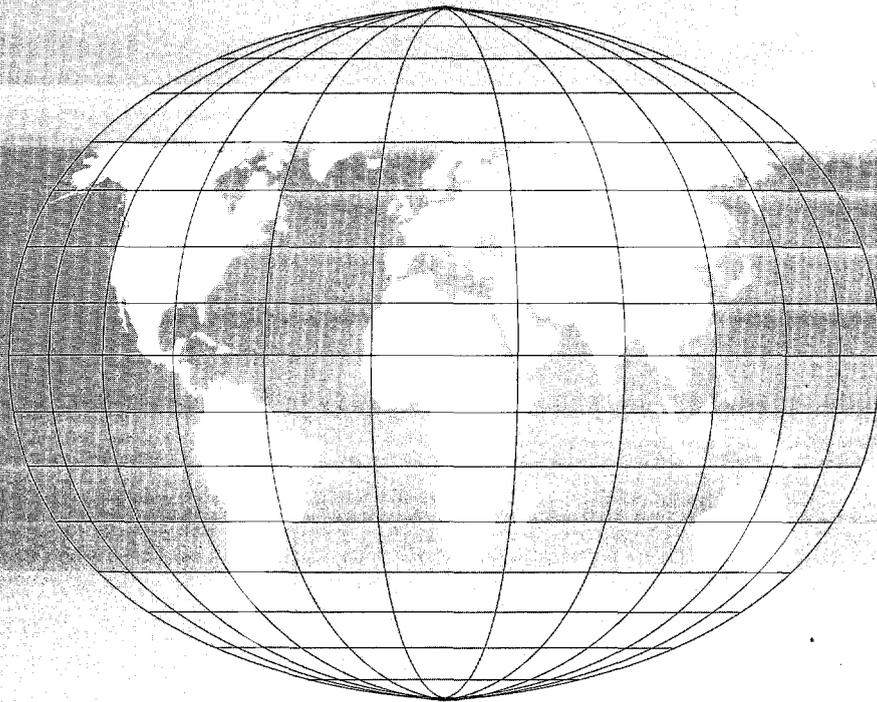


Report of Audit

**Financial Audit of the American Chamber
of Commerce in Cairo, Resources Provided
Under USAID/Egypt Grant Agreement
No. 263-0225-G-00-4086-00**

**Report No. 6-263-97-026-N
July 14, 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

July 14, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley
FROM: RIG/A/C, Lou Mundy *Lou Mundy*
SUBJECT: Financial Audit of the American Chamber of Commerce in Cairo,
Resources Provided Under USAID/Egypt Grant Agreement No. 263-0225-
G-00-4086-00

The attached report, transmitted on June 18, 1997 by Price Waterhouse, presents the results of a financial audit of the American Chamber of Commerce in Cairo (AMCHAM), resources provided under USAID/Egypt grant agreement No. 263-0225-G-00-4086-00. The purpose of the grant is to assist in the expansion of AMCHAM's Business Services Division, with support for the Division's Economic Reports and Studies component, its Business Information Databank, and its Television Business Show component.

We engaged Price Waterhouse to perform a financial audit of AMCHAM's revenues received of \$604,032 (equivalent to LE 2,047,670) and costs incurred of \$550,161 (equivalent to LE 1,865,047) under the grant agreement for the period September 1, 1994 through December 31, 1996. The purpose of the audit was to evaluate the propriety of revenues received and costs incurred during this period. Price Waterhouse also evaluated AMCHAM's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The audit did not identify any questioned costs. Also, the audit did not note any material weaknesses in internal controls nor material noncompliance with applicable laws, regulations or agreement terms. As a result, this report does not contain any

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A

recommendations to be included in the Office of the Inspector General's recommendation follow-up system.

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

THE AMERICAN CHAMBER OF COMMERCE IN CAIRO

**UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00**

**FUND ACCOUNTABILITY STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE PERIOD
SEPTEMBER 1, 1994 THROUGH DECEMBER 31, 1996**

THE AMERICAN CHAMBER OF COMMERCE IN CAIRO

**UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00**

**FUND ACCOUNTABILITY STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE PERIOD
SEPTEMBER 1, 1994 THROUGH DECEMBER 31, 1996**

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Price Waterhouse



June 18, 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 project revenues received and costs incurred by the American Chamber of Commerce in Cairo ("AMCHAM"). The audit population includes revenues received and costs incurred by AMCHAM under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0225-G-00-4086-00 ("Grant Agreement" or "Project") for the period September 1, 1994 through December 31, 1996.

