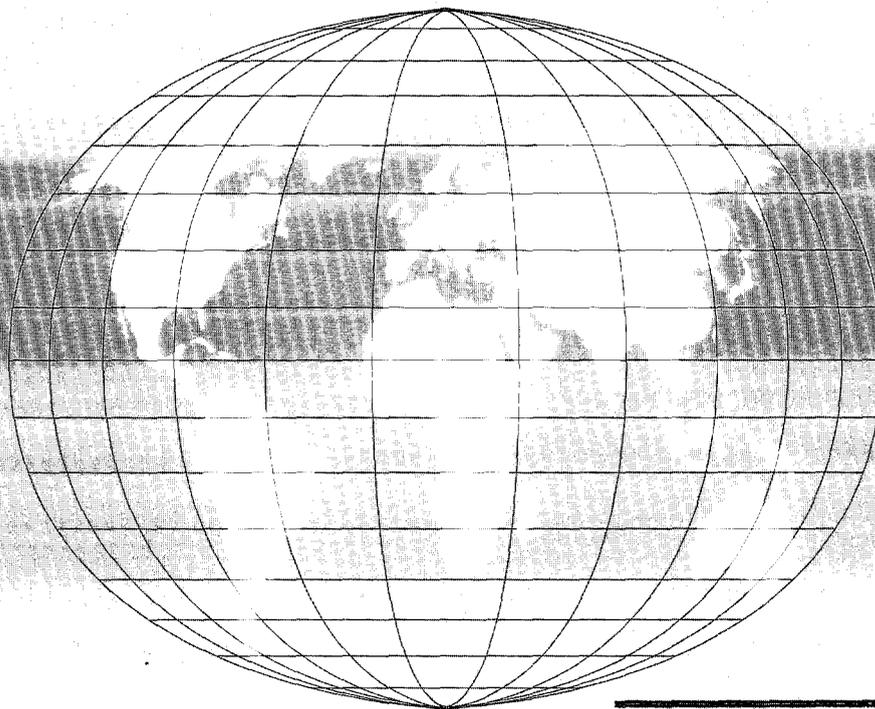


Report of Audit

PD. ABQ - 144
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**Financial Audit of the Ministry of Education's
Special Education Department, Costs Incurred
Under Project Implementation Letter No. 55 of
USAID/Egypt's Basic Education Project No. 263-0139**

**Report No. 6-263-98-010-N
January 20, 1998**



**FINANCIAL INFORMATION CONTAINED
IN THIS REPORT MAY BE PRIVILEGED.
THE RESTRICTION OF 18 USC 1905 SHOULD
BE CONSIDERED BEFORE ANY INFORMATION
IS RELEASED TO THE PUBLIC.**

**Regional Inspector General for Audit
Cairo, Egypt**

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



CAIRO, EGYPT

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

**Report No. 6-263-98-010-N
January 20, 1998**

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley
FROM: RIG/A/Cairo, Lou Mundy *Lou Mundy*
SUBJECT: Financial Audit of the Ministry of Education's Special Education Department, Costs Incurred Under Project Implementation Letter No. 55 of USAID/Egypt's Basic Education Project No. 263-0139

The attached report, transmitted on December 21, 1997 by Allied Accountants, presents the results of a financial audit of the Ministry of Education's Special Education Department under Project Implementation Letter (PIL) No. 55 of USAID/Egypt's Basic Education Project No. 263-0139. The purpose of the project was to increase access to basic educational opportunities and improve the quality of instruction provided in Egypt. The objective of PIL No. 55 was to finance workshops and training activities in special education.

We engaged Allied Accountants to perform a financial audit of \$70,045 in USAID resources managed by the Ministry of Education related to costs incurred and reimbursed under PIL No. 55 during the audit period August 20, 1991 through June 30, 1994. The purpose of the audit was to evaluate the propriety of those costs. Allied Accountants did not report on the Ministry of Education's internal controls as they relate to PIL No. 55 or compliance with applicable laws, regulations and agreement terms because, as of the date of the report, the project was completed and no additional funding had been provided.

The audit did not identify any questioned costs. As a result, this report does not contain any recommendations to be included in the Office of Inspector General's recommendation

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follow-up system. Since the audit did not result in any questioned costs or any other findings, the Ministry of Education did not offer any management comments. Likewise, USAID/Egypt waived the audit exit conference and requested that the final report be issued without Mission comments.

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

Attachment: a/s

Ministry of Education

Audit of Local Expenditures Incurred Under the
Special Education Department
Grant Agreement No. 263-0139
Project Implementation Letter No. 55

Fund Accountability Statement
for the Period August 20, 1991 through June 30, 1994

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.

