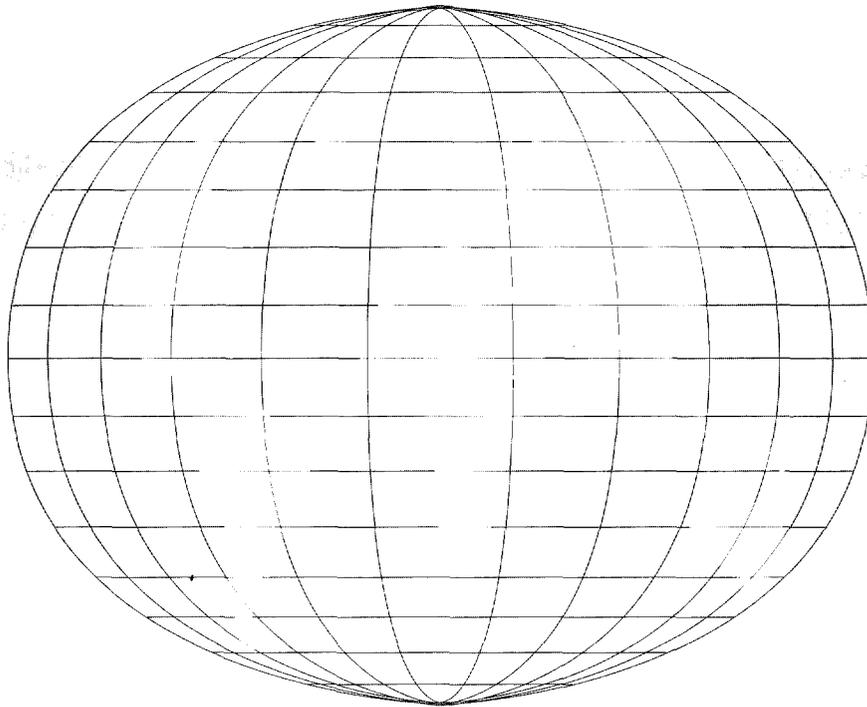


PD-ABP-702

Report of Audit

**Financial Audit of the Egyptian National Scientific and
Technical Information Network, Expenditures Incurred
Under the Science and Technology Cooperation Component
of the Science and Technology for Development Project
(USAID/Egypt Project No. 263-0140.1)**

**Report No. 6-263-97-038-N
September 10, 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

September 10, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley

FROM: RIG/A/C, Lou Mundy *Bruce Boye*
for

SUBJECT: Financial Audit of the Egyptian National Scientific and Technical Information Network, Expenditures Incurred Under the Science and Technology Cooperation Component of the Science and Technology for Development Project (USAID/Egypt Project No. 263-0140.1)

The attached report, transmitted on July 30, 1997, by Allied Accountants, presents the results of a financial audit of the Egyptian National Scientific and Technical Information Network (ENSTINET), Project Implementation Letter (PIL) No. 5 for the Science and Technology Component of the Science and Technology for Development Project, USAID/Egypt Project No. 263-0140.1. ENSTINET was established to improve public information services through its sectoral member nodes, including the development and maintenance of databases on Egyptian literature, the marketing of information services, and the training of professional information cadres.

We engaged Allied Accountants to perform a financial audit of ENSTINET's incurred expenditures of \$171,067 (equivalent to LE 581,628) for the period March 1, 1995 through June 30, 1996. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Allied Accountants also evaluated ENSTINET'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, Allied Accountants did not issue reports on internal controls or compliance.

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a

The audit report questions \$9,878 (equivalent to LE 33,587) in costs billed to USAID/Egypt by ENSTINET. The questioned costs related primarily to data base development subscriptions for periods extending beyond the completion date of the authorizing PIL.

In response to the draft report, responsible ENSTINET officials provided additional explanation to the report findings. Allied Accountants reviewed ENSTINET's response to the findings and where applicable 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 \$9,878 (ineligible costs of \$9,852 and unsupported costs of \$26) detailed on page 12 of the Allied Accountants audit report, and recover from the Egyptian National Scientific and Technical Information Network the amounts determined to be unallowable.

