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**Audit of  
Local Expenditures by META  
Systems Inc. under USAID/Egypt  
Project No. 263-0123  
(Energy Policy and Renewable  
Energy Field Testing**

**Audit Report No. 6-263-90-05-N  
May 31, 1990**

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

May 31, 1990

MEMORANDUM FOR D/USAID/Egypt, Marshall, D. Brown

FROM :

RIG/A/C, F. A. Kalhammer



SUBJECT:

Audit of Local Expenditures by Meta Systems, Inc. under  
USAID/Egypt Project No. 263-0123 (Energy Policy and  
Renewable Energy Field Testing)

The attached report of this same date by Price Waterhouse presents the results of a financial audit of local expenditures by Meta Systems, Inc. (Meta) under USAID/Egypt's Energy Policy and Renewable Energy Field Testing Project (263-0123) for the period September 1, 1987 through June 30, 1989. Meta provides support in strengthening the Egyptian Organization for Energy Planning's institutional capabilities to collect, analyze, and apply data in the field of energy systems, implementation and evaluation.

We had Price Waterhouse make an audit of local expenditures totaling \$60,209 for the period September 1, 1987 through June 30, 1989 under letter of commitment No. 263-0123-01. Price Waterhouse concluded that reimbursable costs reported as incurred by Meta were eligible, allocable, and reasonable in accordance with the terms of the contract and other applicable regulations. Accordingly, there are no recommendations for your action.

We appreciate the courtesies extended to the staff of Price Waterhouse and our office.

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*Price Waterhouse*



AUDIT OF  
META SYSTEMS INC.  
ENERGY POLICY PLANNING SUBPROJECT  
LETTER OF COMMITMENT NO. 263-0123-01

AUDIT OF  
META SYSTEMS INC.  
ENERGY POLICY PLANNING SUBPROJECT  
LETTER OF COMMITMENT NO. 263-0123-01

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## *Price Waterhouse*

April 5, 1990

Mr. Frederick A. Kalhammer  
Regional Inspector General for Audit  
United States Agency for  
International Development  
Mission to Egypt  
Cairo, Egypt



Dear Mr. Kalhammer:

This report presents the results of our audit of costs incurred in Egypt by Meta Systems Inc. in conjunction with its contract with Organization for Energy Planning to provide technical and management support of the Arab Republic of Egypt's Energy Policy and Renewable Energy Field Testing Project. Meta Systems Inc.'s contract with Organization for Energy Planning is financed by United States Agency for International Development letter of commitment number 263-0123-01.

### Background

On December 21, 1986 the Egyptian Organization for Energy Planning (OEP), and Meta Systems Inc. (Meta), entered into a cost reimbursable plus fixed fee contract for the development and support of OEP's institutional capabilities to collect and analyze data necessary for national energy planning, and to apply those capabilities to OEP's role in the field of energy systems evaluation and implementation to meet the objectives of the Supreme Council of Energy of the Government of Egypt.

The United States Agency for International Development (USAID) is committed to providing \$ 8.5 million of funding for consulting services and procurement for the project under a grant agreement with the Arab Republic of Egypt signed August 29, 1982.

The original contract between Meta and OEP, which provided a U.S. dollar budget of \$ 2,046,468 (including a fixed fee of \$ 168,974), was subsequently amended to provide \$ 5,191,467 (including a fixed fee of \$ 428,653). The amendment did not expand the scope of work but extended the contract completion date from December 31, 1988 to June 30, 1990.

Reimbursable costs and fixed fee invoiced by Meta under the contract with OEP totaled \$ 2,657,607 through June 30, 1989. Of this amount, \$ 60,209 was expended in Egypt and was subject to audit.



Audit Objectives and Scope

The objective of this engagement was to perform a financial and compliance cost-incurred audit of USAID funds provided Meta, pursuant to letter of commitment number 263-0123-01, for consulting services provided in conjunction with OEP's development of its energy planning capabilities. The audit was limited to expenditures for the period September 1, 1987 through June 30, 1989. Specific objectives were to determine whether:

- The reimbursable costs reported as incurred by Meta under the contract are in fact allowable, allocable and reasonable in accordance with the terms of the contract and other applicable regulations;
- The internal controls and accounting practices of Meta are adequate;
- Meta complied with the applicable contract terms which may have affected the costs incurred under the contract;
- The contract was appropriately administered to control the planned contractual work and related costs incurred in Egypt.

