/Arthur Andersen Egypt

# ALLIED ACCOUNTANTS

Ragheb, Istanbouli & El Kilany

A Member Firm of ARTHUR ANDERSEN & Co. SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



# المحاسبون المتضامنون

راغب ، اسطنبولي والكيلاني

مراسلو آرثر أندرسن وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

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

## Report of Independent Public Accountants

We have audited the accompanying fund accountability statement of the Institute for Training and Research in Family Planning relating to funds received and costs incurred by the Private/Commercial Sector Family Planning Services Component of the Population/Family Planning II Project, Grant Agreement No. 263-0144, funded by the United States Agency for International Development through Project Implementation Letter No. 31, for the period December 19, 1990 to May 31, 1993. This fund accountability statement is the responsibility of the management of the Institute for Training and Research in Family Planning. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

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

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 33 of Chapter 3 of Government Auditing Standards since no such quality 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 Arthur Andersen & Co. worldwide internal quality control program, which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement the project was completed and no additional funding was provided for the Private/Commercial Sector Family Planning Services Component. Project Implementation Letter No. 31.

As described in Note 2, the accompanying fund accountability statement has been prepared on a cash basis. A cash basis is a comprehensive basis of accounting other than generally accepted accounting principles, because revenues and expenditures are recognized when received or paid, rather than when earned or incurred. Accordingly, the accompanying fund accountability statement is not intended to present results in accordance with generally accepted accounting principles.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, funds received and costs incurred by the Institute for Training and Research in Family Planning under the Private/Commercial Sector Family Planning Services Component of the Population/Family Planning II Project, Grant Agreement No. 263-0144, funded by the United States Agency for International Development through Project Implementation Letter No. 31, for the period December 19, 1990 to May 31, 1993, in conformity with the cash basis of accounting described in Note 2.

This report is intended for the information of the management and others within the Institute for Training and Research in Family Planning and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

January 29, 1997.

Allied Accountants/Arthur Andersen Egypt

*M. J. Andersen*



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

CAIRO, EGYPT

March 12, 1997

**MEMORANDUM**

TO : PPC/CDIE/DI, Maury D. Brown

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

SUBJECT: Report No. 6-263-97-016-N dated March 12, 1997, Financial Audit of the Institute for Training and Research in Family Planning, Expenditures Incurred Under the Population/Family Planning II Project (USAID/Egypt Project No. 263-0144)

Attached is one copy of the subject audit report for your information.

Attachment as stated

*As stated*

**U.S. Mailing Address  
USAID-RIG/A/C Unit 64902  
APO AE 09839-4902**

**Tel. Country Code (202)  
357-3909  
Fax # (202) 355-4318**

**#106 Kasr El Aini St.,  
Cairo Center Building,  
Garden City, Cairo, Egypt**

*LA*

**Institute for Training and Research in Family Planning**

Audit of Local Expenditures Incurred Under the  
Private/Commercial Sector Family Planning Services Component of the  
Population/Family Planning II Project  
Grant Agreement No. 263-0144  
Project Implementation Letter No. 31

**Fund Accountability Statement**  
for the Period December 19, 1990 to May 31, 1993

<u>Budget Elements</u>	<u>Budget</u> US \$	<u>Actual</u> US \$
Source of funds:		
Funds provided by USAID/Egypt		155,431
Expenditures:		
Training	75,940	55,396
Salaries	31,220	30,749
Consultants	7,164	4,866
Travel and per diem	8,636	5,192
Equipment	21,045	24,079
Other direct costs	9,821	9,266
Administrative overhead	<u>30,765</u>	<u>25,883</u>
Total expenditures	<u>184,591</u>	<u>155,431</u>

The accompanying notes are an integral part of this Fund Accountability Statement

**Institute for Training and Research in Family Planning**

Audit of Local Expenditures Incurred Under the  
Private/Commercial Sector Family Planning Services Component of the  
Population/Family Planning II Project  
Grant Agreement No. 263-0144  
Project Implementation Letter No. 31

Notes to the Fund Accountability Statements  
for the Period December 19, 1990 to May 31, 1993

Note 1: Project Activities

Grant Agreement No. 263-0144 between the Arab Republic of Egypt and the United States of America for the Population/Family Planning II Project was signed on June 30, 1983 and expired on May 31, 1993. The Project had eight components, implemented by three Government of Egypt (GOE) agencies and the private sector.

The Institute for Training and Research in Family Planning (ITRFP) is a non-governmental organization, established under the auspices of the Egyptian Family Planning Association. Funds were provided under the Private/Commercial Sector Family Planning Services Component, through Project Implementation Letter (PIL) No. 31, signed on December 19, 1990 and expired on May 31, 1993. The purpose of the PIL was to provide leadership and skills training to Governor's councils of women from Upper and Lower Egypt Governorates. By equipping these council members with family planning knowledge and skills, the councils were also expected to assess the needs of their communities, identify the gaps in family planning service delivery, and design and implement special projects to expand utilization of family planning services to be funded by the National Population Council Development Support Grant.

Note 2: Basis of Presentation

The fund accountability statement has been prepared on a cash basis. Consequently, revenues and expenditures are recognized when received or paid, rather than when earned or incurred.

Note 3: Exchange Rate

Expenditures incurred in Egyptian Pounds (LE) have been converted to US Dollars (US \$) at an average exchange rate of LE 3.35 to US \$1.