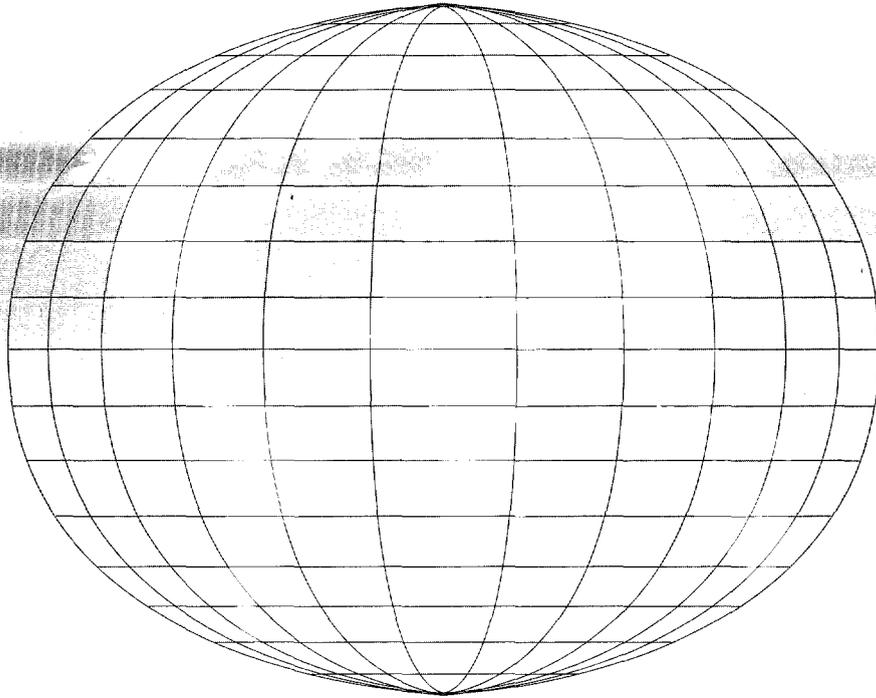


Report of Audit

PD ABP-253
94393

Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

Report No. 6-263-97-024-N
June 19, 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

USAID



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

CAIRO, EGYPT

June 19, 1997

MEMORANDUM

TO : ACTING DIRECTOR USAID/Egypt, Paul Deuster

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

SUBJECT: Financial Audit of the Egyptian Survey Authority, Expenditures Incurred Under the Survey and Mapping Component of the Irrigation Management Systems Project (USAID/Egypt Project No. 263-0132)

The attached report, transmitted on April 30, 1997, by Coopers & Lybrand, presents the results of a financial audit of the Egyptian Survey Authority (Authority) of expenditures incurred under the Survey and Mapping Component, Project Implementation Letter (PIL) No. 87, of the Irrigation Management Systems Project, USAID/Egypt Project No. 263-0132. The Survey and Mapping Component is one of the ten project components in the Irrigation Management Systems Project, and was established to provide aerial photography, maps and other geographic information to the Authority, the Ministry of Public Works and Water Resources, and to other Government of Egypt ministries.

We engaged Coopers & Lybrand to perform a financial audit of the Authority's incurred expenditures of \$40,278 (equivalent to LE137,750) for the period April 1, 1995 through September 21, 1995 for PIL No. 87. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Coopers and Lybrand also evaluated the Authority's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement. The Egyptian Survey Authority's project was completed in September 1995; therefore Coopers & Lybrand did not issue reports on internal controls or compliance.

The audit report questions \$6,878 (equivalent to LE23,526) in costs billed to USAID/Egypt by the Authority. The questioned costs related primarily to unsupported personnel costs, per diem payments for non-project staff, and vehicle license renewal fees, which are not eligible for project reimbursement.

