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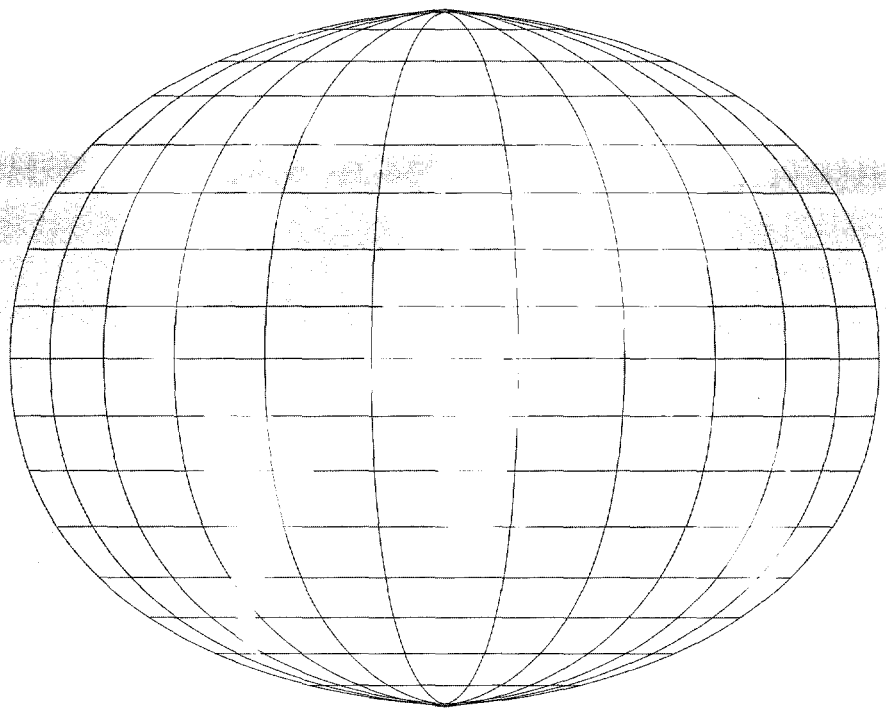
Report of Audit

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

Report No. 6-263-97-037-N
August 31, 1997



FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTION OF 18 US 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

August 31, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley

FROM: RIG/A/C, Lou Mundy Bruce M Boyer for

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

The attached report, transmitted on July 1, 1997, by Price Waterhouse, presents the results of a financial audit of the Miscellaneous Component (Monitoring Office and Management Information Center), managed by the Ministry of Public Works and Water Resources (Ministry) under Project Implementation Letters (PILs) Nos. 93 and 133 of the Irrigation Management Systems Project, USAID/Egypt Project No. 263-0132. The purpose of the PILs was to enhance the management capabilities of the Ministry.

We engaged Price Waterhouse to perform a financial audit of the Ministry's incurred expenditures of $201,310 (equivalent to LE 680,903) for the periods July 1, 1994 through September 21, 1995 for PIL No. 93, and July 1, 1992 through December 31, 1995 for PIL No. 133. The purpose of the audit was to evaluate the propriety of costs incurred during these periods. Price Waterhouse 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 Statements. As of the date of the audit report, the project was completed and no additional funding was being provided for any purpose. Therefore, Price Waterhouse did not issue reports on internal controls or compliance.

The audit report questions $9,616 (equivalent to LE 32,477) in costs billed to USAID/Egypt by the Ministry. The questioned costs related primarily to repairs,

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A

maintenance, and operating costs of vehicles and equipment which were not financed by USAID, to the employer share of employee social insurance, and to certain unsupported costs.

In response to the draft report, responsible Ministry officials provided additional explanation to the report findings. Price Waterhouse reviewed the Ministry's response to the findings and provided further clarification of their position (see Appendices A and B).

The following recommendation is included in the Office of Inspector General's recommendation follow-up system.

> **Recommendation No. 1: We recommend that USAID/Egypt make a management decision on the questioned costs of $9,616 (ineligible costs of $8,786 and unsupported costs of $830) detailed on pages 10-12 of the Price Waterhouse audit report, and recover from the Ministry of Public Works and Water Resources the amounts determined to be unallowable.**

In response to the recommendation, the Mission has determined that the entire amount questioned of $9,616 (LE 32, 477) was sustained. The amount was deducted from the Ministry's final project reimbursement voucher. Based on this management decision and final action, we consider Recommendation No. 1 to be closed upon issuance of this report.

Thank you for the cooperation and assistance extended to the audit staff on this engagement and for your continued support of the financial audit program in Egypt.

Attachment: a/s

B

THE MINISTRY OF PUBLIC WORKS
AND WATER RESOURCES
FOR PROJECT IMPLEMENTATION LETTERS ("PILs")
Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT
SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT NO. 263-0132
FUND ACCOUNTABILITY STATEMENTS
AND ADDITIONAL INFORMATION

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995
FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995
FOR PIL No. 133

"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"

THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES
PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132
FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

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Appendix A: Management Comments

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Price Waterhouse

July 1, 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 program revenues received and costs incurred by the Government of Egypt's ("GOE") Ministry of Public Works and Water Resources ("MPWWR"). The audit population includes revenues received and costs incurred by MPWWR under Project Implementation Letters ("PILs") Nos. 93 and 133 under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Irrigation Management Systems ("IMS") Project, Grant Agreement No. 263-0132 (the "Grant Agreement" or "Project"), for the periods July 1, 1994 through September 21, 1995 for PIL No. 93, and July 1, 1992 through December 31, 1995 for PIL No. 133 (collectively, the "audit periods"), respectively.

Background

The IMS project began on September 22, 1981, and was completed on September 21, 1995. The project consisted of technical and capital assistance for the planning, design, construction and management of Egypt's irrigation systems. The goal of the Project was to provide effective control of the Nile waters for multiple uses. This was achieved through strengthening the capacity of MPWWR to plan, design, operate and maintain a water distribution system. To that purpose, ten components of the Project were established through individual PILs.

PILs Nos. 93 and 133 established the Miscellaneous Component Monitoring Office ("MO") and the Management Information Center ("MIC"), respectively. The objectives of the PILs were to enhance the management capabilities of MPWWR. The MO's objectives were to provide assistance in monitoring the progress of the other nine components of the IMS Project; assist Project component directors; provide coordination and liaison between components, Ministries and USAID/Egypt; assist in logistical support for key IMS meetings, and prepare progress reports for the components. The MIC received funding from USAID/Egypt to establish a local operating network in the MPWWR headquarters. Additional resources were used to broaden development of a Ministry-wide information system.