In response to this recommendation, USAID/Egypt officials sustained and recovered \$79 in questioned costs (\$53 ineligible and \$26 unsupported) from ENSTINET. The remaining balance of \$9,799 in questioned (ineligible) costs was deemed eligible by the Mission upon receiving ENSTINET's written justification for incurring the costs, and the written approval of the cognizant USAID/Egypt Project Officer. Based on the management decisions and final actions described above, 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 your continued support of the financial audit program in Egypt.

Attachment: a/s

b

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statement
for the Period March 1, 1995 Through June 30, 1996

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.

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statement
for the Period March 1, 1995 Through June 30, 1996

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ALLIED ACCOUNTANTS

Ragheb, Istanbouli & El Kilany

A Member Firm of ARTHUR ANDERSEN & Co. SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



المحاسبون المتضامنون

راعىب ، اسطنبولى والكيلانى

مراسلو آرثر آندرسن وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

July 30, 1997

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

Dear Mr. Mundy:

This report presents the results of the financial audit of the Egyptian National Scientific and Technical Information Network (ENSTINET) under the Science and Technology For Development Project funded by the United States Agency for International Development Mission to Egypt (USAID/Egypt), Grant Agreement No. 263-0140.1 . USAID/Egypt funding was provided through Project Implementation Letter (PIL) No. 5. We were engaged to perform an audit of the local operating expenditures incurred and reimbursed for the period March 1, 1995 through June 30, 1996.

Background

Grant Agreement No. 263-0140 between the Arab Republic of Egypt and the United States of America was signed on March 31, 1986 for the Science and Technology for Development Project. The Grant Agreement No. 263-0140.1 was signed between the Arab Republic of Egypt and the United States of America for the Science and Technology Cooperation Component (the Project). The purpose of the Project was to redirect Egyptian Science and Technology (S&T) programs to solving priority development problems identified as having the greatest effect on end-users, and to build S&T capacities in selected technologies. The Project was implemented by the Egyptian National Scientific and Technical Information Network (ENSTINET). The Grant Agreement was signed on March 31, 1986 and expired on June 30, 1996.

ENSTINET was established to improve public information services through its sectoral member nodes, including the development and maintenance of databases on Egyptian literature, the marketing of information services, and the training of professional information cadres.

Funds were provided to the Project under Implementation Letter (PIL) No. 5, which was issued to continue activities begun under PIL No. 3. The PIL No. 5 was signed on February 15, 1989 and expired on June 30, 1996.

Audit Objectives, Scope, and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by ENSTINET for the Science and Technology Cooperation Component of the Science and Technology For Development Project, under Project Implementation Letter No. 5 as part of the Grant Agreement No. 263-0140.1 for the period March 1, 1995 through June 30, 1996.

The specific objectives of our engagement were to:

1. Express an opinion on whether the fund accountability statements for the USAID/Egypt financed project present fairly, in all material respects, funds received and costs incurred for the audit period in conformity with generally accepted accounting principles or another comprehensive basis of accounting:

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2. Determine if the costs reported as incurred under PIL No. 5 are in fact allowable, allocable, and reasonable in accordance with the terms of the PIL and the Grant Agreement;
3. Evaluate and obtain a sufficient understanding of the internal control structure of ENSTINET, as it relates to the Project, to assess control risk; and
4. Perform tests to determine whether ENSTINET complied, in all material respects, with PIL No. 5, Grant Agreement terms, and applicable laws and regulations.

The scope of the audit included all funds provided by USAID/Egypt and the Project expenditures incurred under PIL No. 5 for the period March 1, 1995 through June 30, 1996.

The methodology of the audit consisted of an evaluation of the internal control structure, testing of expenditures incurred under PIL No. 5, and testing of ENSTINET's compliance with PIL No. 5, the Grant Agreement, and applicable laws and regulations.