U.S. Mailing Address
USAID-RIG/A/C Unit 64902
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Garden City, Cairo, Egypt*

A

In response to the draft report, responsible Authority officials provided additional explanation to the report findings. Coopers & Lybrand reviewed the Authority'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 \$6,878 detailed on pages 8 and 9 of the Coopers & Lybrand audit report (ineligible costs of \$4,874 and unsupported costs of \$2,004), and recover from the Egyptian Survey Authority the amounts determined to be unallowable.

In response to the recommendation, the Mission reported that of the total questioned costs of \$6,878, it had determined that \$196 is allowable and the remaining \$6,682 is sustained and will be offset against an outstanding expenditure voucher submitted by the Authority. Based on the Mission's management decision, Recommendation No. 1 is resolved and will be considered to have had final action upon the 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

B

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
AND PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH 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."

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
AND PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH SEPTEMBER 21, 1995

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d

April 30, 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 the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources managed by the Egyptian Survey Authority ("ESA") and provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project under grant agreement number 263-0132 during the period from April 1, 1995 through September 21, 1995.

Background

The IMS project is designed to assist the Government of Egypt ("GOE") in improving the operating efficiency of the total irrigation system and in strengthening the Ministry of Public Works and Water Resources ("MPWWR") operational, maintenance, and planning capabilities. Specific objectives were to (1) plan and design a country-wide structural replacement program; (2) plan and improve operations and maintenance in the irrigation system; (3) support feasibility studies and management and technical development programs; and (4) provide other irrigation-related support.

The grant agreement from the USAID/Egypt to the GOE for the IMS project is dated September 22, 1981 and has been amended and now has a project completion date of September 21, 1995. Resources provided totalled 313 million U.S. dollars.

The Survey and Mapping component is one of the ten project components of the IMS project grant agreement No. 263-0132 and was established in December, 1989 to provide aerial photography, maps and other geographic information to ESA, MPWWR, and to other ministries. ESA's activities included planning, designing, and implementing improvements to the irrigation system in the most effective manner.

PIL No. 87 provided funds to ESA for the local operating budget of the survey and mapping activities which are now complete and the agreement has been terminated.

Audit objectives and scope

The primary objective of this engagement was to perform a financial-related audit of USAID/Egypt resources managed by the ESA and provided through PIL No. 87 related to the Survey and Mapping Component of the IMS project under grant agreement number 263-0132 during the period from April 1, 1995 through September 21, 1995.

Specific objectives were to:

1. express an opinion on whether the fund accountability statement for ESA related to PIL No. 87 presents fairly, in all material respects, project revenues received and costs

incurred during the period under audit in conformity with applicable accounting principles;

2. determine if the project costs reported as incurred by ESA related to PIL No. 87 during the period under audit are allowable, allocable, and reasonable in accordance with agreement terms and applicable laws and regulations; and
3. review the internal control structure of ESA in order to determine the amount of substantive testing and assess control risk in accordance with Statement on Auditing Standards No. 55.

Preliminary planning and review procedures began in December, 1996 and consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo ("RIG/A/C") and ESA, and a review of the project grant agreement and PIL No. 87. Audit fieldwork commenced and was completed in January, 1997.

ESA incurred project costs of \$40,278 (LE 137,750) during the audit period. On a judgmental basis, we selected for audit testing project costs incurred of \$20,606 (LE 70,471) which represents a coverage of 51%.

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

1. reconciling project accounting records to billings issued by ESA to USAID/Egypt to ensure that project costs were supported with appropriate books and records;
2. testing of project costs incurred by ESA 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 are adequately supported and approved.

As part of our examination of ESA, we reviewed relevant internal controls related to processing of project documents and performed tests of compliance with agreement terms in order to determine a proper audit risk assessment.

Audit results

Fund accountability statement:

Our audit procedures identified \$6,878 in questioned costs: \$4,874 in ineligible and \$2,004 in unsupported project costs. The ineligible questioned costs related primarily to project costs billed to USAID/Egypt for items that should have been paid by the GOE contribution to the project.

