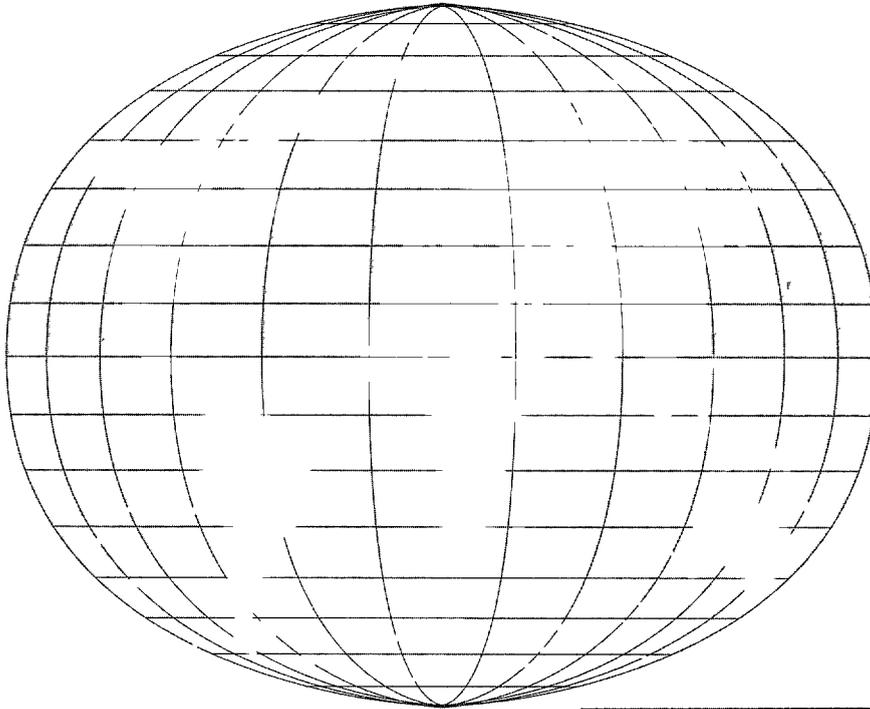


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Report of Audit

**Financial Audit of Coopers & Lybrand,
Costs Billed to USAID/Egypt under
Indefinite Quantity Contract Nos.
263-0000-I-00-3064-00 and 263-0000-I-00-3119-00**

**Report No. 6-263-98-022-N
March 23, 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**



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

CAIRO, EGYPT

Report No 6-263-98-022-N
March 23, 1998

MEMORANDUM

TO DIRECTOR USAID/Egypt, John R Westley
FROM RIG/A/Cairo, Lou Mundy *Lou Mundy*
SUBJECT Financial Audit of Coopers & Lybrand, Costs Billed to USAID/Egypt
Under Indefinite Quantity Contract Nos 263-0000-I-00-3064-00 and 263-
0000-I-00-3119-00

The attached report, transmitted on January 27, 1998, by Whinney Murray & Co (Whinney Murray) of Amman, Jordan, presents the results of a financial audit of Coopers & Lybrand under USAID/Egypt Indefinite Quantity Contract (IQC) Nos 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00. The purposes of these IQCs were to respectively provide short-term quick response technical services in the areas of financial auditing and financial management for USAID-funded awards.

We engaged Whinney Murray to perform a financial audit of Coopers & Lybrand's costs billed to USAID/Egypt of \$476,263 (equivalent to LE1,619,294) during the period March 1, 1993 through September 30, 1996 under IQC No 263-0000-I-00-3064-00 and September 22, 1993 through September 30, 1996 under IQC No 263-0000-I-00-3119-00. We also engaged Whinney Murray to audit Coopers & Lybrand's fixed multiplier for the period October 1, 1995 through September 30, 1996. The purpose of the audit was to evaluate the propriety of costs billed to USAID/Egypt during these periods and to determine if the fixed multiplier rate was appropriate. Whinney Murray also evaluated Coopers & Lybrand's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statements.