Background

USAID/Egypt entered into the Grant Agreement with the AMCHAM on August 31, 1994. AMCHAM, a not-for-profit organization founded in 1983, has as its primary objective the enhancement and facilitation of communication between Egyptian and American businessmen, and the encouragement of trade between the two countries. The purpose of the Grant is to assist AMCHAM in making available to the business community, reliable information to facilitate the conducting of analyses and studies of the existing business conditions.

The purpose of the Grant is to specifically support the expansion of AMCHAM's Business Services Division ("BSD"). Under the Grant, AMCHAM's basic services and functions will be strengthened through its newly created BSD components: the Economic Reports and Studies, the Business Information Databank and the Television Business Show. The Economic Reports and Studies Component is responsible for performing economic research on pertinent issues and reporting thereon. Through the Business Information Databank, AMCHAM provides credible business and economic information to a multitude of users. Similarly, through the Television Business Show, AMCHAM provides a medium for discussing business issues in relation to government policies and legislation.

The Grant is entirely funded by USAID/Egypt, in the form of quarterly advances to AMCHAM. Funding is provided in both US dollars ("\$") and Egyptian pounds ("LE"). Amendment No. 2 to the Grant Agreement, dated November 2, 1996, approved USAID/Egypt funding to AMCHAM of \$163,914 and LE 2,851,042 through August 31, 1997.



Audit Objectives and Scope

The objective of this engagement was to perform a financial related audit of project revenues received and costs incurred by AMCHAM under the Grant Agreement during the period September 1, 1994 through December 31, 1996 (the "audit period"). Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statements for the USAID/Egypt financed AMCHAM project present fairly, in all material respects, project revenues received and costs incurred for the period under audit in conformity with generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursements basis and modifications of the cash basis:
2. Determine if the costs reported as incurred under the Project are in fact allowable, allocable and reasonable in accordance with the terms of the Grant Agreement:
3. Evaluate and obtain a sufficient understanding of the internal control structure of AMCHAM, assess control risk, and identify reportable conditions, including material internal control weaknesses:
4. Perform tests to determine whether AMCHAM complied, in all material respects, with the terms of the Grant Agreement and with applicable laws and regulations: and
5. Determine if AMCHAM has taken corrective action on prior Financial Analysis Support Team ("FAST") report recommendations.

Preliminary planning and review procedures began in November 1996. These procedures consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo and AMCHAM management, as well as a review of reports from the FAST and prior Non-Federal Audits. Audit fieldwork commenced in April 1997 and was completed in June 1997.

The scope of our audit included a population of project costs amounting to \$61,598 or LE 208,817 and \$488,563 or LE 1,656,230 for the \$ and LE accounts, respectively. On a judgmental basis, we selected and tested \$57,000 or LE 193,230 (93%) of costs incurred under the US \$ account and \$128,947 or LE 437,127 (26%) of costs incurred under the LE account. Our audit population also included \$80,613 or LE 273,278 and \$523,419 or LE 1,774,392 of project revenues received for the \$ and LE accounts, respectively. We tested one hundred percent of those revenues.



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

1. Reconciling AMCHAM project accounting records to billings issued to USAID/Egypt to ensure that project costs were appropriately supported.
2. Testing project costs funded by USAID/Egypt for allowability and allocability.
3. Determining whether appropriate procurement procedures were applied that conformed with the terms of the Grant Agreement, and applicable laws and regulations.
4. Determining if salary costs were adequately supported and approved.
5. Establishing the adequacy of AMCHAM control procedures to safeguard project funds/assets.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the financial audit requirements of Government Auditing Standards ("GAS") issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

As part of our examination of AMCHAM, we assessed internal controls in order to determine our auditing procedures. We also tested AMCHAM's compliance with applicable laws and regulations.