Preliminary planning and review procedures were performed during September 1989 and consisted of discussions with RIG/A/C personnel and the Meta representative in Egypt. We reviewed the contract and amendments and made a review of the accounting system utilized during the period under examination. Audit work commenced September 1989 at Meta's office in Cairo and fieldwork was completed in April 1990.

Our selection of disbursements to be tested was made on a judgmental basis and was structured to test a majority of the expenditures. Costs subject to audit and tested were incurred in Egypt, and comprised U.S. dollars and fundings of U.S. dollars expended as Egyptian pounds. We tested invoices totaling \$ 46,053 of a total subject to audit of \$ 60,209, or 76% of the total.

Our tests of expenditures included, but were not limited to, the following:

1. Reconciliations of Meta accounting records to invoices issued to USAID and testing of costs for allowability;
2. Determination that allowances were appropriate and conformed with the terms of the contract and standardized regulations;
3. Tests of travel claims and determination that travel was supported by adequate source documents and was properly approved;

- 
4. Determination that equipment purchases were allowable, were supported by documentation and approvals and were adequately accounted for and maintained;
  5. Tests of other direct costs for allowability and appropriate support.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision), and included such tests of the accounting records as we considered appropriate in the circumstances. As a part of our examination we made a study and evaluation of internal controls and reviewed Meta's compliance with applicable laws and regulations.

#### Results of Audit

Statement of contract costs - our audit found reimbursable costs reported as incurred by Meta under the contract are allowable, allocable and reasonable in accordance with the terms of the contract and other applicable regulations.

Compliance with agreement terms and applicable laws and regulations - our audit found no instances of noncompliance with the terms of the agreement or applicable laws or regulations.

Internal control structure - our audit found the internal controls and accounting practices of Meta to be adequate.

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## Price Waterhouse



April 5, 1990

Regional Inspector General for Audit  
United States Agency for  
International Development  
Mission to Egypt  
RIG/A/C Office  
Cairo, Egypt

### Statement of Contract Costs Incurred in Egypt Report of Independent Accountants

We have audited the accompanying statement of contract costs incurred in Egypt for the period from September 1, 1987 to June 30, 1989 relating to the contract between Meta Systems Inc. and Organization for Energy Planning, an agency of the Arab Republic of Egypt. The contract is funded by United States Agency for International Development letter of commitment number 263-0123-01. This financial statement is the responsibility of Meta Systems Inc. management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statement was prepared on the basis of cash disbursements, therefore contract costs are recognized when paid rather than when the liability is incurred. In addition, the accompanying statement has been prepared in accordance with the cost principles set forth in "U.S.A.I.D. handbook 11". Accordingly, the accompanying statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

As explained in Note 2, the portion of the contract expended outside of Egypt is accounted for separately and is not included in the accompanying financial statement.



In our opinion, the financial statement presents fairly, in all material respects the contract costs incurred in Egypt, for the period from September 1, 1987 to June 30, 1989 relating to the contract between Meta Systems Inc. and Organization for Energy Planning on the basis of accounting described in Note 1.

This report is intended solely for use by United States Agency for International Development.

META SYSTEMS INC.

ENERGY POLICY PLANNING SUBPROJECT

LETTER OF COMMITMENT NUMBER 263-0123-01

STATEMENT OF CONTRACT COSTS INCURRED IN EGYPT

FOR THE PERIOD SEPTEMBER 1, 1987 THROUGH JUNE 30, 1989

	<u>U.S. dollars expended as Egyptian pounds</u>	<u>U.S. dollars</u>	<u>Total costs expended and reimbursable</u>
Travel, transport and per diem	\$ 4,178	\$ 9,654	\$ 13,832
Library resources	1,811	465	2,276
Computer network	5,945		5,945
Auto operation and maintenance	1,164		1,164
Administration assistance	14,713		14,713
Other direct costs	<u>21,658</u>	<u>621</u>	<u>22,279</u>
	\$ <u>49,469</u>	\$ <u>10,740</u>	\$ <u>60,209</u>

See accompanying notes to statement of contract costs.