Ministry of Education

**Audit of Local Expenditures Incurred Under the
Special Education Department
Grant Agreement No. 263-0139
Project Implementation Letter No. 55**

**Fund Accountability Statement
for the Period August 20, 1991 through June 30, 1994**

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ALLIED ACCOUNTANTS

Ragheb, Istanbuli & El Kilany

A Member Firm of ARTHUR ANDERSEN & Co. SC

Public Accountants & Business Advisors

Fellows & Members of the Egyptian Society of Accountants & Auditors



المحاسبون المتضامنون

راغب ، اسطنبولي والكيلاني

مراسلو آرثر أندرسن وشركاه

محاسبون قانونيون وخبراء تنظيم وإدارة

زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

December 21, 1997

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

Dear Mr. Mundy:

This report presents the results of the audit of USAID resources managed by the Ministry of Education (MOE) under the Special Education Department (SED), Project Implementation Letter (PIL) No. 55 (the "Project"), USAID/Egypt Grant Agreement No. 263-0139. We were engaged to perform an audit of the local expenditures incurred and reimbursed for the period August 20, 1991 through June 30, 1994.

Background

Grant Agreement No. 263-0139 between the Arab Republic of Egypt and the United States of America was signed on August 19, 1981. The purpose of the Grant was to provide technical assistance for planning and implementing educational change, purchase of instructional materials and equipment, and construction of new classrooms as part of an integrated effort to increase access to basic educational opportunities and improve the quality of instruction provided. The Project was implemented by the MOE.

The objective of PIL No. 55 was to support SED by financing workshops and training activities in special education. PIL No. 55 which was signed on January 26, 1992 and expired on June 30, 1994.

Audit Objectives, Scope, and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by MOE provided through Grant Agreement No. 263-0139, PIL No. 55, for SED. The specific objectives of our engagement were to:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed project presents fairly, in all material respects, funds received and costs incurred for the audit period in conformity with generally accepted accounting principles or another comprehensive basis of accounting;
2. Determine if the costs reported as incurred under the PIL 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 MOE, as it relates to SED, to assess control risk; and
4. Perform tests to determine whether MOE complied, in all material respects, with the terms of the PIL, Grant Agreement, and applicable laws and regulations.

The scope of the audit included all funds provided by USAID/Egypt and related SED expenditures incurred under PIL No. 55 for the period August 20, 1991 through June 30, 1994.

The methodology of the audit consisted of an evaluation of the internal control structure, testing of expenditures incurred under the PIL, and testing of MOE's compliance with the Grant Agreement, the PIL, 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 \$) | 236,051 70,045 | 236,051 70,045 | 100 |
| Expenditures, LE Budget (LE) (Equivalent in \$) | 236,051 70,045 | 188,147 55,830 | 80 |

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 SED's ledgers to determine whether costs reported were properly recorded. A reconciliation of direct costs billed to and reimbursed by USAID/Egypt to the SED's ledgers.
3. A review of the procedures used to control the funds, including their channeling to contracted financial institutions or other implementing units.
4. A determination of whether project income and/or reimbursements, if any, are recorded as income or as credits to project cost accounts.
5. A review of direct salary charges to determine whether salary rates are reasonable, in accordance with those approved by USAID/Egypt, and supported by appropriate payroll records.
6. A review of travel and transportation charges to determine whether they were adequately supported, approved and in accordance with the Project's implementation plans.
7. A review of procurement procedures to determine whether sound commercial practices were used.
8. A determination of whether advances of funds were justified based on existing documentation, including a reconciliation of funds advanced, disbursed, and available.

During our audit planning, we considered MOE's internal control structure as it relates to SED, PIL No. 55, 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, SED's officials, and our audit team. At the end of the field work, we held a meeting with SED's Project management staff to discuss unresolved findings identified during our fieldwork.

The Grant Agreement, PIL No. 55, and their amendments were reviewed to gain an understanding of the agreement terms and applicable laws and regulations.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 33 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Andersen 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 Andersen Worldwide offices.

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for SED, PIL No. 55, Grant Agreement No. 263-0139, the Project was completed and no additional funding had been provided.

Results of Audit

Fund Accountability Statement

Our audit did not identify any questioned costs.

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 statement for SED, Grant Agreement No. 263-0139, PIL No. 55, the Project was completed and no additional funding had been provided.