Audit Objectives and Scope

The objective of this engagement was to perform a financial related audit of Project revenues received and costs incurred under PILs Nos. 93 and 133 of the Grant Agreement during the audit periods. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statements for the MPWWR's USAID/Egypt financed IMS project, PILs Nos. 93 and 133, present fairly, in all material respects, project revenues received and costs incurred during the audit periods in conformity with generally accepted accounting principles, or other comprehensive basis of accounting, including the cash receipts and disbursements basis;

2. Determine if the costs reported as incurred under PILs Nos. 93 and 133 are in fact allowable, allocable and reasonable in accordance with the terms of the Grant Agreement;

3. Obtain a sufficient understanding of the internal control structure of the IMS project as it relates to the PILs; assess control risk to adequately plan the audit and the nature, extent and timing of audit tests;

4. Test expenditures for compliance with appropriate laws, regulations, contracts, and the Grant Agreement; and,

5. Determine if the IMS project has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in December 1996. These procedures consisted of discussions with personnel from the office of the Regional Inspector General for Audit in Cairo and IMS management, as well as a review of prior non-federal audit reports. Audit fieldwork commenced in February 1997 and was completed in July 1997.

The scope of our audit included a population of project costs amounting to $83,079 or LE 282,466 and $118,231 or LE 398,437 for PILs Nos. 93 and 133, respectively. On a judgmental basis, we selected and tested $20,364 or LE 69,238 (25%) of costs incurred under PIL No. 93 and $29,960 or LE 100,965 (25%) of costs incurred under PIL No. 133. Our audit population also included $85,052 or LE 289,177 and $119,577 or LE 402,976 of program revenues received for PILs Nos. 93 and 133, respectively. We tested one hundred percent of these revenues.

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

1. Reconciling IMS 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; and,

3. Determining if project costs were adequately supported and approved.

Except as discussed in the following paragraphs, 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. This program 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.

USAID/Egypt has requested we not report on MPWWR's internal control structure and overall compliance with laws, regulations, contracts and grants with respect to the IMS project for the PILs under

audit as required by Chapter 5 of GAS. This is because recommendations to improve weaknesses in internal controls and corrective actions to rectify instances of material noncompliance noted, cannot be implemented. Furthermore, the IMS project and the activities conducted under the PILs, and consequently, their related internal control structures, have ceased, with no additional funds being provided by USAID/Egypt. We believe that the effect of this departure from the financial audit reporting requirements of GAS is not material because, in planning and performing our audit of the fund accountability statements of MPWWR with respect to the IMS project and the related PILs for the audit periods, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures, and we 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 structure. Accordingly, we do not express such an opinion. Additionally, as part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of MPWWR's compliance with certain provisions of laws, regulations, contracts and grants that related directly to the allowability of revenues received and costs incurred by the IMS project and the PILs under audit. 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.

Results of Audit

Fund accountability statements

Our audit procedures identified $2,309 or LE 7,852 and $7,307 or LE 24,625 of questionable project costs relating to PILs Nos. 93 and 133, respectively. These amounts are comprised of $1,479 or LE 5,030 and $7,307 or LE 24,625 of ineligible project costs for PILs Nos. 93 and 133, respectively, and, $830 or LE 2,822 of unsupported project costs for PIL No. 93. No unsupported costs for PIL No. 133 were identified. The fund accountability statements and the details of questionable project costs, both as incurred in Egyptian pounds, are included in supplemental schedules to this report.

Internal control structure

As stated previously, the IMS project term has lapsed. PILs Nos. 93 and 133, and consequently, their related internal control structures, have ceased. As a result, we did not perform a detailed evaluation of MPWWR's internal control structure with respect to the IMS project for the PILs under audit.

Compliance with laws, regulations, contracts and grants

As stated previously, the IMS project term has lapsed. PILs Nos. 93 and 133, and consequently, their related internal control structures, have ceased. As a result, we did not perform a detailed evaluation of MPWWR's overall compliance with applicable laws and regulations with respect to the IMS project for the PILs under audit.

Follow-up on Prior Audit Recommendations

We have reviewed the prior audit report of PIL No. 93 for the audit period June 30, 1991 through June 30, 1994 (the "prior audit"). PIL No 133 has not been audited previously. As such, no prior audit report exists. The results of our review follow.

Fund accountability statement

The prior audit of PIL No. 93 identified and questioned $8,764 in ineligible costs. Based on our review, we noted that USAID/Egypt sustained $2,271 and accepted IMS's justifications for the remaining balance of $6,493. The amount of $2,271 was refunded to USAID/Egypt.

Internal control

The project activities of the IMS project and PIL No. 93, and, consequently the related internal control structure have ceased. For reasons stated previously, we are therefore unable to determine the resolution of and actions taken to improve the internal control structure of PIL No. 93 with respect to reportable conditions noted.

Compliance with laws, regulations, contracts and grants

The project activities of the IMS project and PIL No. 93, and, consequently the related internal control structure, have ceased. For reasons stated previously, we are therefore unable to determine the resolution of and actions taken to improve the internal control structure of PIL No. 93 with respect to noncompliance issues noted.

Management Comments

Management's comments have been obtained and are included in Appendix A to this report. In response to management's comments, we either provided further clarification of our position in Appendix B or have adjusted our findings.

Mission Response

The mission's response is included in Appendix C to this report.

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

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REPORT OF INDEPENDENT ACCOUNTANTS ON THE FUND ACCOUNTABILITY STATEMENTS

July 1, 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 Ministry of Public Works and Water Resources ("MPWWR") under Project Implementation Letters ("PILs") Nos. 93 and 133, of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Irrigation Management Systems ("IMS") project, Grant Agreement No. 263-0132, (the "Grant Agreement" or "Project"), for the periods July 1, 1994 through September 21, 1995 for PIL No. 93 and July 1, 1992 through December 31, 1995 for PIL No. 133 (collectively, the "audit periods"). The fund accountability statements are the responsibility of IMS project management. Our responsibility is to express an opinion on the statements based on our audit.

Except as discussed in paragraphs three and four, 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. This program 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.