Our testing included systematic and judgmental selection of costs incurred for each account disclosed in the fund accountability statement. We tested expenditures as follows:

<u>Budget Line Item</u>	<u>Actual</u>	<u>Tested Amount</u>	<u>Percent</u>
Funds provided by USAID/Egypt, LE Budget (LE) (Equivalent in US \$)	237,569 69,873	237,569 69,873	100
Funds provided by USAID/Egypt, US \$ Budget	27,609	27,609	100
Expenditures, LE Budget (LE) (Equivalent in US \$)	186,868 54,961	94,121 27,683	50
Expenditures, US \$ Budget	116,106	72,453	62

Our testing included, but was not limited to, the following procedures:

1. A review of direct expenditures billed to and reimbursed by USAID/Egypt. Records were reconciled to reports submitted to USAID/Egypt.
2. A review of the funds provided by USAID/Egypt to ensure that they were deposited in a separate bank account, and that the related transactions were properly recorded. We also performed a review of the procedures used to control cash.
3. A review of the Project's ledgers to determine whether costs reported were properly recorded. A reconciliation of direct costs billed to and reimbursed by USAID/Egypt to the Project's ledgers.
4. A review of procurement procedures to determine whether sound commercial practices, including competitive bids, were used.
5. A review of travel and transportation charges to determine whether they were adequately supported, approved, and in accordance with the Project's implementation plans.

6. A determination of whether advances of funds were justified based on existing documentation, including a reconciliation of funds advanced, disbursed, and available.
7. A determination of whether USAID direct procurements were accounted for, and that adequate controls were in place.

During our audit planning, we considered ENSTINET's internal control structure as it relates to the Project, PIL No. 5, to obtain an understanding of the design of relevant control policies and procedures, and whether those policies and procedures have been placed in operation. We obtained a sufficient understanding of the internal control structure to plan the audit and to determine the nature and extent of tests to be performed.

Initial planning began with an entrance conference attended by RIG/A/C, USAID/FM, ENSTINET's officials, and our audit team. At the end of the field work we held a meeting with ENSTINET's Project management staff to discuss unresolved findings identified during our fieldwork.

The Grant Agreement, PIL No. 5, and their amendments were reviewed to gain an understanding of the agreement terms and applicable laws and regulations.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability 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 Government Auditing Standards since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Arthur Andersen & Co. worldwide internal quality control program, which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statements for the Science and Technology Cooperation Component under the Science and Technology for Development Project, PIL No. 5, Grant Agreement No. 263-C140.1, the Project was completed and no additional funding had been provided for this Project.

General recommendations on the Internal Control Structure have been addressed through a separate management letter dated May 7, 1997.

Results of Audit

Fund Accountability Statement

Our audit identified US \$9,878 (LE 33,587) in aggregate questioned costs related to the local operating expenditures. The questioned costs are as follows:

- Ineligible costs, LE Budget, US \$53 (LE 180),

Unsupported costs, LE Budget, US \$26 (LE 90), and
Ineligible costs, US \$ Budget, US \$9,799 (LE 33,317)

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

Internal Control Structure

We have not issued a Report on the Internal Control Structure as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statements for the Science and Technology Cooperation Component under the Science and Technology For Development Project, Grant Agreement No. 263-0140.1, PIL No. 5, the Project was completed and no additional funding had been provided for this Project.

Compliance with Applicable Laws and Regulations

We have not issued a Report on Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statements for the Science and Technology Cooperation Component under the Science and Technology For Development Project, Grant Agreement No. 263-0140.1, PIL No. 5, the Project was completed and no additional funding had been provided for this Project.

Follow-up of Prior Audit Recommendations

We have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statements for the Science and Technology Cooperation Component under the Science and Technology For Development Project, Grant Agreement No. 263-0140.1, PIL No. 5, the Project was completed and no additional funding had been provided for this Project.