The audit report questions \$3,995 (equivalent to LE13,583) in costs billed to USAID/Egypt by Coopers & Lybrand. The questioned costs relate to billings for staff overtime, billing for more than actual staff time, and unsupported accommodation-related costs. The audit report also identified \$11,744 in ineligible costs used in the calculation.

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A

of the fixed multiplier applied to salary rates billed to USAID/Egypt. The auditors did not note any instances of material internal control weakness or material noncompliance with applicable laws and regulations.

In response to the draft report, responsible Coopers & Lybrand officials provided additional explanation to the report findings. Whinney Murray reviewed Coopers & Lybrand's response to the findings and, where applicable, made adjustments to the report or provided further clarification of their position (see Appendices A and B).

The following recommendations are 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 \$3,995 (ineligible costs of \$3,001 and unsupported costs of \$994) detailed on pages 7-8 and 12-13 of Whinney Murray & Co 's audit report, and recover from Coopers & Lybrand the amounts determined to be unallowable.

Recommendation No 2 We recommend that USAID/Egypt make a determination as to whether Coopers & Lybrand's fixed multiplier should be modified, based on the costs questioned on pages 9-10 and 14 of Whinney Murray & Co 's audit report, at the next contract renewal or new contract award.

In response to Recommendation No 1, USAID/Egypt officials indicated that they were reviewing additional documents recently submitted by Coopers & Lybrand. Recommendation No 1 remains open and will be considered to have received a management decision upon USAID/Egypt's determination of the amount of recovery. In response to Recommendation No 2, USAID/Egypt officials indicated that the fixed multiplier with Coopers & Lybrand would not be renegotiated based on this audit, but that they intend to use the audit information, as deemed necessary by the Procurement Officer, for future contract negotiations. Based on the above, we consider Recommendation No 2 to be closed upon issuance.

Please advise this office within 30 days of any management decision made with regard to Recommendation No 1. 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

**FINANCIAL AUDIT OF
COOPERS & LYBRAND INDEFINITE QUANTITY
CONTRACT (IQC) NOs**

**263-0000-I-00-3064-00 FOR THE PERIOD MARCH 1, 1993
THROUGH SEPTEMBER 30, 1996**

AND

**263 0000-I 00-3119-00 FOR THE PERIOD SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996**

**FINANCIAL AUDIT OF
COOPERS & LYBRAND INDEFINITE QUANTITY
CONTRACT (IQC) NOs**

**263-0000-I-00-3064-00 FOR THE PERIOD MARCH 1, 1993
THROUGH SEPTEMBER 30, 1996**

AND

**263-0000-I-00-3119-00 FOR THE PERIOD SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996**

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTION</u>	
Background	1
Audit objectives and scope	1
Results of audit	3
<u>FUND ACCOUNTABILITY STATEMENTS</u>	
Independent auditor's report	5
Fund accountability statements	7
Schedules of the fixed multiplier computation	9
Notes to fund accountability statements	11
Details of questioned costs	12
<u>INTERNAL CONTROL STRUCTURE</u>	
Independent auditor's report	15
<u>COMPLIANCE WITH LAWS, REGULATIONS AND CONTRACTS</u>	
Independent auditor's report	17
<u>APPENDICES</u>	
Appendix A	Management comments
Appendix B	Auditor's response
Appendix C	Miss10n comments

January 27, 1998

Mr Lou Mundy
Regional Inspector General for Audit-Cairo
United States Agency for International Development (USAID)
Cairo
Egypt

Dear Mr Mundy

This report presents the results of our financial audit of Coopers & Lybrand (C&L) Indefinite Quantity Contract (IQC) NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 for the period March 1, 1993 through September 30, 1996 and the period September 22, 1993 through September 30, 1996 respectively, and the results of our audit of the fixed multiplier for the period October 1, 1995 through September 30, 1996