Internal control structure:

We have not issued a report on the internal control structure. This is because the project was completed in September, 1995 and USAID/Egypt is not providing any additional funding to ESA for any other purpose. We did, however, review the internal control structure of ESA related to PIL No. 87 in order to determine the nature, timing and extent of substantive testing, and we assessed control risk in accordance with Statement on Auditing Standards No. 55. Because the ESA project was completed in September, 1995 and the ESA project management are no longer working for ESA, we assessed control risk at the maximum level and relied exclusively on a substantive based testing approach.

Compliance with agreement terms and applicable laws and regulations:

We have not issued a report on compliance with agreement terms and applicable laws and regulations. This is because the project was completed in September, 1995 and USAID/Egypt is not providing any additional funding to ESA for any other purpose. We did, however, perform certain tests of compliance in order to determine a proper audit risk assessment.

Status of prior audit findings:

As we have not issued a report on the internal control structure or a report on compliance with agreement terms and applicable laws and regulations for the period under audit as discussed above, we have also not assessed ESA's addressing of prior internal control structure weaknesses and instances of noncompliance with agreement terms and applicable laws and regulations.

Indirect cost rate:

ESA was not authorized by USAID/Egypt to charge indirect costs.

Management comments

ESA'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 either provided further clarification of our position in Appendix B of this report or have adjusted the final report.

Mission Response

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

This report is intended for the information of ESA'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.

Coopers & Lybrand

January 26, 1997

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

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

We have audited the accompanying fund accountability statement of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") resources managed by the Egyptian Survey Authority ("ESA") and provided through Project Implementation Letter ("PIL") No. 87 related to the Survey and Mapping Component of the Irrigation Management Systems ("IMS") project under grant agreement number 263-0132 during the period from April 1, 1995 through September 21, 1995. This fund accountability statement is the responsibility of ESA's management. Our responsibility is to express an opinion on this fund accountability statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 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 statement has been prepared on the cash basis of accounting. Consequently, project costs are recognized when paid rather than when the obligation is incurred and revenues are recognized when received rather than when earned. Accordingly, the fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

As detailed in the accompanying fund accountability statement and as more fully described in Note 4 thereto, the results of our tests disclosed \$4,874 in ineligible and \$2,004 in unsupported project costs. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program-related or are prohibited by applicable agreement terms or 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 statement referred to in the first paragraph presents fairly, in all material respects, project costs incurred by ESA through PIL No. 87 related to the Survey and Mapping Component of the IMS project under grant agreement number 263-0132 during the period from April 1, 1995 through September 21, 1995 in conformity with the basis of accounting described in Note 2.

This report is intended for the information of ESA'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.

Coopers & Lybrand

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
AND PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH SEPTEMBER 21, 1995

FUND ACCOUNTABILITY STATEMENT

<u>Budget Line Item</u>	<u>Budget</u> (Note 1)	<u>Actual</u> (Note 1)	<u>Questioned Project Costs</u>		<u>Finding Reference</u>
			<u>Ineligible</u> (Note 4)	<u>Unsupported</u> (Note 4)	
Receipts		\$40,278			
Support Personnel	\$291,583	\$14,876	\$196	\$1,845	Page 8, A
Professional Consultants	34,298	3,029	-	-	
In-country Training	48,253	-	-	-	
Office Equipment and Supplies	175,929	921	-	-	
Professional Equipment and Supplies	272,272	1,462	-	-	
Training Equipment and Supplies	16,848	-	-	-	
Consultant's Office Preparation	155,973	1,799	-	159	Page 8, B
Communication and Reports	141,847	16,113	2,924	-	Page 9, C
Travel and Per diem	1,210,628	27	-	-	
Other Support Costs	534,005	2,051	1,754	-	Page 9, D
Totals	\$ 2,881,636	\$ 40,278	\$ 4,874	\$ 2,004	
Fund Balance		\$ -			

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

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
AND PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH SEPTEMBER 21, 1995

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT:

The "Budget" column includes all USAID/Egypt-approved project costs related to PIL No. 87 and is based on the most recent budget amendment. This information is presented for informational purposes only.

