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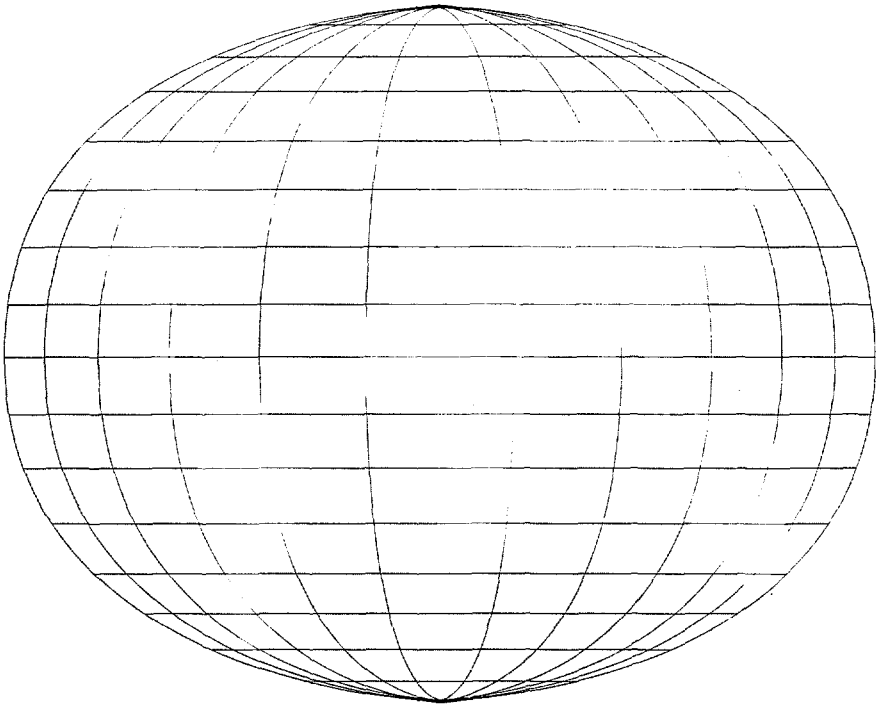
Report of Audit

Financial Audit of the Ministry of Public Works and Water Resouces, Expenditures Incurred Under the Project Preparation Department Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

Report No. 6-263-97-021-N
May 26, 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

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

CAIRO, EGYPT

May 26, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley

FROM: RIG/A/C, Lou Mundy

SUBJECT: Financial Audit of the Ministry of Public Works and Water Resources, Expenditures Incurred Under the Project Preparation Department Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

The attached report, transmitted on April 8, 1997, by Allied Accountants, presents the results of a financial audit of the Project Preparation Department Component managed by the Ministry of Public Works and Water Resources (Ministry) under Project Implementation Letter No. 3 of the Irrigation Management Systems Project, USAID/Egypt Project No. 263-0132. The purpose of the agreement was to fund international quality economic and technical feasibility analyses of investment options open to the Ministry and to prepare reports in English for submission to international financial agencies and foreign donors.

We engaged Allied Accountants to perform a financial audit of the Ministry's incurred expenditures of $106,769 (equivalent to LE361,945) for the period July 1, 1993 through September 21, 1995. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Allied Accountants also evaluated the Ministry's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement. As of the date of the audit report, the project was completed and no additional funding was being provided for any purpose. Therefore, Allied Accountants did not issue reports on internal controls or compliance.

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The audit report questions $714 (equivalent to LE2,420) in costs billed to USAID/Egypt by the Ministry. The questioned costs related primarily to per diem payments for non-project employees and taxes, stamps and license renewal fees.

In response to the draft report, responsible Ministry officials provided additional explanation to the report findings. Allied Accountants reviewed the Ministry'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 ineligible costs of $714 detailed on page 11 of the Allied Accountants audit report, and recover from the Ministry of Public Works and Water Resources the amounts determined to be unallowable.**

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

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

Attachment: a/s

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

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.