BACKGROUND

On March 1, 1993 the United States Agency for International Development (USAID) awarded IQC No 263-0000-I-00-3064-00 to C&L to provide short-term quick response technical services in the area of financial auditing for USAID - funded contracts, grants, cooperative agreements, host country agreements, and other operations or activities related to USAID program USAID/Egypt requested specific financial audits throughout the duration of the IQC, which expired on February 28, 1997, via delivery orders that provided details for each audit assignment

USAID also awarded C&L IQC No 263-0000-I-00-3119-00 on September 22, 1993 The purpose was to provide short-term quick response technical services in the area of financial management for USAID - funded contracts, grants, cooperative agreements and host country agreements Specific services under this IQC, which expired on October 31, 1997, were also requested and detailed via delivery orders mechanism

AUDIT OBJECTIVES AND SCOPE

The objective of this engagement was to conduct a financial audit of Coopers & Lybrand IQC NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 The audit covered the period March 1, 1993 through September 30, 1996 and the period September 22, 1993 through September 30, 1996 respectively and an audit of the fixed multiplier for the period October 1, 1995 through September 30, 1996 The audit encompassed an examination of Coopers & Lybrand's expenses billed to USAID/Egypt in order to determine whether they were in compliance with the terms, conditions of the IQCs and DOs and applicable USAID/Egypt rules and regulations We also reviewed internal controls associated with Coopers & Lybrand's management of the contracts

AUDIT OBJECTIVES AND SCOPE - Continued

The specific objectives were to

- 1 Express an opinion on whether the fund accountability statements for the USAID financed contracts of Coopers & Lybrand presents fairly, in all material respects, Delivery Order revenues received and costs incurred for the periods under audit in conformity with generally accepted accounting principles or other comprehensive basis of accounting,
- 2 Determine if the costs reported as incurred under the contract are in fact allowable, allocable, and reasonable in accordance with the terms of the contract,
- 3 Evaluate and obtain a sufficient understanding of the internal control structure, assess control risk, and identify reportable conditions, including material internal control weaknesses,
- 4 Perform tests to determine whether the contractor complied, in all material respects, with the contract terms and applicable laws and regulations,
- 5 Perform an audit of the fixed multiplier to determine if the rate is appropriate or should be modified at the next contract renewal

Preliminary planning and review procedures began in April 1997. These procedures consisted of discussions with personnel from the office of the Regional Inspector General for Audit in Cairo and C&L management. Audit field work commenced in July 1997 and was completed July 31, 1997.

The audit population included \$476,263 (equivalent LE1,619,294) of costs billed during the audit periods.

On a judgmental basis, we selected and tested \$231,971 (equivalent LE788,701) (49%) of contract costs. We also selected and tested \$27,924 (equivalent to LE94,941) (68%) of other direct costs on a judgmental basis.

Our tests of expenditure incurred by C&L included, but were not limited to, the following:

- 1 Reconciling C&L accounting records to billings issued to USAID/Egypt to ensure that delivery orders costs were appropriately supported
- 2 Testing a representative sample of DO costs billed to USAID/Egypt for allowability and allocability
- 3 Determining if DO revenues received are presented fairly, in all material respects, in the fund accountability statements
- 4 Determining if salary costs were properly supported and approved

AUDIT OBJECTIVES AND SCOPE - Continued

- 5 Examining support for a sample of items included in the indirect cost pools, and calculating the fixed multiplier rate

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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, because no such quality control review program is offered by professional organizations in Jordan. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the Ernst & Young worldwide internal quality control program. This program requires the Whinney Murray & Co. Amman office to be subjected, every three years, to an extensive quality control review by partners and managers from other E&Y offices.

As part of our examination, we made a study and evaluation of relevant internal controls and reviewed C&L's compliance with applicable laws and regulations.

RESULTS OF AUDIT**Fund Accountability Statement, IOC No. 263-0000-I-00-3064-00**

Our audit identified questioned costs totaling \$3,975 (equivalent to LE13,515) which represent ineligible costs of \$2,981 (equivalent to LE10,135) and unsupported costs of \$994 (equivalent to LE3,380).