Management Comments

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



ALLIED ACCOUNTANTS

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Mr. Lou Mundy

Regional Inspector General/Audit/Cairo

United States Agency for International Development

Cairo, Egypt



المحاسبون المتضامنون

رئيس، استنبولي والكيلاني

مراسلو آرثر أندرسن وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

Report of Independent Public Accountants

We have audited the accompanying fund accountability statements of the Egyptian National Scientific and Technical Information Network relating to funds received and costs incurred by the Science and Technology Cooperation Component of the Scientific and Technology for Development Project, Grant Agreement No. 263-0140.1, funded by the United States Agency for International Development through Project Implementation Letter No. 5, for the period March 1, 1995 through June 30, 1996. These fund accountability statements are the responsibility of the management of the Egyptian National Scientific and Technical Information Network. Our responsibility is to express an opinion on these fund accountability statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. 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 fund accountability statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 33 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Arthur Andersen & Co. worldwide internal quality control program which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen & Co. offices.

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statements the Project was completed and no additional funding had been provided for the Project.

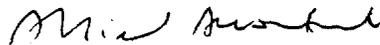
As described in Note 2, the accompanying fund accountability statements have been prepared on the cash basis. The cash basis is a comprehensive basis of accounting other than generally accepted accounting principles, because revenues and expenditures are recognized when received or paid, rather than when earned or incurred. Accordingly, the accompanying fund accountability statements are not intended to present results in accordance with generally accepted accounting principles.

Our audit identified the following questionable costs. (a) US \$9,852 (LE 33,497) in costs that are ineligible because they are not Project related, unreasonable, or prohibited by the terms of the Grant Agreement and Project Implementation Letter, and (b) US \$26 (LE 90) that are not supported with adequate documentation. The basis for questioning these costs are set forth in the Fund Accountability Statements - Audit Findings section of this report.

In our opinion, except for the effect of the questioned costs of US \$9,878 (LE 33,587) as discussed in the preceding paragraph, the fund accountability statements referred to above present fairly, in all material respects, funds received and costs incurred by the Egyptian National Scientific and Technical Information Network under the Science and Technology Cooperation Component of the Science and Technology For Development Project, Grant Agreement No. 263-0140.1 funded by the United States Agency for International Development through Project Implementation Letter No. 5, for the period March 1, 1995 through June 30, 1996, in conformity with the cash basis of accounting as described in Note 2.

This report is intended for the information of the management and others of the Egyptian National Scientific and Technical Information Network and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 7, 1997
Allied Accountants



Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
 Science and Technology Cooperation Component Under the
 Science and Technology for Development Project
 Grant Agreement No. 263-0140.1
 Project Implementation Letter No. 5

Fund Accountability Statement
 for the Period March 1, 1995 Through June 30, 1996

LE Budget expressed in US \$

<u>Budget Elements</u>	Budget	Actual	<u>Questioned Costs (Note 6)</u>	
			Ineligible	Unsupporte d
	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
Source of funds:				
Beginning cash balance		63,199		
Funds provided by USAID/Egypt		<u>69,873</u>		
Total funds available		133,072		
Expenditures:				
Supplies and training aids	39,544	40,037		26
Travel and per diem	1,388	1,388		
Database development	10,885	10,816		
Computer maintenance	<u>3,087</u>	<u>2,720</u>	<u>53</u>	
Total expenditures	<u>54,904</u>	<u>54,961</u>	<u>53</u>	<u>26</u>
Balance (Note 5)		<u>78,111</u>		

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

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
 Science and Technology Cooperation Component Under the
 Science and Technology for Development Project
 Grant Agreement No. 263-0140.1
 Project Implementation Letter No. 5

Fund Accountability Statement
 for the Period March 1, 1995 Through June 30, 1996

US \$ Budget				
<u>Budget Elements</u>	Budget	Actual	<u>Questioned Costs (Note 6)</u>	
	<u>US \$</u>	<u>US \$</u>	<u>Ineligible</u>	<u>Unsupported</u>
			<u>US \$</u>	<u>US \$</u>
Source of funds:				
Beginning cash balance		88,596		
Funds provided by USAID/Egypt		<u>27,609</u>		
Total funds available		116,205		
Expenditures:				
Supplies and training aids	102	-		
Database development	26,943	26,923	9,799	
Online database researches	<u>89,186</u>	<u>89,183</u>		
Total expenditures	<u>116,231</u>	<u>116,106</u>	<u>9,799</u>	
Balance		<u>99</u>		

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

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statement
for the Period March 1, 1995 Through June 30, 1996