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Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

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Appendix B: Auditors' Response to Management Comments

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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

April 8, 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 of the Project Preparation Department Component funded by the United States Agency for International Development Mission to Egypt (USAID/Egypt), pursuant to the Irrigation Management Systems Project, Grant Agreement No. 263-0132. USAID/Egypt funding was provided through Project Implementation Letter (PIL) No. 3. We were engaged to perform an audit of the operating expenditures incurred and reimbursed for the period July 1, 1993 to September 21, 1995.

Background

Grant Agreement No. 263-0132 between the Arab Republic of Egypt and the United States of America was signed on September 22, 1981. The purpose of the Grant Agreement was to fund the Irrigation Management Systems Project (the Project). The Project was implemented by the Ministry of Public Works and Water Resources (MPWWR). The Grant Agreement expired on September 21, 1995.

The goal of the Project was to increase production and productivity in the agricultural sector. The overall project purpose was to improve the system-wide water use efficiency for irrigation. The project had ten components. PIL No. 3, signed on January 6, 1982, and expired on September 21, 1995, provided funds for the Project Preparation Department Component to provide international quality economic and technical feasibility analyses of investment options open to the MPWWR and to prepare reports in English for submission to international financial agencies and foreign donors.

Audit Objectives, Scope, and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by MPWWR for the Project Preparation Department Component, under Project Implementation Letter No. 3 as part of Grant Agreement No. 263-0132 for the period July 1, 1993 to September 21, 1995.

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 another comprehensive basis of accounting, including the cash basis and/or modifications of the cash basis;

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2. Determine if the costs reported as incurred under the Project Preparation Department 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 structure of MPWWR, as it relates to the Project Preparation Department Component, to assess control risk;

4. Perform tests to determine whether MPWWR complied, in all material respects, with the PIL, Grant Agreement terms, and applicable laws and regulations; and

5. Determine if MPWWR /Project Preparation Department Component has taken corrective action 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 Project Preparation Department Component under PIL No. 3 for the period July 1, 1993 to September 21, 1995.

The methodology of the audit consisted of evaluation of the internal control, testing of expenditures remitted under the PIL, and testing of MPWWR's compliance with the PIL, Grant Agreement, and 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:

Budget Line Item	Actual	Tested Amount	Percent %
Funds provided by USAID/Egypt (LE)	371,921	371,921	100
(Equivalent in US $)	109,711	109,711	
Expenditures (LE)	361,945	197,439	55
(Equivalent in US $)	106,769	58,242	

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 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 review of the status of the host country contribution to determine if the Government of Egypt provided the contribution as required in the PIL.

9. A determination of whether USAID direct procurements were accounted for and that adequate controls were in place.

During our audit planning, we considered MPWWR's internal control as it relates to Project Preparation Department Component, PIL No. 3, 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, MPWWR's officials, and our audit team. At the end of the field work we held a meeting with the Project Preparation Department Component 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. In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for the Project Preparation Department Component, PIL No. 3, under the Irrigation Management Systems Project, Grant Agreement No. 263-0132, the project was completed and no additional funding had been 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 23, 1997.

Results of Audit

Fund Accountability Statement

Our audit identified US $714 (LE 2,420) in aggregate questioned costs related to the operating expenditures. The questioned costs are ineligible.

The details of costs questioned are presented in the Fund Accountability Statement - Audit Findings section of this report. We considered the questioned costs in forming our audit opinion on the fund accountability statement.

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 Project Preparation Department Component, under the Irrigation Management Systems Project, Grant Agreement No. 263-0132, PIL No. 3, the project was completed and no additional funding had been provided for this component. General recommendations on the Internal Control have been addressed through a separate management letter dated January 23, 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 Project Preparation Department Component, under the Irrigation Management Systems Project, PIL No. 3, the project was completed and no additional funding had been provided for this component. General recommendations on the Compliance with Applicable Laws and Regulations have been addressed through a separate management letter dated January 23, 1997.