The "Actual" column represents cumulative project costs incurred by ESA and funds received from USAID/Egypt related to PIL No. 87 during the period from April 1, 1995 through September 21, 1995. Funds received does not include the line of credit held in the National Bank of Egypt which will revert to the FT-800 account at the project's completion.

NOTE 2 - BASIS OF PRESENTATION:

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

NOTE 3 - FOREIGN EXCHANGE:

Project costs incurred in Egyptian pounds have been converted to U.S. dollars at the exchange rate of 3.42 LE to one U.S. dollar. The exchange rate used is the average monthly exchange rate for the audit period from April 1, 1995 through September 21, 1995.

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

The general causes for the following questioned costs related primarily to a pervasive lack of awareness of USAID regulations and grant agreement and PIL terms.

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

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

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
A. Support Personnel		
1. Support personnel costs were billed to USAID/Egypt that were not supported with accounting books and records or supporting documents. All costs billed to USAID/Egypt must be supported with adequate supporting documents and evidence that these costs were processed through the project's accounting system. The project accountant could not explain why these costs were billed.	\$ -	\$ 1,845
2. This questioned cost has been removed as a result of the management comments to our draft report.	\$ -	\$ -
3. An insurance premium installment for bonding ESA employees was paid that is ineligible for USAID/Egypt reimbursement for three reasons: (1) the USAID/Egypt-approved budget did not contain a provision for this type of expense under any budget line item; (2) this type of expenses should be covered by the GOE contribution (the previous installment, for fiscal year 94/95, paid in May, 1994, was charged to the GOE; and (3) the installment was for the period from May 16, 1995 through May 15, 1996 while the project was terminated in September, 1995.	\$ <u>196</u>	\$ <u>-</u>
Total Support Personnel	\$ <u>196</u>	\$ <u>1,845</u>
B. Consultant's Office Preparation		
1. A purchase was made and charged to Consultant's Office Preparation that was not supported with any documents. All costs billed to USAID/Egypt must be supported with adequate supporting documents. The project management could not explain why this cost was billed.	\$ <u>-</u>	\$ <u>159</u>
Total Consultant's Office Preparation	\$ <u>-</u>	\$ <u>159</u>

NOTE 4 - QUESTIONED PROJECT COSTS (CONTINUED):

<u>Item Description</u>	<u>Questioned Project Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
C. Communication and Reports		
1. Per diem was paid for GOE staff and is ineligible for USAID/Egypt reimbursement. This amount is billed under the Communication budget line item while this type of expenses should be charged under the travel & per diem budget line item. Though there is a budget for travel and per diem this is to cover travel and per diem for project staff, not GOE staff. The project management stated that they had an approval from USAID/Egypt to bill these costs, however, an approval was not provided to us.	\$ <u>2,924</u>	\$ -
Total Communication and Reports	\$ <u>2,924</u>	\$ -
D. Other Support Costs		
1. Vehicle license renewal fees were paid which are not eligible for USAID/Egypt reimbursement. Contractor Notice 1-93 dated January 14, 1993 states that "Registration or re-registration fees are not payable with AID appropriated funds, and payment with such funds will not be reimbursed. Under the Economic, Technical and Related Assistance Agreement (Bilateral) such fees are exempted, and are the liability of the host country implementing agency." The project management stated that they did not know that these costs were ineligible for reimbursement.	\$ 1,462	\$ -
2. Costs for vehicle maintenance were billed to USAID/Egypt while these costs should be paid by the GOE contribution to the project. PIL No. 87, Amendment 18, dated September 13, 1994, states that "for the period July 1, 1994 through June 30, 1995, ...the GOE contribution will provide funding for all project recurrent cost including vehicle operating and maintenance costs." The project management stated that they did not know that these costs were ineligible for reimbursement.	\$ <u>292</u>	\$ -
Total Other Support Costs	\$ <u>1,754</u>	\$ -
TOTAL ESA QUESTIONED PROJECT COSTS	\$ <u>4,874</u>	\$ <u>2,004</u>

THE EGYPTIAN SURVEY AUTHORITY

MANAGEMENT COMMENTS



EGYPTIAN SURVEY AUTHORITY
G.A.S.A.