USAID/Egypt has requested we not report on MPWWR's internal control structure and overall compliance with laws, regulations, contracts and grants with respect to the IMS project for the PILs under audit as required by Chapter 5 of GAS. This is because, recommendations to improve weaknesses in the internal control and corrective actions to rectify instances of material noncompliance noted, cannot be implemented. Furthermore, the IMS project and the activities conducted under the PILs, and consequently, their related internal control structures of IMS, have ceased, with no additional funds being provided by USAID Egypt. We believe that the effect of this departure from the financial audit reporting requirements of GAS is not material because, in planning and performing our audit of the fund accountability statements of MPWWR with respect to the IMS project and the related PILs for the audit periods, we obtained an understanding of its internal control structure With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures, and we 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 structure. Accordingly, we do not express such an opinion. Additionally, as part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of MPWWR's compliance with certain provisions of laws, regulations, contracts and grants that related directly to the allowability of revenues received and costs incurred by the IMS project and the PILs. 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.

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 obligations are 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.

As detailed in the fund accountability statements, and more fully described in Note 5 thereto, the results of our tests disclosed $2,309 or LE 7,852 and $7,307 or LE 24,625 of questionable project costs related to PILs Nos. 93 and 133, respectively. These amounts are comprised of $1,479 or LE 5,030 and $7,307 or LE 24,625 of ineligible project costs for PILs Nos. 93 and 133, respectively, and, $830 or LE 2,822 of unsupported project costs for PIL No. 93. No unsupported costs for PIL No. 133 were identified. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program related or are prohibited by PILs Nos. 93 and 133, the Grant Agreement, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation.

In our opinion, except for the effects of the questionable project costs discussed in the sixth paragraph, the fund accountability statements referred to in the first paragraph present fairly, in all material respects, project revenues received and costs incurred by MPWWR's IMS project under PILs Nos. 93 and 133 of the Grant Agreement during the audit periods, in conformity with the basis of accounting described in Note 2.

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

Price Waterhouse

MINISTRY OF PUBLIC WORKS AND WATER RESOURCES
PROJECT IMPLEMENTATION LETTER ("PIL") No. 93
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JULY 1, 1994 THROUGH SEPTEMBER 21, 1995

EXPRESSED IN US DOLLARS

	Budget (Note 1)	Actual (Note 1)	Project Cost Disallowances (Note 4)	Revised Actual (Note 1)	Questionable Project Costs Ineligible (Note 5)	Questionable Project Costs Unsupported (Note 5)	Audit Finding Reference
OPENING FUND BALANCE		(3,014)		(3,014)			
REVENUES - USAID/EGYPT		85,052		85,052			
EXPENDITURES							
Support Personnel	44,341	36,820	(8,504)	28,316	-	-	
Local Consultants	7,241	10,465	-	10,465	-	-	
In-Country Training	2,299	2,347	-	2,347	-	71	Page 10, I.A
Office Preparation & Equipment	(23,893)	23,366	(2,288)	21,078	-	-	
Miscellaneous Support Costs	16,205	8,518	-	8,518	1,479	-	Page 10, I.B
Expendable Supplies	10,389	13,829	-	13,829	-	-	
Communication, Reports & Transcripts	1,762	3,014	-	3,014	-	-	
Travel & Per Diem	147	70	-	70	-	-	
Professional Equipment	21,269	(16,143)	-	(16,143)	-	759	Page 11, I.C
Workshop	(118)	793	(1,365)	(572)	-	-	
TOTAL BUDGET LINE ITEMS	79,642	83,079	(12,157)	70,922	1,479	830	
ENDING FUND BALANCE		(1,041)		11,116			

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

MINISTRY OF PUBLIC WORKS AND WATER RESOURCES
PROJECT IMPLEMENTATION LETTER ("PIL") No. 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT SYSTEMS PROJECT ("IMS")
GRANT AGREEMENT No. 263-0132

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD JULY 1, 1992 THROUGH DECEMBER 31, 1995

EXPRESSED IN US DOLLARS

	Budget (Note 1)	Actual (Note 1)	Project Cost Disallowances (Note 4)	Project Cost Reclassifications (Note 4)	Revised Actual (Note 1)	Questionable Project Costs Ineligible (Note 5)	Questionable Project Costs Unsupported (Note 5)	Audit Finding Reference
REVENUES - USAID/EGYPT		119,577			119,577			
EXPENDITURES								
Support Personnel	11,983	11,983	-	878	12,861	688	-	Page 11, II.A
Professional Staff	5,119	5,119	-	(878)	4,241	-	-	
Professional Consultants	7,715	7,122	-	-	7,122	-	-	
Training	3,449	3,449	-	-	3,449	-	-	
Local Hire Contracts	40,134	35,199	-	-	35,199	-	-	
Office Equipment & Supplies	11,462	10,275	(329)	-	9,946	-	-	
Training Equipment & Supplies	4,451	4,359	-	-	4,359	-	-	
Communication & Reports	913	913	-	-	913	-	-	
Travel & Per Diem	2,681	2,463	-	-	2,463	-	-	
Office Renovation	34,125	30,434	-	-	30,434	1,691	-	Page 11, II.B
Vehicle Operation & Maintenance	3,206	3,207	-	-	3,207	3,207	-	Page 12, II.C
Equipment Maintenance	1,721	1,721	-	-	1,721	1,721	-	Page 12, II.D
Miscellaneous	1,986	1,987	-	-	1,987	-	-	
TOTAL BUDGET LINE ITEMS	**128,945**	**118,231**	**(329)**	**-**	**117,902**	**7,307**	**-**	
ENDING FUND BALANCE		**1,346**			**1,675**			

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

THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES ("MPWWR")
PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT NO. 263-0132

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - SCOPE OF STATEMENTS:

The fund accountability statements include project revenues received and costs incurred by MPWWR's IMS project, Grant Agreement No. 263-0132 (the "Grant Agreement" or "Project") under PILs Nos. 93 and 133, for the period July 1, 1994 through September 21, 1995 for PIL No. 93, and July 1, 1992 through December 31, 1995 for PIL No. 133, (collectively, the "audit periods").