Follow-up of Prior Audit Recommendations

We have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for the Project Preparation Department Component under the Irrigation Management Systems Project, PIL No. 3, the project was completed and no additional funding had been provided for this component.

Management Comments

The Ministry of Public Works and Water Resources has provided comments on the results of the audit findings. The entire management response is included as Appendix A. Our response to management's comments is included as Appendix B. We have deleted or modified the findings for which adequate supporting documentation was provided by the Ministry of Public Works and Water Resources.

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ALLIED ACCOUNTANTS

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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 Ministry of Public Works and Water Resources relating to funds received and costs incurred by the Project Preparation Department Component of the Irrigation Management Systems Project, Grant Agreement No. 263-0132, funded by the United States Agency for International Development through Project Implementation Letter No. 3, for the period July 1, 1993 to September 21, 1995. This fund accountability statement is the responsibility of the management of the Ministry of Public Works and Water Resources. 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. In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 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 had been provided for the Project Preparation Department Component, Project Implementation Letter No. 3.

As described in Note 2, the accompanying fund accountability statement has been prepared on the cash basis. The 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.

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In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, funds received and costs incurred by the Ministry of Public Works and Water Resources under the Project Preparation Department Component of the Irrigation Management Systems Project, Grant Agreement No. 263-0132 funded by the United States Agency for International Development through Project Implementation Letter No. 3, for the period July 1, 1993 to September 21, 1995, in conformity with the cash basis of accounting as described in Note 2.

This report is intended for the information of the management and others within the Ministry of Public Works and Water Resources 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 23, 1997
Allied Accountants

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

Budget Elements	Budget (Note 4)	Actual	Questioned Costs (Note 6) Ineligible	Questioned Costs (Note 6) Unsupported
	US $	US $	US $	US $
Source of funds:				
Beginning cash balance		(7,861)		
Funds provided by USAID/Egypt		109,711		
Revenue from use of Project cars		525		
Total funds available		102,375		
Expenditures:				
Support personnel	23,041	22,964		
In-country training	131	131		
Office equipment, supplies, and maintenance	30,885	30,807	23	
Professional equipment and supplies	44	44		
Workshops and workplans	11,534	11,534	361	
Communication and reports	754	754		
Travel and per diem	17,553	17,562		
Other support costs	22,834	22,973	330	
Total expenditures	106,776	106,769	714	
Balance (Note 5)		(4,394)		

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

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

Notes to the Fund Accountability Statement

Note 1: Project Activities:

Grant Agreement No. 263-0132 between the Arab Republic of Egypt and the United States of America was signed on September 22, 1981. The purpose of the Grant Agreement was to fund the Irrigation Management Systems Project (the Project). The Project was implemented by the Ministry of Public Works and Water Resources (MPWWR). The Grant Agreement expired on September 21, 1995.

The goal of the Project was to increase production and productivity in the agricultural sector. The overall project purpose was to improve the system-wide water use efficiency for irrigation. The project had ten components. Project Implementation Letter (PIL) No. 3, signed on January 6, 1982, and expired on September 21, 1995, provided funds for the Project Preparation Department Component to provide international quality economic and technical feasibility analyses of investment options open to the MPWWR and to prepare reports in English for submission to international financial agencies and foreign donors.

Note 2: Basis of Presentation

The fund accountability statement has been prepared on the 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 3.39 to US $1.

Note 4: Budget

The budget for PIL No. 3, as presented in the fund accountability statement, represents funds available for the expenses incurred during the audit period. It has been calculated for reporting purposes only by deducting the expenditures reported in the prior audit report as of June 30, 1993 from the total budget approved as of September 21, 1995, as follows:

Approved budget as of September 21, 1995	US $ 615,213
Expenditures per prior audit report as of June 30, 1993	(508,437)
Budget available for the audit period	US $ 106,776

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Note 5: Balance

The balance represents disallowed expenses of US $4,394 identified in the prior audit of the Project Preparation Department Component for the period from January 6, 1982 to June 30, 1993 and deducted from the reimbursement of expenses incurred during the audit period in our report.