Fund Accountability Statement, IOC No. 263-0000-I-00-3119-00

Our audit identified questioned costs totaling \$20 (equivalent to LE68), all of which represent ineligible costs.

Internal Control Structure

We identified no material internal control structure weaknesses. However, we noted other immaterial matters involving the internal control structure and its operation that we have reported to the management of C&L in a separate letter dated November 30, 1997.

Compliance with Laws and Regulations

Our audit did not identify any instances of material noncompliance with applicable laws and regulations. However, we noted other immaterial matters involving the compliance with laws and regulations that we have reported to the management of C&L in a separate letter dated November 30, 1997.

RESULTS OF AUDIT - Continued

Fixed Multiplier

Our audit identified questioned costs totaling \$11,744 (equivalent to LE39,930) all of which represent ineligible costs

MANAGEMENT COMMENTS

C&L management 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.

This report is intended for the information of Coopers & Lybrand's management and others within the organization and the United States Agency for International Development. However, this report is a matter of public record, and its distribution is not limited.

Whinney Murray & Co.

INDEPENDENT AUDITOR'S REPORT
ON THE FUND ACCOUNTABILITY STATEMENTS

Mr Lou Mundy
Regional Inspector General for Audit - Cairo
United States Agency for International Development (USAID)
Cairo
Egypt

We have audited the accompanying fund accountability statements of Coopers & Lybrand (C&L) under the United States Agency for International Development (USAID) - Egypt IQC NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 for the period March 1, 1993 through September 30, 1996, and the period September 22, 1993 through September 30, 1996 respectively, and the fixed multiplier for the period October 1, 1995 through September 30, 1996. These fund accountability statements and fixed multiplier computation are the responsibility of C&L's management. Our responsibility is to express an opinion on the fund accountability statements and fixed multiplier computation based on our audit.

Except as discussed in the next paragraph we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements and fixed multiplier computation are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements and schedules of the fixed multiplier computation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the presentation of the overall fund accountability statements and schedules of the fixed multiplier computation. 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 control review program is offered by professional organizations in Jordan. 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 Ernst & Young worldwide internal quality control program which requires the Whinney Murray & Co Amman office to be subjected, every three years, to an extensive quality control review by partners and managers from other Ernst & Young offices.

As detailed in the fund accountability statements, the results of our tests disclosed total questioned costs of \$3,995 (equivalent to LE13,583), of which \$3,001 (equivalent to LE10,203) were ineligible and \$994 (equivalent to LE3,380) were unsupported. In addition as detailed in the schedule of the fixed multiplier computation, the results of our tests disclosed total questioned costs of \$11,744 (equivalent to LE39,930).

In our opinion, except for the effects of the questioned costs noted above, the fund accountability statements and schedules of the fixed multiplier computation referred to above presents fairly, in all material respects, revenues received and costs incurred, and the fixed multiplier rate in conformity with generally accepted accounting principles

This report is intended for the information of C&L management and others within the organization, 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

Whinney Murray & Co

Whinney Murray & Co

July 31, 1997

Amman

**COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00
AND 263-0000-I-00-3119-00**

**FUND ACCOUNTABILITY STATEMENTS
FOR THE PERIODS MARCH 1, 1993 THROUGH
SEPTEMBER 30, 1996 AND SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996 RESPECTIVELY**

	BUDGET	ACTUAL	QUESTIONED COSTS	
	<u>Note 2</u>	<u>Note 2</u>	<u>Ineligible</u>	<u>Unsupported</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<u>IQC 3064</u>				
Delivery Orders				
DO 1	15,456	15,456		
DO 2	13,252	13,252	2,658	
DO 3	17,771	17,761		
DO 4	20,619	20,619		
DO 5	42,064	42,064		930
DO 6	45,219	45,219		
DO 7	-	-		
DO 8	-	-		
DO 9	-	-		
DO 10	24,715	24,715		
DO 11	48,691	48,691		
DO 12	45,757	45,757	77	
DO 13	-	-		
DO 14	58,942	58,942	246	64
DO 15	26,196	26,196		
DO 16	27,268	27,268		
DO 17	23,292	23,292		
DO 18	38,333	5,000		
DO 19	30,505	17,752		
DO 20	53,218	5,000		
Totals	<u>531,298</u>	<u>436,984</u>	<u>2,981</u>	<u>994</u>

**COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00
AND 263-0000-I-00-3119-00**

**FUND ACCOUNTABILITY STATEMENTS
FOR THE PERIODS MARCH 1, 1993 THROUGH
SEPTEMBER 30, 1996 AND SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996 RESPECTIVELY**

	BUDGET	ACTUAL	QUESTIONED COSTS	
	<u>Note 2</u>	<u>Note 2</u>	<u>Ineligible</u>	<u>Unsupported</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<u>IQC 3119</u>				
Delivery Orders				
DO 1	2,530	2,530		
DO 2	-	-		
DO 3	4,167	4,167		
DO 4	9,790	9,790	20	
DO 5	10,183	10,183		
DO 6	6,048	6,048		
DO 7	6,561	6,561		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	39,279	39,279	20	-
Grand Totals	<u>570,577</u>	<u>476,263</u>	<u>3,001</u>	<u>994</u>

The accompanying notes are an integral part of the fund accountability statements

SCHEDULE 1

COOPERS & LYBRAND (C&L)
 SCHEDULE OF THE FIXED MULTIPLIER COMPUTATION
 FOR THE YEAR ENDED SEPTEMBER 30, 1996

	Total	Questioned Costs		Correct
	Expenditures	Ineligible	Unsupported	Pool
	US\$	US\$	US\$	US\$
INDIRECT COSTS				
Indirect Partners Labor Costs	48,917	-		48,917
Indirect Professional Staff Labor Costs	245,943	(425)		245,518
Establishment and Indirect Costs	620,736	(10,529)		610,207
Total Indirect Costs	<u>915,596</u>	<u>(10,954)</u>		<u>904,642</u>
DIRECT COSTS				
Partners Direct Labor Costs	99,318	-		99,318
Professional Staff Direct Costs	499,339	(790)		498,549
Total Direct Costs	<u>598,657</u>	<u>(790)</u>		<u>597,867</u>
Total Costs	<u>1,514,253</u>	<u>(11,744)</u>		<u>1,502,509</u>

INDIRECT COST RATE

Total indirect	904,642	=	1.51
Total direct	<u>597,867</u>		

MULTIPLIER CALCULATION

Daily Salary	1.00
Indirect Cost Rate	1.51
Sub Total	<u>2.51</u>
Fixed Fee (10%)	0.26
Fixed Multiplier Rate	<u>2.77</u>

SCHEDULE 2

SCHEDULE OF DE FAILED OVERHEAD AND INDIRECT COSTS

	Total	Questioned Costs		Correct
	Expenditures	Ineligible	Unsupported	Pool
	US\$	US\$	US\$	US\$
OVERHEAD COSTS				
Administrative Staff	87,764	(2,864)		84,900
Social Insurance	78,704			78,704
Medical Insurance	12,507			12,507
Bonuses	2,176			2,176
Car Expenses	7,496			7,496
Management consultancy				
division setup costs	7,651			7,651
Publications	8,953			8,953
Other Expatriate Costs	101,712	(441)		101,271
Continuing Education	15,550			15,550
Entertainment	1,332	(1,332)		-
Office Rent	44,865			44,865
Utilities, Telephone & Fax	31,756			31,756
Postage & Courier	1,931			1,931
Repair & Maintenance	9,423			9,423
Stationary & Supplies	15,883			15,883
Insurance	11,715			11,715
Staff Other Costs	11,321			11,321
Recruitment	3,741			3,741
Loss on Foreign Exchange	7,449			7,449
Bank Charges	2,481	(39)		2,442
Interest	4,927	(4,927)		-
Computer Costs	17,886			17,886
Travel & Transport	46,463			46,463
Technical Fees	34,532			34,532
Advertising	3,366			3,366
Depreciation	49,152	(926)		48,226
Total Overhead Costs	<u>620,736</u>	<u>(10,529)</u>		<u>610,207</u>
INDIRECT COSTS				
Professional Staff Indirect Labor Cost	245,943	(425)		245,518
Partners Indirect Labor Costs	48,917	-		48,917
Total Overhead and Indirect Costs	<u>915,596</u>	<u>(10,954)</u>		<u>904,642</u>

**COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00 AND 263-0000-I-00-3119-00**

**FUND ACCOUNTABILITY STATEMENTS
FOR THE PERIODS MARCH 1, 1993 THROUGH
SEPTEMBER 30, 1996 AND SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996 RESPECTIVELY**

NOTES TO FUND ACCOUNTABILITY STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The fund accountability statements and schedules of the related fixed multiplier have been prepared on an accrual basis

NOTE 2 - SOURCE OF DATA

The "Budget" column is based on the Delivery Order amounts, including any subsequent amendments, approved by USAID/Egypt within the audited periods and are presented for information purposes only

The "Actual" column represents billings made by C&L to USAID relating to the individual Delivery Orders, for the period March 1, 1993 through September 30, 1996 for IQC No 3064 and for the period September 22, 1993 through September 30, 1996 for IQC No 3119

NOTE 3 - EXCHANGE RATE.

Budgeted and actual Delivery Order amounts in Egyptian pounds (LE) have been converted to US dollars at the exchange rate of LE3 4 to one US dollar, representing the prevailing exchange rate during the audit period. Fixed multiplier amounts in Egyptian pounds (LE) have also been converted to US dollars at the exchange rate of LE3 4 to one US dollar

NOTE 4 - CALCULATION OF THE FIXED MULTIPLIER RATE

The fixed multiplier rate computation is based on the actual direct and indirect costs incurred for the period October 1, 1995 through September 30, 1996

NOTE 5 - QUESTIONED COSTS

Questioned costs are presented in two separate categories- ineligible and unsupported. Ineligible costs are those that are not program-related or are prohibited by applicable agreement terms or laws and regulations. Unsupported costs are those that are not supported with adequate documentation.

Questioned costs for delivery orders have been segregated for each IQC and for the fixed multiplier have been segregated between direct and indirect costs.

DETAILS OF QUESTIONED COSTS

	Ineligible Costs		Unsupported Costs	Total
	(a) Overtime billed	(b) Overcharge billed		
	US\$	US\$	US\$	US\$
Delivery Orders				
<u>IQC 3064</u>				
DO 2	-	2,658	-	2,658
DO 5	-	-	930	930
DO 12	77	-	-	77
DO 14	246	-	64	310
Total	323	2,658	994	3,975
<u>IQC 3119</u>				
DO 4	20	-	-	20
Total	20	-	-	20
Grand Total	343	2,658	994	3,995

Ineligible Costs

(a) Overtime Billed

Delivery Orders and applicable amendments specify that time chargeable to USAID is based on staff fixed daily rates. However, in certain instances we noted that USAID was charged more than the fixed daily rate due to staff working in excess of 8 hours per day and during the weekends. Accordingly, unreasonable overtime i.e. over 10 hours a day, have been shown as questioned costs.

DETAILS OF QUESTIONED COSTS continued

(b) Overcharge Billed

In accordance with Delivery Orders and subsequent amendments, the time chargeable to USAID/Egypt must be equal to or less than the authorized levels. In the event that actual time incurred is less than the level authorized, the lower value must be billed. We noted that staff incurred actual time that was less than the authorized levels, however the higher level was subsequently billed to USAID/Egypt. We have classified this category of ineligible cost as an overcharge in the billing made to USAID/Egypt.

Unsupported Costs

In accordance with cost principles, only costs supported with documented evidence should be charged to USAID/Egypt. However, we noted that various accommodation-related direct costs were billed to USAID/Egypt without any supporting source documents to evidence that expenditures had occurred.