Results of Audit

Fund accountability statements

Our audit procedures did not identify any questionable project costs. The fund accountability statements for costs incurred in both US dollars and Egyptian pounds, expressed in Egyptian pounds, are included in supplemental schedules to this report.



Internal control structure

Our audit procedures did not identify any material weaknesses in the internal control.

Compliance with laws, regulations, contracts and grants.

Our audit procedures did not identify any instances of material non-compliance with either the terms of the Grant Agreement, or with applicable laws and regulations.

Follow up on Prior Audit Recommendations

We reviewed the prior FAST report of the Grant for the period September 1, 1994 through September 30, 1995. The internal control and non-compliance findings and recommendations from the FAST report have been addressed and implemented.

Mission Response

The mission response is included in Appendix A to this report.

This report is intended for the information of AMCHAM management and others within the organization and USAID/Egypt. However, this report is a matter of public record, and its distribution is not limited.

Paul Waterhouse

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Price Waterhouse



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

June 18, 1997

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

We have audited the fund accountability statements of project revenues received and costs incurred by the American Chamber of Commerce in Cairo ("AMCHAM") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0225-G-00-4086-00 ("Grant Agreement" or "Project") for the period September 1, 1994 through December 31, 1996. The fund accountability statements are the responsibility of AMCHAM management. Our responsibility is to express an opinion on these statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards ("GAS") issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the fund accountability statements. 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 GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

As described in Note 2, the fund accountability statements have been prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received and expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the fund accountability statements are not intended to present results in accordance with accounting principles generally accepted in the United States of America.



In our opinion, the fund accountability statements referred to in the first paragraph present fairly, in all material respects, project revenues received and costs incurred by AMCHAM under the Grant Agreement for the period September 1, 1994 through December 31, 1996, in conformity with the basis of accounting described in Note 2.

In accordance with GAS, we have also issued a report dated June 18, 1997 on our consideration of AMCHAM's internal control and a report dated June 18, 1997 on its compliance with laws and regulations.

This report is intended for the information of AMCHAM management and others within the organization and USAID/Egypt. However, this report is a matter of public record, and its distribution is not limited.

Pricewaterhouse

AMERICAN CHAMBER OF COMMERCE IN CAIRO
UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD SEPTEMBER 1, 1994 THROUGH DECEMBER 31, 1996

US DOLLAR ACCOUNT
EXPRESSED IN US DOLLARS

	<u>Approved Budget (Note 1)</u>	<u>Actual Expenditures (Note 1)</u>
Opening Fund Balance	-	-
REVENUES - USAID/EGYPT	-	80.613
EXPENDITURES		
Operating Costs	<u>163.914</u>	<u>61.598</u>
Total Budget Line Items	<u><u>163.914</u></u>	<u><u>61.598</u></u>
ENDING FUND BALANCE		<u><u>19.015</u></u>

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

AMERICAN CHAMBER OF COMMERCE IN CAIRO
UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD SEPTEMBER 1, 1994 THROUGH DECEMBER 31, 1996

FT-800 (EGYPTIAN POUND) ACCOUNT
EXPRESSED IN US DOLLARS

	<u>Approved Budget (Note 1)</u>	<u>Actual Expenditures (Note 1)</u>
Opening Fund Balance	-	-
REVENUES - USAID/EGYPT	-	523,419
EXPENDITURES		
Salaries	258,360	115,530
Fixed Assets	154,832	111,759
Operating Costs	<u>427,824</u>	<u>261,274</u>
Total Budget Line Items	<u>841,016</u>	<u>488,563</u>
ENDING FUND BALANCE		<u>34,856</u>

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

THE AMERICAN CHAMBER OF COMMERCE IN CAIRO

**UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00**

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - SCOPE OF STATEMENTS:

The fund accountability statements of AMCHAM include project revenues received and costs incurred by AMCHAM under the Grant Agreement for the period September 1, 1994 through December 31, 1996 (the "audit period").