Note 6: Questioned Costs

Questioned costs are expenditures that we have determined are not in accordance with the Grant Agreement, PIL, or other applicable USAID regulations and are presented in two separate categories: ineligible and unsupported. "Ineligible" costs are deemed to be unallowable because they are not program related, unreasonable, or prohibited by the Grant Agreement, PIL, or applicable laws and regulations. "Unsupported" costs are expenditures that are not supported by adequate documentation.

Our audit identified an aggregate US $714 (LE 2,420) in ineligible questioned costs.

The basis for questioning specific costs are set forth in the "Audit Findings" section of this report.

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Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

Summary of Audit Findings

Budget Element	Questioned Costs	
	Ineligible	Unsupported
	US $	US $
Office equipment, supplies, and maintenance Finding No. 3	23	
Workshops and workplans Finding No. 2	361	
Other support costs Finding No. 3	330	
Total Questioned Costs	714	

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Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

Fund Accountability Statement
for the Period July 1, 1993 to September 21, 1995

Audit Findings

Finding No. 1: Purchase of Equipment did not Meet Origin Requirement:

Finding deleted

Finding No. 2: Payment of Per Diem to Non-Project Employees:

MPWWR paid and was reimbursed for per diem paid to the personal drivers of workshop participants, payment that does not appear to benefit the Project. Project Grant Standard Provisions, Annex 2, Section B.3 of Grant Agreement No. 263-0132 requires MPWWR that any resources financed under the Grant will, unless approved in writing by USAID, be devoted to the Project until the completion of the Project. MPWWR indicated that the payment was for drivers of VIP participants who needed the drivers to be available at all times for emergency reasons.

USAID/Egypt was billed for ineligible expenses of US $361 (LE 1,225).

Finding No. 3: Payment of Taxes, Stamps, and License Renewal Fees

MPWWR paid and was reimbursed for taxes, stamps, and car license renewal fees. Project Grant Standards Provision, Annex 2, Section B.4 of Grant Agreement No. 263-0132 indicates that MPWWR should not pay any identifiable taxes, tariffs, duties or other levies imposed under the laws of Egypt with USAID funds. MPWWR indicated that the payment of these expenses was necessary for the continuing operation of the project. These costs were reported in the fund accountability statement as follows:

	US $	LE
Office equipment, supplies, and maintenance	23	77
Other support costs	330	1,118
Total	353	1,195

USAID/Egypt was billed for ineligible expenses of US $353 (LE 1,195).

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Appendix A

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

for the Period July 1, 1993 to September 21, 1995

Management Comments

MINISTRY OF PUBLIC WORKS AND WATER RESOURCES
PROJECT PREPARATION DEPARTMENT

وزارة الأشغال العامة والموارد المائية
مشروع دراسات الجدوى وتقييم المشروعات

Memorandum

March 31, 1997

To : Alied Accountants/Arthur Andersen Egypt

From : Project Preparation Dept. Fawzy Khalil
MPWWR, Cairo

Subject :Response to Auditor's Draft Report on the Project Preparation Department (PPD) of the Ministry of Public Works and Water Resources, Local Expenditures Incurred Pursuant to Project Implementation Letter (PIL) No. 3 under the Irrigation Management System Project No. 263-0132

Attached is our response to your auditor's report dated February 13, 1997 reviewing the Department's accounts for the period from July 1, 1993 through September 21, 1995.

We have submitted an additional copy of this response to Eng. Mahmoud Mabrouk, the USAID Project Officer for the PPD.

In this report, the auditor stated that US$ 918 of costs are ineligible (Total questioned costs) as the following:

- Finding No. 1 Purchase of Equipment did not meet Origin Requirement US$ 204 (LE 693), and Finding No. 3 Payment of Taxes US$ 23 (LE 77).

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ص . ب : ١١٤ حدائق شبرا
تليفون : ٢٢٠١٨٥٥
فاكس : ٢٢٠١٣٨٣
تلكس : ٢٢١١٧

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The PPd paid US$ 227 (LE 770) for the procurement of a plastic binding machine was of French origin but was assembled in Egypt and had the lowest price in the market compared to similar of US origin according to the copies of 4 beds attached.