QUESTIONED COSTS - FIXED MULTIPLIER

<u>Description of Questioned Costs</u>	<u>Questioned Amounts</u>	
	<u>Ineligible US \$</u>	<u>Unsupported US \$</u>
1 Club Dues Partners compensation includes an amount of \$ 441 of club dues which was included in the indirect costs This amount is not allowable in accordance to FAR 31 205-14 and FAR 31-205-6/a/5	441	
2 Overtime / Bonuses - Direct Overtime and bonuses paid to employees working on USAID assignments are not allowable in accordance with IQC para H-2 and FAR 31 205-6/f	790	
3 Overtime / Bonuses - Indirect Overtime and bonuses paid to local staff working on USAID assignments are not allowable in accordance with the IQC para H-2 and FAR 31 205-6/f	425	
4 Overtime Administrative Staff Indirect cost pool includes \$ 2,864 of overtime This is not allowable in accordance with IQC para H-2	2,864	
5 Entertainment Indirect cost pool includes \$ 1,332 for partners entertainment costs This amount is not allowable in accordance with FAR 31 205-14	1,332	
6 Interest Expense Indirect cost pool includes \$ 4,966 of interest expense This is not allowable in accordance with FAR 31 205-20	4,966	
7 Depreciation Expense The depreciation expenses is overstated by \$ 926, accordingly it is not allowable in accordance with FAR 31 205 11/C & D,	926	
	<u>11,744</u>	

Report on the Internal Control Structure
Independent Auditor's Report

Mr Lou Mundy
Regional Inspector General for Audit-Cairo
United States Agency for International Development (USAID)
Cairo
Egypt

We have audited the accompanying fund accountability statements of Coopers & Lybrand (C&L) under the United States Agency for International Development (USAID) - Egypt IQC NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 for the period March 1, 1993 through September 30, 1996, and the period September 22, 1993 through September 30, 1996 respectively, and the fixed multiplier for the period October 1, 1995 through September 30, 1996 and have issued our report thereon on July 31, 1997

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

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 control review program is offered by professional organizations in Jordan 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 Ernst & Young worldwide internal quality control program which requires the Whinney Murray & Co Amman office to be subjected, every 3 years, to an extensive quality control review by partners and managers from other Ernst & Young offices

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

In planning and performing our audit of the fund accountability statements of Coopers & Lybrand (C&L) IQC NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 for the period March 1, 1993 through September 30, 1996, and the period September 22, 1993 through September 30, 1996 respectively, and the fixed multiplier, for the period October 1, 1995 through September 30, 1996, 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 whether they have been placed in operation, 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.

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

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of Coopers & Lybrand in a separate letter dated November 30, 1997.

This report is intended for the information of C&L management and others within the organization, 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.

Whinney Murray & Co
Whinney Murray & Co
July 31, 1997

Amman

**Report on Compliance with Laws,
Regulations and Contracts
Independent Auditor's Report**

Mr Lou Mundy
Regional Inspector General for Audit-Cairo
United States Agency for International Development (USAID)
Cairo
Egypt

We have audited the accompanying fund accountability statements of Coopers & Lybrand (C&L) under the United States Agency for International Development (USAID) - Egypt IQCs NOs 263-0000-I-00-3064-00 and 263-0000-I-00-3119-00 for the period March 1, 1993 through September 30, 1996 and the period September 22, 1993 through September 30, 1996 respectively, and the fixed multiplier for the period October 1, 1995 through September 30, 1996, and have issued our report thereon on July 31, 1997

Except as discussed in the next paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability 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 control review program is offered by professional organizations in Jordan. 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 Ernst & Young worldwide internal quality control program which requires the Whinney Murray & Co Amman office to be subjected, every 3 years, to an extensive quality control review by partners and managers from other Ernst & Young offices.