Notes to the Fund Accountability Statements

Note 1: Project Activities:

Grant Agreement No. 263-0140 between the Arab Republic of Egypt and the United States of America was signed on March 31, 1986 for the Science and Technology for Development Project. The Grant Agreement No. 263-0140.1 was signed between the Arab Republic of Egypt and the United States of America for the Science and Technology Cooperation Component (the Project). The purpose of the Project was to redirect Egyptian Science and Technology (S&T) programs to solving priority development problems identified as having the greatest effect on end-users, and to build S&T capacities in selected technologies. The Project was implemented by the Egyptian National Scientific and Technical Information Network (ENSTINET). The Grant Agreement was signed on March 31, 1986 and expired on June 30, 1996.

ENSTINET was established to improve public information services through its sectoral member nodes, including the development and maintenance of databases on Egyptian literature, the marketing of information services and the training of professional information cadres.

Funds were provided to the Project under Project Implementation Letter (PIL) No. 5, which was issued to continue activities funded through PIL No. 3. The PIL was signed on February 15, 1989 and expired on June 30, 1996.

Note 2: Basis of Presentation

The fund accountability statements have been prepared on the cash basis. Consequently, revenues and expenditures are recognized when received or paid, rather than when earned or incurred.

Note 3: Exchange Rate

Expenditures incurred in Egyptian Pounds (LE) have been converted to US Dollars (US \$) at an average exchange rate of LE 3.40 to US \$1.

Note 4: Budget

The budget for PIL No. 5, as presented in the fund accountability statements, represents funds available for the expenses incurred during the audit period. It has been calculated for reporting

purposes only by deducting the expenditures reported in the prior audit report as of February 28, 1995 from the total approved budget as of June 30, 1996, as follows:

	<u>LE Budget</u> (in US \$)	<u>US \$ Budget</u> US \$
Approved budget as of June 30, 1996	608,426	1,338,674
Expenditures per prior audit report as February 28, 1995	<u>553,522</u>	<u>1,222,443</u>
Budget available for the audit of the period	<u>54,904</u>	<u>116,231</u>

Note 5: Reconciliation of Fund Accountability Statement (LE)

<u>Description</u>	<u>US \$</u>	<u>LE</u>
Balance as per Fund Accountability Statement	78,111	265,578
Less: Partial settlement of the L/C	(29,412)	(100,000)
Settlement of withholding taxes	(4,332)	(14,729)
Settlement of duty stamps	(4,717)	(16,036)
Add: Collection of loans	1,074	3,650
Closed Misr Bank account balance	6	19
Cash balance in LE bank account	<u>40,730</u>	<u>138,482</u>
Add: Reimbursement from USAID for June 96 expenses	<u>2,211</u>	<u>7,518</u>
Balance (*)	<u>42,941</u>	<u>146,000</u>

* The balance of US \$42,941 (LE 146,000) represents the line of credit remaining as of June 30, 1996. This amount has been reimbursed to the Ministry of International Cooperation on March 27, 1997.

Note 6: Questioned Costs

Questioned costs are expenditures that we have determined are not in accordance with the Grant Agreement, PIL No. 5, or other applicable USAID regulations and are presented in two separate categories: ineligible and unsupported. "Ineligible" costs are deemed to be unallowable because they are not program related, unreasonable, or prohibited by the Grant Agreement, PIL No. 5, or applicable laws and regulations. "Unsupported" costs are expenditures that are not supported by adequate documentation.

Our audit identified an aggregate US \$9,878 (LE 33,587) in questioned costs, as follows:

Ineligible costs, LE Budget, US \$53 (LE 180),
 Unsupported costs, LE Budget, US \$26 (LE 90), and
 Ineligible costs, US \$ Budget, US \$9,799 (LE 33,317):

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

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statement
for the Period March 1, 1995 Through June 30, 1996

Summary of Audit Findings

<u>Budget Element</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u> <u>US \$</u>	<u>Unsupported</u> <u>US \$</u>
LE Budget		
Supplies and training aids Finding No. 1		26
Computer maintenance Finding No. 2	<u>53</u>	<u>—</u>
Total LE Budget	53	26
US \$ Budget		
Database development Finding No. 3	<u>9,799</u>	<u>—</u>
Total US \$ Budget	<u>9,799</u>	<u>—</u>
Total Questioned Costs	<u>9,852</u>	<u>26</u>