April 12, 1997.

Messers
Coopers & Lybrand,
Tiba 2000 center,
Rasaa El-Adawaya, Near City,
Cairo, Egypt.

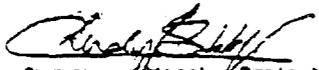
Dear Sirs,

Reference to your draft report of auditing for PIL 87 of Survey and Mapping Component (S.&M.) of Irrigation Management System (I.M.S.) in Egyptian Survey Authority (E.S.A.) for the period from April 01, 1995 up till the project completion date of September 21, 1995.

You will find attached our response to the above mentioned report with the proving supporting documentation.

If you want any further information or more details do not hesitate to contact with us.

We appreciate your cooperation, with our best regards.


Survey and Mapping Project
Egyptian Survey Authority

1 Abd El Salam Aref Street, Orman, Giza, Egypt. Tel. 3488883-716364 Fax. 716361

THE EGYPTIAN SURVEY AUTHORITY

MANAGEMENT COMMENTS

Finding A: Support personnel

**A.1. LE 9,310 not supported with project records:
C&L Reference: F11**

The amount billed to US AID in the final report No. 63 was calculated as follows:

a. Monthly payroll for project local hires during September 1993:

LE. 13,397.12

b. Termination bonus for project drivers for their contracted period:

LE. 19,056.44

c. Cancellation of the social insurance was billed to US AID on June 93:
(LE. 25,366.50)

**A.2. LE-9,025 termination bonus:
C&L Reference: F11**

Find attached a written approved memorandum was issued in this concern.

**A.3. LE 671 Insurance premium installment for bonding:
C&L Reference: F10**

This amount represents an insurance of dishonesty for the project local hires have advances of petty cash, the annual installment starting from the project inception was paid by US AID fund as GOE did not accept to pay the premium for non-governmental employees.

In the same time that type of insurance has to be paid on annually base.

THE EGYPTIAN SURVEY AUTHORITY

MANAGEMENT COMMENTS

Finding B: Consultants office preparation

- B.1. LE 545 without supporting documents:
C&L Reference: L10
Finding attached a full supporting documents for that check.

Finding C: Communications / reports

- C.1. LE 10,000 per diem for GOE staff:
C&L Reference: M10
It was second time for paying per diem for GOE staff out of GOE fund to reward crews doing special tasks in the project activities. Refer to the previous audit period.

Finding D: Other support costs

- D.1. LE 5,000 vehicle license renewal:
C&L reference: P10
That amount was paid by US AID fund to renew the license of the project vehicles because of clearance from customs was not completed and GOE regulations could not allow to pay renewal expenses for non-governmental properties.
- D.2. LE 1,000 vehicle maintenance has to be paid by GOE:
C&L reference: P11
The project decide to pay that amount for the project vehicle was in hard special task and the crew was in need for an urgent repairs to complete their activities in the area of Great sand sea of western desert.

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THE EGYPTIAN SURVEY AUTHORITY

MANAGEMENT COMMENTS



EGYPTIAN SURVEY AUTHORITY
GEONEX

Attachment

Date: 25 August 1995
Log No: 3641

MEMORANDUM

TO: M. Mabrouk, Acting Project Officer, USAID

FROM: Eng. M. Mosaad Ali Ibrahim, Chairman ESA,
Survey & Mapping Component *[Signature]*

SUBJECT: Local Hires Severance Pay

PROJECT: Irrigation Management Systems (IMS)

COMPONENT: Survey and Mapping (S&M)

CONTRACT: 263-0132

1. **Summary**

IMS-S&M Component date of completion will be 21 September 1995. All the employment contracts between S&M Component with the local hires will be terminated at such date. To keep all the component's staff in service until the end of the component activities, we suggested severance pay policy as being applied in other USAID funded projects. The employee under such policy have to receive one month pay for year of service with the component, provided that the employment contract is terminated by project.