"Budget" includes USAID/Egypt approved project costs in accordance with the most recent budget amendments of the PILs within the audit periods, and is presented for informational purposes only. Amendment No. 27 to PIL No.93, dated August 30, 1995, approved total project costs of $402,051 or LE 1,366,973 during the period June 27, 1988 through September 21, 1995. IMS's prior audit report for PIL No. 93 indicates expenditures of $322,409 or LE1,096,189 were incurred for the period June 27, 1988 through June 30, 1994. Accordingly, total "Budget" during the audit period for PIL No. 93 has been calculated to be $79,642 or LE 270,784. Amendment No. 6 to PIL No. 133, dated August 1, 1995, approved total project costs of $128,945 or LE 434,547 for the period July 1, 1994 through December 31, 1995. Budget amounts in Egyptian pounds ("LE") have been converted to US Dollars as explained in Note 3 below.

"Actual" represents cumulative project revenues received and costs incurred by IMS under the PILs during the audit periods. "Revised Actual" represents actual project costs adjusted for reclassifications and disallowances as explained in Note 4 below. For PIL No. 93, actual revenues are less than project expenditures due to timing differences between the receipt of funds from USAID Egypt and project disbursements.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statements of MPWWR's IMS project for PILs Nos. 93 and 133 have been prepared on the basis of cash receipts and disbursements. Consequently, project revenues are recognized when received. Project costs are recognized when paid rather than when obligations are 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 LE 3.40 to one US dollar for PIL No. 93, and LE 3.37 to one US dollar for PIL No. 133. The exchange rate has been calculated by averaging the ending monthly exchange rates during the audit periods.

NOTE 4 - PROJECT COST RECLASSIFICATIONS AND DISALLOWANCES:

Certain project costs associated with various budget line items were recorded in the Project's accounting records in the incorrect budget line item. These misclassified project costs were isolated incidents. They have been reclassified to the proper budget line item to facilitate a more appropriate comparison between actual and budgeted project costs. In accordance with USAID regulations, actual line item expenditures may exceed an individual budget line item to the extent that cumulative expenditures do not exceed total budgeted expenditures approved for the respective PIL.

Disallowances represent project costs disallowed by USAID/Egypt during the audit period. These costs have not been reimbursed to IMS by USAID Egypt, and have been reduced from the actual expenditures to reflect expenditures actually reimbursed to IMS.

NOTE 5 - QUESTIONABLE PROJECT COSTS:

Questionable project costs are presented, separately, by respective PIL number, in two categories, ineligible and unsupported. Costs in the column labeled "Ineligible" are those that are not program related or are prohibited by the PILs, Grant Agreement, or applicable laws and regulations. Costs in the column labeled "Unsupported" are those lacking adequate documentation. Questionable project costs identified as either ineligible or unsupported are detailed as follows:

NOTE 5 - QUESTIONABLE COSTS (CONT'D.)

Item Description:	Questionable Costs	
	Ineligible	Unsupported
I. PIL No. 93		
A. In-Country Training:		
1. An amount of $71, billed to USAID/Egypt, did not have adequate supporting documentation. Section B.5(b) of Amendment 8 to the Grant Agreement states that "The Grantee shall maintain accounting books, records, documents, and other evidence relating to the project....., adequate to show, without limitation, all costs incurred under the Grant, the receipt and use of goods and services acquired under the Grant....." The Project's accounting records did not disclose an entry for the amount being recorded. The amount had been actually billed to USAID/Egypt nonetheless. Management stated that there must have been a mistake in the preparing the billings to USAID/Egypt and that these funds must not have been actually disbursed. The amount is therefore questioned as unsupported.	$ -	$ 71
Total In-Country Training Questionable Costs	$ -	$ 71
B. Miscellaneous Support Costs:		
1. A payment was made for repairing a vehicle involved in an accident. The amount was billed to and reimbursed by USAID/Egypt. Subsequently, a refund to the project was made by an insurance company for the cost of the repair. Section D.2 of Annex 2 of the Grant Agreement, states that "any refund... with respect to goods and services financed under the Grant... will (A) be made available first for the cost of goods and services required for the project and (B) the remainder... will be applied to reduce the amount of the Grant." The amount was not reduced from subsequent billings to USAID/Egypt. Management stated that they were aware of this clause and the accountant should have deducted it from subsequent billings but had inadvertently forgotten to do so. The amount is therefore questioned as ineligible.	$ 1,479	$ -
Total Miscellaneous Support Costs Questionable Costs	$ 1,479	$ -

NOTE 5 - QUESTIONABLE COSTS (CONT'D.)

Item Description:	Questionable Costs	
	Ineligible	Unsupported
C. Professional Equipment:		
1. An amount of $759, billed to USAID/Egypt, did not have adequate supporting documentation. Section B.5(b) of Amendment 8 to the Grant Agreement states that "The Grantee shall maintain accounting books, records, documents, and other evidence relating to the project....., adequate to show, without limitation, all costs incurred under the Grant, the receipt and use of goods and services acquired under the Grant....." The Project's accounting records did not disclose an entry for the amount being recorded. The amount had been actually billed to USAID/Egypt nonetheless. Management stated that there must have been a mistake in preparing the billings to USAID/Egypt and that these funds must not have been actually disbursed. The amount is therefore questioned as unsupported.	$ -	$ 759
Total Professional Equipment Questionable Costs	$ -	$ 759
Total PIL No. 93 Questionable Costs	$ 1,479	$ 830
II. PIL No. 133		
A. Support Personnel		
1. The employer share of social insurance was paid for the period June 1993 through October 1994 using USAID/Egypt funds. Amendment No. 3 to PIL No. 133, dated November 27, 1994, states that the requirements of Amendment 7 to the Grant Agreement requiring the financing of social insurance from funds other than those provided under the PIL must be followed. Management stated that the social insurance payments were allowed by the Higher Coordinating Committee of the MPWWR until receiving the amendment to the PIL. However, the terms of the Grant Agreement and PIL No. 133 dictate the allowability of expenditures and must be followed. Additionally, GOE funds were available for such costs. Therefore, $688 has been questioned as ineligible.	$ 688	$ -
Total Support Personnel Questionable Costs	$ 688	$ -
B. Office Renovation:		
1. Renovations to the informational library included the purchase of six plant pots valued at $1,691. Office of Management and Budget Circular A-122 states that allowable costs are those that are considered to be "necessary to the overall operation of the organization." Management stated that these pots were considered furniture for the library. However, the furniture items requested for purchase approval from USAID/Egypt did not include these pots. Therefore, the amount is questioned as ineligible.	1,691	-
Total Office Renovation Questionable Costs	$ 1,691	$ -

NOTE 5 - QUESTIONABLE COSTS (CONT'D.)