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statement
for the Period March 1, 1995 Through June 30, 1996

Audit Findings

Finding No. 1: Unsupported Costs

ENSTINET paid and was reimbursed for hotel expenses in the amount of US \$606 (LE 2.060), whereas the available supporting documents were for the amount of US \$579 (LE 1,970) only. This resulted in an unsupported payment of US \$26 (LE 90). Project Grant Standard Provision, Annex 2 Section B.5B of Grant Agreement No. 263-0140, requires the Grantee to maintain in accordance with generally accepted accounting principles and practices, books and records relating to the project and to this Agreement, adequate to show, without limitation the receipt and use of goods and services acquired under the grant. ENSTINET could not provide an explanation about the unsupported payment.

USAID/Egypt was billed unsupported expenses of US \$26 (LE 90).

Finding No. 2: Payment of Sales Tax

ENSTINET paid sales tax for the purchase of spare-parts for a computer. Project Grant Standard Provisions Annex 2, Section B.4 of Grant Agreement No. 263.0140.1, indicates that ENSTINET should not pay any identifiable taxes, tariffs, duties or other levies imposed under the laws of Egypt with USAID funds. The bid submitted by the vendor stated that the cost included sales tax, however, the invoice did not segregate costs from sales taxes and ENSTINET indicated that they were unaware that the amount paid included the sales tax.

USAID/Egypt was billed ineligible expenses of US \$53 (LE 180).

Finding No. 3: Subscription of Data Base Development

ENSTINET paid subscriptions for data base development for three different packages, for periods extending beyond PIL No. 5's completion date. The amount questioned in this finding is the prorata amount related to the months after PIL No. 5's completion date. Project Grant Standard Provisions Annex 2, Section B.3 indicate that any resources financed under the Grant will, unless otherwise agreed in writing by USAID, be devoted to the Project until the completion or termination of the Project. ENSTINET indicated that these expenses were necessary for carrying on the activities of the Project.

USAID/Egypt was billed ineligible expenses of US \$9,799 (LE 33,317).

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the Science and Technology Cooperation Component Under the Science and Technology for Development Project Grant Agreement No. 263-0140.1 Project Implementation Letter No. 5

Fund Accountability Statements for the Period March 1, 1995 Through June 30, 1996

Management Comments



EGYPTIAN NATIONAL STI NETWORK

Academy of Scientific Research and Technology

SECTORAL INFORMATION

AGENCY/TURAL SECTOR
* Egyptian Documentation and Information Center for Agriculture
Tel. 3302790 - 3302771

ENERGY SECTOR
* Organization for Energy Planning
Tel. 3337113 - 3304267
* Atomic Energy
Tel. 3338266

INDUSTRIAL SECTOR
* Industrial Design Development Center
Tel. 432641 - 432639

MEDICAL & HEALTH CARE SECTOR
* Center for Biomedical Technology for Health Services
Tel. 343094 - 343095
* All Shams Laboratory
* Pharmaceutical Research
Tel. 3416167 - 3416168
* Pharmaceutical Information Center
Tel. 343097

RECONSTRUCTION SECTOR
* The Reconstruction Information Center
Tel. 334898

SCIENCE & TECHNOLOGY SECTOR
* National Information & Documentation Center
Tel. 33211 - 330413
* Generalized Survey Information Center
Tel. 332342

SOCIAL SECTOR
* National Social & Environmental Research Center
Tel. 340286 - 340287

REGIONAL NODES
ALEXANDRIA UNIVERSITY
Tel. 43142300 - 422760

ASISUT UNIVERSITY
Tel. 10814513

MANSOURA UNIVERSITY
Tel. 19313884

SUEZ CANAL UNIVERSITY
Tel. 10414629 - 10414630

SINAI UNIVERSITY
Tel. 10611973 - 10611974

SALAHIE UNIVERSITY
Tel. 10311212

July 21st, 1997

Mr. Nabil Hidmi
Allied Accountants

Dear Mr. Hidmi,

With reference to the Audit Findings of the Report of Independent Public Accountants dated 6/11/1997, following is the response to these findings:

Finding 1: Unsupported Cost

We concurred this finding and an amount of L.E. 90 will be paid to the AID during this week.