META SYSTEMS INC.  
ENERGY POLICY PLANNING SUBPROJECT  
LETTER OF COMMITMENT NUMBER 263-0123-01  
NOTES TO STATEMENT OF CONTRACT COSTS INCURRED IN EGYPT

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The accompanying statement of contract costs has been prepared on the basis of cash disbursements; consequently, costs invoiced are recognized when submitted for payment rather than when the liability is incurred. Additionally, the statements have been prepared in accordance with the cost principles set forth in "U.S.A.I.D. Handbook 11", which prescribes the nature of reimbursable costs not specifically defined in the contract.

Total costs invoiced by Meta Systems Inc. (Meta) under the contract from inception through June 30, 1989 totaled \$ 2,657,607. The accompanying statement includes only those costs incurred and paid for in Egypt during the period.

NOTE 2 - DESCRIPTION OF CONTRACT

The contract is a cost reimbursable plus fixed fee contract between Meta and Organization for Energy Planning (OEP), an agency of the Arab Republic of Egypt. The contract is funded by United States Agency for International Development letter of commitment number 263-0123-01. The purpose of the contract is for Meta to provide OEP consulting, training, management and procurement services in conjunction with OEP's development of its energy planning capabilities.

The accompanying financial statement includes U.S. dollar expenditures and fundings of U.S. dollars expended as Egyptian pounds. These costs were expended by Meta Systems Inc. in Egypt. The U.S. dollars expended on the contract outside Egypt are accounted for in the U.S. and are not included in the accompanying financial statement.

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April 5, 1990

Regional Inspector General  
United States Agency for  
International Development  
Mission to Egypt  
RIG/A/C Office  
Cairo, Egypt

### Report on Compliance With Agreement Terms And Applicable Laws And Regulations

#### Report of Independent Accountants

We have audited the statement of contract costs, incurred in Egypt, of the United States Agency for International Development funded (letter of commitment number 263-0123-01) Energy Policy Planning Subproject contract between Meta Systems Inc. and Organization for Energy Planning, an agency of the Arab Republic of Egypt, for the period from September 1, 1987 through June 30, 1989 and have issued our report thereon dated April 5, 1990.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (1988 Revision), 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 financial statements are free of material misstatement.

Compliance with laws, regulations and contract clauses applicable to the Energy Policy Planning Subproject contract is the responsibility of Meta Systems Inc. management. As part of obtaining reasonable assurance about whether the statement of contract costs is free of material misstatement, we performed tests of Meta Systems Inc.'s compliance with certain provisions of laws, regulations and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Meta Systems Inc. complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Meta Systems Inc. had not complied, in all material respects, with those provisions.

This report is intended solely for use by the United States Agency for International Development.

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## Price Waterhouse



April 5, 1990

Regional Inspector General  
United States Agency for  
International Development  
Mission to Egypt  
RIG/A/C Office  
Cairo, Egypt

### Report on Internal Control Structure

#### Report of Independent Accountants

We have audited the statement of contract costs, incurred in Egypt, of the United States Agency for International Development funded (letter of commitment number 263-0123-01) Energy Policy Planning Subproject contract between Meta Systems Inc. and Organization for Energy Planning, an agency of the Arab Republic of Egypt, for the period from September 1, 1987 to June 30, 1989, and have issued our report thereon dated April 5, 1990.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (1988 Revision), 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 statement of contract costs is free of material misstatement.

In planning and performing our audit of the statement of contract costs paid for the period from September 1, 1987 to June 30, 1989, we considered Meta Systems Inc.'s control structure in Egypt in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of contract costs and not to provide assurance on the internal control structure.

The management of Meta Systems Inc. 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 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 financial statements in accordance with generally accepted accounting principles.



For the purpose of this report, we determined the significant internal control structure policies and procedures to be in the category of contract expenditures and vouchering. For the internal control structure category cited, 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.

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 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for use by United States Agency for International Development.

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