"Budget" includes USAID/Egypt approved project costs in accordance with the most recent budget amendment of the Grant Agreement within the audit period, and is presented for informational purposes only. Amendment No. 2 to the Grant Agreement, dated November 2, 1996, approved USAID/Egypt funding to AMCHAM of \$163,914 or LE 555,668 for the US\$ account and \$841,016 or LE 2,851,042 for the FT-800 ("LE") account, through August 31, 1997. "Budget" in LE has been converted to US dollars at an average exchange rate of 3.39 LE to one US dollar as explained below in Note 3.

"Actual" represents cumulative project revenues received and costs incurred by AMCHAM under the Grant Agreement during the audit period. Expenditures in LE have been converted to US dollars at an average exchange rate of 3.39 LE to one US dollar as explained below in Note 3.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statements of AMCHAM have been prepared on the basis of cash receipts and disbursements. Consequently, project revenues are recognized when received and costs are recognized when paid, rather than when the obligation is incurred.

NOTE 3 - FOREIGN EXCHANGE:

Actual and budgeted project revenues and costs incurred in LE have been converted to US dollars at an exchange rate of 3.39 LE to one US dollar. The exchange rate has been calculated by averaging the ending monthly exchange rates during the audit period.

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Price Waterhouse



**REPORT OF INDEPENDENT ACCOUNTANTS
ON INTERNAL CONTROL**

June 18, 1997

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

We have audited the fund accountability statements of project revenues received and costs incurred by the American Chamber of Commerce in Cairo ("AMCHAM") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0225-G-00-4086-00 ("Grant Agreement" or "Project") for the period September 1, 1994 through December 31, 1996 (the "audit period"), and have issued our report thereon dated June 18, 1997.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards ("GAS"), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

The management of AMCHAM is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statements in accordance with the terms of the Grant Agreement and the basis of accounting described in Note 2 of the report on the fund accountability statements. Because of inherent limitations in any internal control errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



In planning and performing our audit of the fund accountability statements of AMCHAM for the audit period we obtained an understanding of the internal control as it relates to the Grant Agreement. With respect to the internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. We also assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statements and not to provide an opinion on the internal control. Accordingly, we do not express such an opinion.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of AMCHAM management and others within the organization and USAID/Egypt. However, this report is a matter of public record and its distribution is not limited.

Priscilla A. Whitehouse

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Price Waterhouse



**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS**

June 18, 1997

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

We have audited the fund accountability statements of project revenues received and costs incurred by the American Chamber of Commerce in Cairo ("AMCHAM") under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0225-G-00-4086-00 ("Grant Agreement" or "Project") for the period September 1, 1994 through December 31, 1996 (the "audit period"), and have issued our report thereon dated June 18, 1997.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards ("GAS"), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS 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 GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program which requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

Compliance with laws, regulations, contracts and grants applicable to AMCHAM is the responsibility of AMCHAM management. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of AMCHAM's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the fund accountability statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. For purposes of this report, we have categorized the provisions of laws, regulations, contracts, and grants we tested as part of obtaining such reasonable assurance into the following categories:

- Procurement policies and procedures
- Restrictions on billing taxes
- Budgetary expenditure limitations
- Maintenance of accounting books, records and documents
- Compensation limitations



Material instances of non-compliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statements. The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported herein under GAS.

This report is intended for the information of AMCHAM management and others within the organization and USAID/Egypt. However, this report is a matter of public record, and its distribution is not limited.

Pruce Waterhouse

AMERICAN CHAMBER OF COMMERCE IN CAIRO

UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0225-G-00-4086-00

MISSION RESPONSE



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

MEMORANDUM

07 JUL 1997

DATE : July 6, 1997
TO : Lou Mundy, RIG/A/C
FROM : Shirley A. Hunter, Division Chief/FM/FA
SUBJECT : Financial Audit of the American Chamber of
Commerce in Cairo, Under the USAID/Egypt Funded
Grant Agreement No. 263-0225-G-00-4086-00 For the
Period September 1, 1994 Through December 31, 1996

With reference to the RIG/A/C E-mail dated July 06, 1997 regarding the subject audit, it was stated that the draft report for subject audit has been issued with no recommendations. Accordingly, it was suggested that an exit conference is not required.

Mission agrees with your suggestion and requests that the final report be issued.

Thank you for your cooperation.

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