Item Description:	Questionable Costs			
		Ineligible		Unsupported
C. Vehicle Operation and Maintenance:				
1. Repairs, maintenance and operating costs of $3,207 for vehicles that were not financed by USAID/Egypt were billed to USAID/Egypt. PIL No. 133, Amendment No. 3, states that "USAID contribution to support the line items for repairs, operation and maintenance will be only for USAID financed vehicles and equipment." Management stated that the project needed the use of vehicles and a request for approval for the use of vehicles was not approved by USAID/Egypt. Therefore GOE vehicles were used. Accordingly, the entire line item is questioned as ineligible in the amount of $3,207.		3,207		-
Total Vehicle Operation and Maintenance Questionable Costs	$	3,207	$	-
D. Equipment Maintenance:				
1. Repairs, maintenance and operating costs of $1,721 for equipment which was not financed by USAID/Egypt were billed to USAID/Egypt . PIL No. 133, Amendment No. 3, states that "USAID contribution to support the line items for repairs, operation and maintenance will be only for USAID financed vehicles and equipment." Management stated that because USAID/Egypt reimbursed these costs, that proves their allowability. However, the PIL clearly states the nature of the allowable expense. The equipment was not financed by USAID/Egypt, therefore, the entire amount is questioned as ineligible.		1,721		-
Total Equipment Maintenance Questionable Costs	$	1,721	$	-
TOTAL PIL No. 133 QUESTIONABLE COSTS	$	7,307	$	-
TOTAL PILS Nos. 93 AND 133 QUESTIONABLE COSTS	$	8,786	$	830

THE MINISTRY OF PUBLIC WORKS
AND WATER RESOURCES
FOR PROJECT IMPLEMENTATION LETTERS ("PILs")
Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT
SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

Ministry of Public Works & Water Resources
Irrigation Management Systems, Committee
Monitoring Office

وزارة الأشغال العامة والموارد المائية
لجنة تنفيذ مشروع إدارة نظم الري
مكتب التنسيق والمتابعة

Date : 2 /7/ 1957
Ref. : M 257

Mr. Mihir Trivedi
Audit Manager
Price Waterhouse
New Maadi,
Cairo
Egypt.

Subject : Draft Report on the Misc. Component MO of IMS. PIL 93 for the period from July 1, 1994 to Sept. 21, 1995.

Dear Sir.

Attached herewith please find the MO comments on the subject Draft report. and also the amended Fiscal Reports from No. 71 to No. 76 for your further necessary action.

You may contact Eng .M. Abbas if you have any questions regarding our comments.

Sincerely

Eng/ Sarwat Fahmy
Monitoring Office Chief

c.c Eng. Mahmoud Mabrouk
Project Officer
USAID

الجيزة – الوراق – مبنى الوزارة – الدور ١٩ ش جمال عبد الناصر – كورنيش النيل – ت – : ٣١٢٠٠٤٣ – فاكس : ٣١٢٠٠٥٦
Giza - El Warrak - Ministry Building 19th Floor, Gamal Abd El Naser St., Corniche El Nile - Tel. : 3120043 - Fax : 3120056

THE MINISTRY OF PUBLIC WORKS
AND WATER RESOURCES
FOR PROJECT IMPLEMENTATION LETTERS ("PILs")
Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
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SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

PROJECT IMPLEMENTION NO 93
UNDER THE USAID / EGYPT
IRRIGATION MANAGEMENT SYSTEM PROJECT
GEANT AGREEMENT NO. 263 - 0132

MANAGEMENT COMMENTS

Item Description

A- In Country Training :-

QUESTIONABLE PROJECT COSTS
Ineligible Unsupported

1- An amount of $ 71 billed to USAID / EGYPT, did not have adequate supporting documentation .. etc

The amount (L .E 240) has been spent by the cheque No. 481194 of 25 / 7 / 95 and was shown in the Fiscal Report No. 75 for July - Augast 95 . The same amount was shown again by mistake in the fiscal Report No.76 for Sept. 95 .

Action :-The fiscal Report No. 76 has been amended and this amount was deducted as it have not been actually disbrused (Amended F. R No. 76 attached)

Therefore this amount can not be questioned as unsupported .

B- miscellaneous Support Cost

1- A payment was made , for repairing a vehicle involved in an accident . The amount was billed to and reimbursed by USAID / EGYPT ... etc

THE amount of (L.E 5030) have been spent from the grant to repair a vehicle . and was shown in F. R No. 71 of March 1995 .This amount have been refunded to the project by the insurance Compony by the cheque

THE MINISTRY OF PUBLIC WORKS
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Nos. 93 AND 133
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SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

No. 593886 of 23 / 3 / 95 but the Accountant forgot to reduce it from the Fiscal Report No.71

Action :- The amount have been reduced from the F.R 71 and the subsequent F .R.s.(see Amended F. R s 71 —— 76)

Therefore this amount can not be questioned as ineligible.

c- Professional Equipment :-

1- An amount of $ 759 billed to USAID / EGYPT , did not have adequate suppoting docnmentation ...etc

The amount (L .E ~~240~~ 2,582) has been spent by the cheque No. 481194 of 31/ 7 / 95 and was shown in the Fiscal Report No. 75 for July -Augast 95 . The same amount was shown again by mistake in the fiscal Report No.76 for Sept. 95 .

Action :- The fiscal Report No. 76 has been amended and this amount was deducted as it have not been actually disbrused (Amended F. R No. 76 attached)

Therefore this amount can not be questioned as unsupported .