- Finding No. 2 Payment of Per Diem to Non-Project Employees (ineligible expenses of US$ 361 "LE 1,225").

PPD comments:

As to the amount US$ 361 (LE 1,225) paid as per diem for drivers of VIP participants such as Senior Under Secretaries of State, who needed the drivers to be available all time for emergency reasons.

These drivers required per diem as did PPD project drivers.

It would be unreasonable to require Senior Ministry officials to travel to a workshop by project van, due to their position or to pay for their own drivers expenses. If this were the case they would not attend the workshop and the objectives of the workshop would not be met without their participation.

- Finding No. 3 Payment of Taxes, Stamps, and License renewal fees(ineligible expenses of US$ 330 "LE 1,118").

PPD comments:

Concerning other Direct Costs such as taxes, stamps, and car license renewal fees represented by an amount of US$ 330 (LE 1,118) which the auditor considered to be ineligible expenses, the PPD would like to inform you that the payment of these expenses was necessary for the continuous operation of the project as shown in attached copies.

Eng. Mahmoud Mabrouk
USAID Project Officer for the PPD.

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ص . ب : ١١٤ حدائق شبرا
تليفون : ٢٢٠١٨٥٥
فاكس : ٢٢٠١٣٨٣
تلكس : ٢٢١١٧

Appendix B

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

for the Period July 1, 1993 to September 21, 1995

Auditors' Response to Management Comments

Our comments below address the Ministry of Public Works and Water Resources (MPWWR) responses to the findings on the fund accountability statement in our audit report of the Project Preparation Department Component for the costs financed by the United States Agency for International Development for the period July 31, 1993 to September 21, 1995 under Project Implementation Letter No. 3, Grant Agreement No. 263-0132.

Finding No. 1: Purchase of Equipment did not Meet Origin Requirements

MPWWR provided adequate supporting documents. Finding is deleted.

Finding No. 2: Payment of Per Diem to Non-Project Employees

MPWWR response does support finding. Payment was made to personal drivers of workshop participants, drivers that were neither project employees nor workshop participants. As a result, payment is ineligible, therefore the finding remains unchanged.

Finding No. 3: Payment of Taxes, Stamps, and License Renewal Fees

According to the Grant Agreement these type of expenses are ineligible and should be paid or reimbursed by the Grantee. As a result, the finding remains unchanged

Appendix C

Ministry of Public Works and Water Resources

Audit of Local Expenditures Incurred Under the
Project Preparation Department Component of the
Irrigation Management Systems Project
Grant Agreement No. 263-0132
Project Implementation Letter No. 3

for the Period July 1, 1993 to September 21, 1995

United States Agency for International Development
Mission in Egypt's Response to the Audit Report

USAID

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

22 MAY 1997

Memorandum

Date : May 20, 1997

To : Bruce Boyer, RIG/A/C (Acting)

From : Shirley Hunter, OD/FM/FA

Subject : Financial Audit of the Ministry of Public Works Resources, Expenditures Incurred Under the Project Preparation Department (PPD) Component of the Irrigation Management Systems (IMS) Project (USAID/Egypt Project 263-0132)

The final draft report on the subject audit contained one recommendation. In recommendation No. 1, the auditors questioned the ineligible costs of $714.

Finding No. 1: $361 paid as Per Diem for Non-Project Employees.

Mission has reviewed the auditee's response and requested additional documentation to be submitted.

Finding No. 2: $353, paid as taxes, stamps and license renewal.

This amount is not eligible for reimbursement, therefore, it is sustained.

Upon submission of the requested information/documentation, Mission will determine the final amount to be sustained. Since the activity is completed and no funds are available under the PIL, the sustained amount will be deducted from any outstanding claims of the IMS Project, PIL No. 147.

Based on the above, please issue the final report.

CC: Mahmoud Mabrouk

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