2. **Purpose**

Approval of the severance pay policy for the local hires whom will continued their services with S&M Component till the date of completion.

3. **Cost Estimate**

Funds are available under the support personnel line item of LOB fund. The total amount will not exceed sum of L.E. 35,000.

5. **Approval**

Approved _____	Disapproved _____
Date <u>25/8/95</u>	Date _____

FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
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UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH SEPTEMBER 21, 1995

INDEPENDENT ACCOUNTANTS RESPONSE

The Egyptian Survey Authority ("ESA") management provided comments relating to the draft report presented at the exit conference on March 30, 1997. ESA's comments are included, unedited, in Appendix A to this report. In response to their comments, we have reviewed additional supporting documents provided by ESA's management. Please note that the finding references used below correspond to those used in our draft and final reports.

QUESTIONED COSTS

A.1. Support personnel

This cost was questioned because the billed amount was greater than the amount recorded in the project's accounting records.

ESA management states that the termination bonus for drivers should be partially billed to USAID/Egypt as the drivers were paid by USAID/Egypt at the beginning of the project. This is acceptable provided that ESA has clearly documented their calculations as to the portion to be charged to USAID/Egypt and the GOE.

We noted that an amount was included in the project's general ledger for termination bonus that was much more than the amount provided in the management comments. It has not been shown on what basis ESA used to apportion the termination bonus between USAID/Egypt and the GOE. Therefore, this amount should be questioned until such a time that an appropriate calculation is provided.

A.2. Support personnel

We have removed this questioned cost from our final report.

A.3. Support personnel

This cost is ineligible for USAID/Egypt reimbursement for the three reasons mentioned in our report. Management's comments did not refute the three points in our report.

Our position is unchanged.

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B.1. Consultant's Office Preparation

ESA management comments stated that the supporting documents for this amount were attached to their response, while no documents were attached.

Our position is unchanged.

C.1. Communication and Reports

This cost remains questioned for the reason stated in our report. Further, the per diem paid was for a trip that was to be covered under the GOE budget. Should there have been unusual circumstances requiring the USAID/Egypt to share in the cost of this trip, a special approval should have been obtained from USAID/Egypt. There was no such approval provided to us.

D.1. Other Support Costs

This cost remains questioned for the reason stated in our report. Refusal of the GOE to pay certain costs does not infer that these costs are eligible for USAID/Egypt reimbursement.

D.2. Other Support Costs

This cost remains questioned for the reason stated in our report. Refusal of the GOE to pay certain costs does not infer that these costs are eligible for USAID/Egypt reimbursement.

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FINANCIAL-RELATED AUDIT OF USAID/EGYPT RESOURCES
MANAGED BY THE EGYPTIAN SURVEY AUTHORITY
AND PROVIDED THROUGH PROJECT IMPLEMENTATION LETTER NO. 87
UNDER THE SURVEY AND MAPPING COMPONENT OF
THE IRRIGATION MANAGEMENT SYSTEMS PROJECT NO. 263-0132

DURING THE PERIOD FROM
APRIL 1, 1995 THROUGH SEPTEMBER 21, 1995

MISSION RESPONSE



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

June 18, 1997

19 JUN 1997

MEMORANDUM

TO: Lou Mundy, RIG/A/C

FROM: ^{for} Shirley Hunter, OD/FM/FA

SUBJECT: Financial Audit for USAID/Egypt Resources Managed by the Egyptian Survey Authority through PIL No. 87, Under the Survey and Mapping Component of the Irrigation Management Systems Project No. 263-0132 for the Period April 1, 1995 through September 21, 1995
Final Draft Audit Report dated May 18, 1997

Following are the actions taken by the Mission to resolve Recommendation No. 1 under the subject audit:

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the questioned costs of \$6,878 detailed on pages 8 and 9 of the Coopers & Lybrand audit report (ineligible costs of \$4,874 and unsupported costs of \$2,004), and recover from the Egyptian Survey Authority the amounts determined to be unallowable.