Compliance with Applicable Laws and Regulations

We have not issued a Report on Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards. As of the date of our report on the fund accountability statement for SED, Grant Agreement No. 263-0139, PIL No. 55, the Project was completed and no additional funding had been provided.

Follow-up of Prior Audit Recommendations

No prior audits have been performed for PIL No. 55.

Management Comments

Since our audit did not result in any questioned costs or any other findings, the Ministry of Education did not offer any management comments on our report.


Allied Accountants

ALLIED ACCOUNTANTS

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زملاء وأعضاء جمعية المحاسبين والمراجعين المصرية

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

Report of Independent Public Accountants

We have audited the accompanying fund accountability statement of the Ministry of Education relating to funds received and costs incurred by the Special Education Department, Grant Agreement No. 263-0139, funded by the United States Agency for International Development through Project Implementation Letter No. 55, for the period August 20, 1991 through June 30, 1994. This fund accountability statement is the responsibility of the management of the Special Education Department. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 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 Andersen 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 Andersen Worldwide offices.

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

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

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, funds received and costs incurred by the Special Education Department under Grant Agreement No. 263-0139 funded by the United States Agency for International Development through Project Implementation Letter No. 55, for the period August 20, 1991 through June 30, 1994, in conformity with the cash basis of accounting as described in Note 2.

This report is intended for the information of the management and others within the Ministry of Education 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.

August 18, 1997
Allied Accountants



Ministry of Education

Audit of Local Expenditures Incurred Under the
Special Education Department
Grant Agreement No. 263-0139
Project Implementation Letter No. 55

Fund Accountability Statement
for the Period August 20, 1991 through June 30, 1994

LE Budget expressed in \$

| <u>Budget Elements</u> | Budget \$ | Actual \$ |
|---|----------------|---------------|
| Source of funds: | | |
| Funds provided by USAID/Egypt | | <u>70,045</u> |
| Total funds available | | 70,045 |
| Expenditures: | | |
| Overtime for planning and follow up 3 administrators in Cairo | 178 | 179 |
| Follow up for 3 administrators in subsidiary workshops | 386 | 383 |
| Per diem and transportation | 2,671 | 2,656 |
| Total costs for 3 workshops | 3,589 | 3,588 |
| Per diem and transportation for trainers | 17,240 | 8,766 |
| Cost of training | 12,374 | 6,681 |
| Overtime for participating assistants in main courses | 214 | 214 |
| Overtime for participating assistants for the 3 subsidiary programs outside Cairo | 214 | 202 |
| Overtime for financial and management staff | 712 | 712 |
| Overtime for training center staff | 1,187 | 1,187 |
| Overtime for planning and follow up | 846 | 853 |
| Main training workshop in November 1993 | 10,567 | 10,734 |
| Subsidiary training workshop in Port Said | 12,433 | 5,568 |
| Main training workshop in April 1994 | 8,386 | 3,782 |
| Subsidiary training workshop in Beni Suef | 9,763 | 5,163 |
| Main training workshop in May 1994 | 12,766 | 4,047 |
| Subsidiary training workshop in Sohag | 15,599 | 10,226 |
| Cost of accountants in office | 3,134 | 2,137 |
| Cost of individual attendance | <u>2,967</u> | <u>2,967</u> |
| Total expenditures | <u>115,226</u> | <u>70,045</u> |

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

Ministry of Education

Audit of Local Expenditures Incurred Under the
Special Education Department
Grant Agreement No. 263-0139
Project Implementation Letter No. 55

Fund Accountability Statement
for the Period August 20, 1991 through June 30, 1994

Notes to the Fund Accountability Statement

Note 1: Project Activities:

Grant Agreement No. 263-0139 between the Arab Republic of Egypt and the United States of America was signed on August 19, 1981. The purpose of the Grant was to provide technical assistance for planning and implementing educational change, purchase of instructional materials and equipment, and construction of new classrooms as part of an integrated effort to increase access to basic educational opportunities and improve the quality of instruction provided. The Project was implemented by the Ministry of Education.

This particular project was financed through Project Implementation Letter (PIL) No. 55 for the Special Education Department (SED). The objective of PIL No. 55 was to support workshops and training activities in special education. PIL No. 55 was signed on January 26, 1992 and expired on June 30, 1994.

Note 2: Basis of Presentation

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

Note 3: Exchange Rate

Expenditures incurred in Egyptian Pounds (LE) have been converted to US Dollars (\$) at an average exchange rate of LE 3.37 to \$1.

Note 4: Budget

The budget for PIL No. 55, as presented in the fund accountability statement, represents funds available for the expenses incurred during the audit period.