Et. Mg. Abbas

THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT PIL No. : 93

The Following is the Summarized Exp 71 Amended

	BUDGET LE.	EXP. 1-Mar-89 thru 28-2-95 LE.	EXP. 1-Mar-95 thru 31-Mar-95 LE.	CUM-EXP. 1-Mar-89 thru 30-Mar-95 LE
PROJECT INPUTS :				
Support Personnel (including benefits)	404,717.00	373,895.87	6,385.99	380,281.86
Local Consultants	66,561.00	48,061.00	0.00	48,061.00
In - Country Training	20,130.00	14,374.50	0.00	14,374.50
Subtotal:	491,408.00	436,331.37	6,385.99	442,717.36
COMMODITIES :				
Office Preparation & Equipm	139,169.00	135,166.34	100.00	135,266.34
Professional Equipment	265,327.00	259,705.31	0.00	259,705.31
Expendable Supplies	100,664.00	89,759.61	1,200.00	90,959.61
Subtotal :	505,160.00	484,633.26	1,300.00	485931.26
SUPPORT COSTS :				
Communication, Reports, Tran	41,566.00	29,743.60	14.65	29,758.25
Travel and Per Diem	15,261.00	3,982.44	0.00	3,982.44
Miscellaneous Support Costs	157,187.00	134,343.41	1,377.65	135,721.06
Workshop	156,390.00	116,390.05	0.00	116,390.05
Subtotal :	370,404.00	284,459.50	1,392.30	285851.8
TOTAL :	1,366,972.00	1,205,424.13	9,078.29	1214500.42

underthe terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supportec records, invoices , ands receipts and that such additional detailed supporting information as the project officer m require will be furnished by the Grantee to USAID upon request.

Date:

Mahmoud Abbas
Eng. Sarwat Fahmy
Office Chief

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THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT PIL No. : 93

The Following is the Summarized Expe 72 Amended

	BUDGET L.E.	EXP. 1-Mar-89 thru 31-Mar-95 L.E.	EXP. 1-Apr-95 thru 30-Apr-95 L.E.	CUM-EXP. 1-Mar-89 thru 30-Apr-95 L.E
PROJECT INPUTS :				
Support Personnel (including benefits)	408,717.00	380,281.86	9,446.59	389,728.45
Local Consultants	76,561.00	48,061.00	0.00	48,061.00
In - Country Training	20,131.00	14,374.50	2,190.00	16,564.50
Subtotal:	505,409.00	442,717.38	11,636.59	454,353.95
COMMODITIES :				
Office Preparation & Equipm	139,169.00	135,268.34	0.00	135,268.34
Professional Equipment	265,327.00	259,705.31	0.00	259,705.31
Expendable Supplies	100,664.00	90,959.61	2,433.67	93,393.28
Subtotal :	505,160.00	485,933.26	2,433.67	488366.93
SUPPORT COSTS :				
Communication, Reports, Tran	41,566.00	29,758.25	104.30	29,862.55
Travel and Per Diem	15,261.00	3,982.44	0.00	3,982.44
Miscellaneous Support Costs	157,187.00	135,721.06	340.40	136,061.46
Workshop	142,390.00	116,390.05	0.00	116,390.05
Subtotal :	356,404.00	285,851.80	444.70	286296.5
TOTAL :	1,366,973.00	1,214,502.42	14,514.96	1229017.38

underthe terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event o costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supported records, invoices , ands receipts and that such additional detailed supporting information as the project officer ma require will be furnished by the Grantee to USAID upon request.

Date:

Eng. Sarwat Fahmy
Office Chief

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THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT

PIL No. : 93

The Following is the Summarized Exp 73 Amended

	BUDGET L.E.	EXP. 1-Mar-89 thru 30-Apr-95 L.E.	EXP. 1-May-95 thru 31-May-95 L.E.	Outstanding cheksfunded to the Accont L.E.	CUM-EXP. 1-Mar-89 thru 30-Jun-95 L.E
PROJECT INPUTS :					
Support Personnel (including benefits)	408,717.00	389,728.45	9,122.26	-558.35	398,292.36
Local Consultants	76,561.00	48,061.00	0.00	0.00	48,061.00
In - Country Training	20,131.00	16,564.50	1,350.00	0.00	17,914.50
Subtotal:	505,409.00	454,353.95	10,472.26	-558.35	464267.86
COMMODITIES :					
Office Preparation & Equipm	139,169.00	135,268.34	0.00	0.00	135,268.34
Professional Equipment	285,327.00	259,705.31	2,582.00	-52.00	262,235.31
Expendable Supplies	100,664.00	93,393.28	0.00	-22.93	93,370.35
Subtotal :	505,160.00	488,366.93	2,582.00	-74.93	490874
SUPPORT COSTS :					
Communication, Reports, Tran	41,566.00	29,862.55	384.20	-269.90	29,976.85
Travel and Per Diem	15,261.00	3,982.44	0.00	-9.07	3,973.37
Miscellaneous Support Costs	157,187.00	136,061.46	2,263.29	-9.50	138,315.25
Workshop	142,390.00	116,390.05	0.00	0.00	116,390.05
Subtotal :	356,404.00	286,296.50	2,647.49	-288.47	288655.52
TOTAL :	1,366,973.00	1,229,017.38	15,701.75	-921.75	1243797.38

underthe terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supported by accounting records, invoices, and receipts and that such additional detailed supporting information as the project officer may reasonably require will be furnished by the Grantee to USAID upon request.

Date:

Eng. Sarwat Fahmy
Office Chief

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THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT

PIL No. : 93

The Following is the Summarized Exp 74 Amended

	BUDGET L.E.	EXP. 1-Mar-89 thru 31-May-95 L.E.	EXP. 1-Jun-95 thru 30-June-95 L.E.	Outstanding Deducted	CUM-EXP. 1-Mar-89 thru 30-Jun-95 L.E
Support Personnel (including benefits)	408,717.00	398,292.36	7,676.53	-6,089.56	399,879.33
Local Consultants	76,561.00	48,061.00	11,250.00	0.00	59,311.00
In - Country Training	20,131.00	17,914.50	0.00	0.00	17,914.50
Subtotal:	505,409.00	464,267.86	18,926.53	-6,089.56	477104.83
COMMODITIES :					
Office Preparation & Equipm	139,169.00	135,268.34	0.00	-7,779.47	127,488.87
Professional Equipment	265,327.00	262,235.31	0.00	0.00	262,235.31
Expendable Supplies	100,664.00	93,370.35	5,577.50	0.00	98,947.85
Subtotal :	505,160.00	490,874.00	5,577.50	-7,779.47	488672.03
SUPPORT COSTS :					
Communication, Reports, Tran	41,566.00	29,976.85	395.80	0.00	30,372.65
Travel and Per Diem	15,261.00	3,973.37	0.00	0.00	3,973.37
Miscellaneous Support Costs	157,187.00	138,315.25	7,044.25	0.00	145,359.50
Workshop	142,390.00	116,390.05	0.00	-4,640.00	111,750.05
Subtotal :	356,404.00	288,655.52	7,440.05	-4,940.00	291455.57
TOTAL :	1,366,973.00	1,243,797.38	31,944.08	-18,509.03	1257232.43

undertne terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event of disallowance c costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supported by accounting records, invoices , and receipts and that such additional detailed supporting information as the project officer may reasonably require will be furnished by the Grantee to USAID upon request.