Mission Response:

Based on the Mission's review, of the \$6,878 (LE 23,526) questioned, \$196 (LE 671) is allowed and \$6,682 (LE 22,855) is sustained. The sustained amount of \$6,682 (LE 22,855) will be deducted from S&M expenditures voucher for July through September 1995.

Closure request will be sent to M/MPI/MIC upon resolution of the Recommendation by RIG/A/C.

Accordingly, Mission requests resolution of Recommendation No. 1 under the subject audit report.

A. Support Personnel

Finding No. 1:

The unsupported costs of \$1,845 (LE 6,310) billed to USAID.

* Based on S&M response dated April 12, 1997, and further clarification by the Predecessor Chief Accountant, the amount represents an error in accounting transaction.

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Therefore, this amount is sustained.

Finding No. 2:

The ineligible costs of \$196 (LE 671) paid for premium installment for bonding the project employees.

- * In their response, ESA explained that the business practice is to cover for a year period (12 months) for bonding employees (fidelity insurance). It was further explained that such insurance was paid for the project employees (non-governmental) and that payments were financed throughout the life of the PIL's activities from the project grant funds.
- * Mission review has revealed that, such cost was not budgeted for under the PIL, however, the fidelity insurance represents a basic element of the internal control structure to safeguard USAID grant funds. Mission believes that since the employee is project hired and not GOE employee, therefore, S&M could not have covered him through government Self Insurance.

Therefore, this amount is allowed.

B. Consultant's Office Preparation

Finding No. 1.:

The unsupported costs for \$159 (LE 545).

- * In their response ESA referred to the supporting documentation attached to their letter; however, non was available.
- * Since related documentation is not available at ESA's site, Mission will not be able to provide its approval.

Therefore, this amount is sustained.

C. Communication and Reports:

Finding No. 1

- * The ineligible costs for \$2,924 (LE 10,000) paid to GOE staff.
- * In their response ESA explained that such costs were paid for conducting special tasks in connection with the project activities.
- * Mission believes that such incurred costs were not project-

related activities; for which we cannot provide our approval.

Therefore, the amount is sustained.

D. Other Support Costs

Finding No. 1:

- * The ineligible costs for \$1,462 (LE 5,000) paid for vehicles license fees.
- * This type of expenses is not allowed by the Project Grant Agreement.

Therefore, this amount is sustained.

Finding No. 2:

- * The ineligible costs for \$292 (LE 1,000) paid for vehicles maintenance.
- * Mission believes that such costs are not subject for funding from USAID project resources as the PIL amendment No. 18 stated that GOE will cover it from the its contribution.

Therefore, this amount is sustained.

Att: a/s



EGYPTIAN SURVEY AUTHORITY
GEONEX

عناية السيد الاستاذ المحاسب / خالد فرج

Mr. Mahmoud Mabrouk
Survey and Mapping Project Officer
US Agency for International Development
Cairo Center Building, Cairo

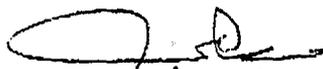
Subject: Contract No.: 263-0132
PIL No.: 87

Dear Mr. Mabrouk,

Reference is made to the telephone conversation between Mr. Khaled Farag and the S & M financial manager concerning the final auditing report for PIL 87 of Survey and Mapping Component (S.&M.) of Irrigation Management Systems (I.M.S.) covering the period from April 01, 1995 up till the project completion date of September 21, 1995.

We would like to confirm that we accept to reconcile all the outstanding findings of that auditing report with the due amount of the last certified fiscal report no. 65.

Sincerely Yours,


14/6/1997
Eng. Mohamed Mosaad Ibrahim
ESA Chairman
S & M Project Director