Finding 2: Payment Of Sales Tax

We concurred this finding and a check will be issued in favor of AID next week.

Finding 3: Subscription of Database Development

As approval from Mrs. Salwa Wahba our Project Officer on renewal of Databases on CD-ROM dated 7/10/1997.

Thank you and best regards.

Sincerely yours,

Ola Laurence
Manager, ASD

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statements
for the Period March 1, 1995 Through June 30, 1996

Auditors' Response to Management Comments

Our comments below address the responses of the Egyptian National Scientific and Technical Information Network (ENSTINET) to the findings on the fund accountability statements in our audit report of the Science and Technology Cooperation Component for the costs financed by the United States Agency for International Development. Grant Agreement No. 263-0140.1, for the period: March 1, 1995 through June 30, 1996 under Project Implementation Letter No. 5.

Finding No. 1: Unsupported Costs

ENSTINET concurs with the questioned cost paid for hotel expenses in the amount of US \$26 (LE 90). The finding remains unchanged.

Finding No. 2: Payment of Sales Tax

ENSTINET concurs with the questioned cost paid for sales taxes in the amount of US \$53 (LE 180). The finding remains unchanged.

Finding No. 3: Subscription of Data Base Development

ENSTINET provided approval from the Project Officer for the subscriptions paid for data base development for periods extending after PIL No. 5's completion date. However, this approval has not been processed through USAID's Contracting Office whose concurrence is required for the waiver of a grant agreement requirement involving USAID funds. Therefore, the finding remains unchanged.

Egyptian National Scientific and Technical Information Network

Audit of Local Expenditures Incurred Under the
Science and Technology Cooperation Component Under the
Science and Technology for Development Project
Grant Agreement No. 263-0140.1
Project Implementation Letter No. 5

Fund Accountability Statements
for the Period March 1, 1995 Through June 30, 1996

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



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

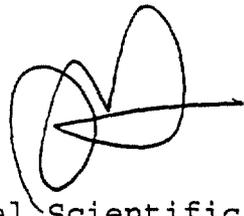
September 8, 1997

MEMORANDUM

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

FROM : Shirley A. Hunter, OD/FM/FA

SUBJECT : Audit of the Egyptian National Scientific and Technological Information Network (ENTSTNET), Local Expenditures Incurred Under the Science and Technology Cooperation Project Grant Agreement No. 263-0140.01, Project Implementation Letter No. 5 Draft Audit Report dated August 13, 1997



Following is the Mission's response to Recommendation No. 1 under the subject audit. The recommendation questioned the amount of LE 270 under the LE budget (covering unsupported expenses, and sales taxes), and \$9,799 under the dollar budget (covering annual subscriptions beyond the expiration of the PIL activities).

The total amount questioned under the LE budget (LE 270) was determined to be sustained. The sustained amount was refunded as follows: LE 90 was paid in cash (GR#A000087), and LE 180 by Check No. 9-450-81639-5 dated 7/31/97, GR#A000088 (copies attached).

Furthermore, ENSTINET in their letter dated July 8, 1997, has requested the Project Officer's approval for payment of \$9,799 for renewal of CD rom subscriptions, covering a period beyond the PIL completion date, and provided justifications for incurring these costs. The Project Officer provided her approval on July 10, 1997 on ENSTINET's letter (copy attached). Please note that payment for the renewal of the CD roms was made during the life of the PIL but extended beyond the PIL expiration date. Furthermore, renewal of subscription is made on an annual basis, and cannot be paid on a monthly basis as per the vendors regulations.

Based on the above, Mission believes that ENSTINET has taken corrective actions, and no further action is required by the Mission.

Please issue the final report with the recommendation closed.

Thank you for your cooperation.

Att: a/s