Date:

Mahmoud Abbas
Eng. Sarwat Fahmy
Office Chief

THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT PIL No. : 93

The Following is the Summarized Exp 75 Amended

	BUDGET L.E.	EXP. 1-Mar-89 thru 30-Jun-95 L.E.	EXP. JULY+ AUG 95 L.E.	ADJUSTMENT TO The Account L.E.	CUM-EXP. Thru August L.E
PROJECT INPUTS :					
Support Personnel (including benefits)	461,717.00	399,879.33	15,408.73	-17,595.30	397,692.76
Local Consultants	78,561.00	59,311.00	0.00	0.00	59,311.00
In - Country Training	18,231.00	17,914.50	240.00	0.00	18,154.50
Subtotal:	558,509.00	477,104.83	15,648.73	-17,595.30	475158.26
COMMODITIES :					
Office Preparation & Equipm	139,069.00	127,488.87	0.00	0.00	127,488.87
Professional Equipment	265,327.00	262,235.31	2,582.00	0.00	264,817.31
Expendable Supplies	100,664.00	98,947.85	33.80	0.00	98,981.65
Subtotal :	505,060.00	488,672.03	2,615.80	0.00	491287.83
SUPPORT COSTS :					
Communication, Reports, Tran	33,566.00	30,372.65	1,495.70	0.00	31,868.35
Travel and Per Diem	4,261.00	3,973.37	0.00	0.00	3,973.37
Miscellaneous Support Costs	152,167.00	145,359.50	696.05	0.00	146,055.55
Workshop	118,390.00	111,750.05	0.00	0.00	111,750.05
Subtotal :	308,404.00	291,455.57	2,191.75	0.00	293647.32
TOTAL :	1,367,973.00	1,257,232.43	20,456.28	-17,595.30	1260093.41

underthe terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event of disallowance c costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supported by accounting records, invoices, and receipts and that such additional detailed supporting information as the project officer may reasonably require will be furnished by the Grantee to USAID upon request.

Date:

Eng. Sarwat Fahmy
Office Chief

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THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

FOR THE PERIODS JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

AID PROJECT NO.: 263-0132
PROJECT NAME: Irrigation Management System
COMPONENT: Monitoring Office
CURRENCY OF FINANCE: Egyptian Pounds (L.E.)

CERTIFIED FISCAL REPORT PIL No. : 93

The Following is the Summarized Exp: 76 Amended

	BUDGET	EXP. 1-Mar-89 thru 31-Aug-95	EXP. 21-Sep-95 95	ADJUSTMENT TO The Account	CUM-EXP. Thru 21-Sep-95
	L.E.	L.E.	L.E.	L.E.	L.E
PROJECT INPUTS :					
Support Personnel (including benefits)	461,717.00	397,692.76	30,752.12	-435.96	428,008.92
Local Consultants	76,561.00	59,311.00	15,750.00	0.00	75,061.00
In - Country Training	18,231.00	18,154.50	0.00	0.00	18,154.50
Subtotal:	556,509.00	475,158.26	46,502.12	-435.96	521224.42
COMMODITIES :					
Office Preparation & Equipm	136,069.00	127,488.87	0.00	0.00	127,488.87
Professional Equipment	265,327.00	264,817.31	0.00	0.00	264,817.31
Expendable Supplies	102,664.00	98,981.65	2,770.97	0.00	101,752.62
Subtotal :	504,060.00	491,287.83	2,770.97	0.00	494058.8
SUPPORT COSTS :					
Communication, Reports, Tran	33,566.00	31,868.35	23.00	0.00	31,891.35
Travel and Per Diem	4,261.00	3,973.37	0.00	0.00	3,973.37
Miscellaneous Support Costs	152,187.00	146,055.55	5,190.00	0.00	151,245.55
Workshop	116,390.00	111,750.05	0.00	0.00	111,750.05
Subtotal :	306,404.00	293,647.32	5,213.00	0.00	298860.32
TOTAL :	1,366,973.00	1,260,093.41	54,486.09	-435.96	1314143.54

underthe terms of the Grant, that appropriate refund to USAID will be made promptly upon request in the event of disallowance c costs not reimbursable under the terms of the Grant, that information on the fiscal report is correct and supported by accounting records, invoices, and receipts and that such additional detailed supporting information as the project officer may reasonably require will be furnished by the Grantee to USAID upon request.

Mahmoud Abbas

Date:

Eng. Sarwat Fahmy
Office Chief

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THE MINISTRY OF PUBLIC WORKS
AND WATER RESOURCES
FOR PROJECT IMPLEMENTATION LETTERS ("PILs")
Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT
SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

بسم الله الرحمن الرحيم

Ministry of Public Works and Water Resources
Management Information Centre Project

وزارة الأشغال العامة والموارد المائية
مشروع مركز المعلومات الرئيسى بالوزارة

Date : 30/6/1997

Price Waterhouse
4. Road 261
New Maadi , Cairo
Egypt.

Subject : Draft audit report prepared by price waterhouse for PIL NO .133 .

Dear Sirs :

Refering to the Draft audit report prepared by price water house , there are four items as follows :-

A- Support personnel:-

The total amount paid from USAID as social insurance for the employers are 1573 L.E. in the period from November, 1, 1993 till October 31, 1994. according to the PIL amendement No.1,dated October,31,1993.

The Higher coordinating committee dated July, 30,1994 and approved from the minster in Aug. 3 ,1994. mentionied in the second subject that ministry will pay the social insurance starting from the fisical year 1994/1995.

B- Office Renovation :-

According to the agreement of Mr. Russel Backus dated June 22, 1995 on the principals for assisting and helping the ministry to support upgrading the ministry library , so we have an approval upon the purchase of Furnatiture (desks , Cabinets , Movable units, ...etc) with a costs about L.E. 85000 , So a contracte with Rostico co. was held to deliver all the the Furnitures needed for the library which included delivers of six plant spots made from wood.

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THE MINISTRY OF PUBLIC WORKS
AND WATER RESOURCES
FOR PROJECT IMPLEMENTATION LETTERS ("PILs")
Nos. 93 AND 133
UNDER THE USAID/EGYPT FUNDED
IRRIGATION MANAGEMENT
SYSTEMS ("IMS") PROJECT
GRANT AGREEMENT No. 263-0132

FOR THE PERIODS
JULY 1, 1994 THROUGH SEPTEMBER 21, 1995 FOR PIL No. 93 AND
JULY 1, 1992 THROUGH DECEMBER 31, 1995 FOR PIL No. 133

Management Comments

C - Vehicle operation and Maintenace :-

No vehicles were purchased by USAID and all vehicles which were working in the project were financed by MPWWR (GOE) ,and the costs of operation and Maintenance for these vehicles were financed by USAID since 1993. The local operating budget for FY 93/ 94 included the item of vehicle operation and maintenane of amount 6000 L . E. financed from USAID and also this item was financed from USAID in the Local operating budget for FY 94/95 with amount of 5000 L.E.

D- Equipment Maintenance :-

The same as the previous item (C) , as the equipment were financed by MPWWR (GOE) . and the local operating budget for FY 93/ 94 included the item of equipment maintenane of amount 2000 L . E. financed from USAID and also this item was financed from USAID in the Local operating budget for FY 94/95 with amount of 20000 L.E.

with best regards

Yours sincerely

Eng. Noshy Shaker
Project Director

CC :

Engineer Mahmoud Mabrouk
Project officer
Irrigation and Land Development
USAID - Cairo

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THE MINISTRY OF PUBLIC WORKS AND WATER RESOURCES FOR PROJECT IMPLEMENTATION LETTERS ("PILs") Nos. 93 AND 133 UNDER THE USAID/EGYPT FUNDED IRRIGATION MANAGEMENT SYSTEMS ("IMS") PROJECT GRANT AGREEMENT No. 263-0132

Independent Accountants' Response

Management of the Irrigation Management Systems ("IMS") Miscellaneous Component offices of the Management Information Center and Monitoring Office provided comments to our report presented at the exit conference held on June 13, 1997. These comments have been included, unedited, in Appendix A of this report. We have reviewed management's comments and have either adjusted our final report or clarified our positions. Our response below parallels the audit report findings and management's comments.

RESPONSE TO IMS MANAGEMENT'S COMMENTS TO QUESTIONABLE COSTS AS DETAILED IN SUPPLEMENTAL SCHEDULE No. 2

I. PIL No. 93

A. In-Country Training:

1. Management stated that they have adjusted their billings with the amount questioned. However, this was done subsequent to the audit period, and the project was reimbursed for the questioned cost. Therefore, the finding remains unchanged.

B. Miscellaneous Support Costs:

1. Management stated that they have adjusted their billings with the amount questioned. However, this was done subsequent to the audit period, and the project was reimbursed for the questioned cost. Therefore, the finding remains unchanged.

C. Professional Equipment:

1. Management stated that they have adjusted their billings with the amount questioned. However, this was done subsequent to the audit period, and the project was reimbursed for the questioned cost. Therefore, the finding remains unchanged.

II. PIL No. 133

A. Support Personnel:

1. Management stated that the Higher Coordinating Committee and the Minister of the Ministry of Public Works and Water Resources approved payment of the employer's share of social insurance from the GOE funds starting fiscal year 1994/95. This implicitly approves payment of such costs from USAID/Egypt funds for prior periods. However, payment of the employer share of social insurance from USAID/Egypt funds is explicitly disallowed in the Grant Agreement. Accordingly, the finding remains unchanged and the cost is questioned as shown.

B. Office Renovation:

1. Management stated that USAID/Egypt approval was obtained prior to the purchase of furniture for the Ministry's library, and the plant pots were considered part of the furniture. However, the details of the furniture items requested for purchase and approved by USAID/Egypt did not include these pots. Therefore, the finding remains unchanged and the cost is questioned as shown.

C. Vehicle Operation and Maintenance:

1. Management stated that although the purchase of vehicles was not financed by USAID/Egypt, the local operating budgets from 1993 through 1995 included a budget line item for the operation and maintenance of project vehicles, indicating that USAID/Egypt approved such costs. However, the PIL document specifically states the allowability of expenditures in this regard. Therefore, our position remains unchanged.

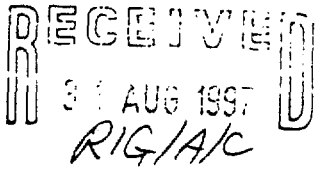
D. Equipment Maintenance:

1. Management stated that although the purchase of equipment was not financed by USAID/Egypt, the local operating budgets from 1993 through 1995 included a budget line item for the operation and maintenance of project equipment, indicating that USAID Egypt approved such costs. However, the PIL document specifically states the allowability of expenditures in this regard. Therefore, our position remains unchanged.

UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

August 31, 1997



MEMORANDUM

TO: Bruce Boyer, A/RIG/A/C

FROM: Shirley Hunter, OD/FM/FA

SUBJECT: Financial Audit of Ministry of Public Works and Water Resources, Expenditures Incurred Under the Miscellaneous Component (MC) of the Irrigation Management Systems (IMS) Project, PILs No. 93 and 133, USAID/Egypt Project No. 263-0132. Draft Report Dated July 31, 1997.

Mission Response

The report included one recommendation under which, $9,616 (LE 32,477) was questioned, representing $8,786 of ineligible costs, and $830 of unsupported costs.

Mission has reviewed the Audit report and the response provided by MC. In there response, MC indicated its agreement with $2,309 representing Billing errors. The remaining $7,577 represents unallowable employer share of social insurance and unallocable Furniture and vehicle repairs costs.

Therefore, Mission has determined that the entire amount questioned of $9,616 (LE 32,477) is sustained. The amount was deducted from the IMS final voucher No. 7-4418 for PIL No. 147 under the Project, as part of an overall deduction of LE 1,003,663.51. The details of deductions are included in the FA attached memos dated July 29, 1997.

Based on the above, please issue the final report with the recommendation closed.

106 Kasr El Aini Street
Garden City
Cairo, Egypt