Compliance with laws, regulations and contracts applicable to C&L is the responsibility of C&L management. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no material instances of noncompliance that are required to be reported herein under Government Auditing Standards. However, we have noted certain immaterial non-compliance instances which we have reported to the management of C&L in a separate letter dated November 30, 1997.

This report is intended for the information of C&L management and others within the organization, 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.

Whinney Murray & Co
Whinney Murray & Co

July 31, 1997

Amman

SUPPLEMENTARY
SCHEDULE

COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00
AND 263-0000-I-00-3119-00

FUND ACCOUNTABILITY STATEMENTS
IN EGYPTIAN POUNDS
FOR THE PERIODS MARCH 1, 1993 THROUGH
SEPTEMBER 30, 1996 AND SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996 RESPECTIVELY

	BUDGET <u>LE</u>	ACTUAL <u>LE</u>	QUESTIONED COSTS	
			<u>Ineligible</u> <u>LE</u>	<u>Unsupported</u> <u>LE</u>
<u>IQC 3064</u>				
Delivery Orders				
DO 1	52,550	52,550		
DO 2	45,057	45,057	9,037	
DO 3	60,421	60,387		
DO 4	70,105	70,105		
DO 5	143,018	143,018		3,162
DO 6	153,745	153,745		
DO 7	-	-		
DO 8	-	-		
DO 9	-	-		
DO 10	84,031	84,031		
DO 11	165,549	165,549		
DO 12	155,574	155,574	262	
DO 13	-	-		
DO 14	200,403	200,403	836	218
DO 15	89,066	89,066		
DO 16	92,711	92,711		
DO 17	79,193	79,193		
DO 18	130,332	17,000		
DO 19	103,717	60,357		
DO 20	180,941	17,000		
Totals	<u>1,806,413</u>	<u>1,485,746</u>	<u>10,135</u>	<u>3,380</u>

SUPPLEMENTARY
SCHEDULE

**COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00
AND 263-0000-I-00-3119-00**

**FUND ACCOUNTABILITY STATEMENTS
IN EGYPTIAN POUNDS
FOR THE PERIODS MARCH 1, 1993 THROUGH
SEPTEMBER 30, 1996 AND SEPTEMBER 22, 1993
THROUGH SEPTEMBER 30, 1996 RESPECTIVELY**

	BUDGET LE	ACTUAL LE	QUESTIONED COSTS	
			Ineligible LE	Unsupported LE
<u>IQC 3119</u>				
Delivery Orders				
DO 1	8,602	8,602		
DO 2	-	-		
DO 3	14,168	14,168		
DO 4	33,286	33,286	68	
DO 5	34,622	34,622		
DO 6	20,563	20,563		
DO 7	22,307	22,307		
Totals	133,548	133,548	68	-
Grand Totals	1,939,961	1,619,294	10,203	3,380

Coopers
& Lybrand

professional services firm

Tribeca Center
New York City 10038
Cairo
Egypt

Telephone: (202) 260-5000
Facsimile: (202) 261-3204
E-mail:
firm.enquiries@ny.ny.com

your reference

our reference

30 December 1997

PRIVATE AND CONFIDENTIAL

Mr. Mohamed A. Saadah
Partner
Whinney Murray & Co
Ernst & Young International
Wasfi Al Tal Street (Gardnes)
Haddad Commercial Centre
Fourth Floor
Opposite Faha a Mosque

Re the financial audit of direct costs incurred under Coopers & Lybrand's Indefinite Quantity Contract (IQC) Nos. 263-000-1-00-306100 for the period from 1 March 1993 through 30 September 1996 and IQC NO. 263-0000-1-00-3119-00 for the period from 22 September 1993 through 30 September 1996 and the indirect cost rate multiplier for the fiscal year ended 30 September 1996

Dear Mr. Saadah

Attached to this letter, please find Coopers & Lybrand's comments to the draft financial audit report presented at the exit conference held on 3 December 1997.

Our comments are organized in two attachments:

- Attachment 1 provides our comments for the multiplier calculation and
- Attachment 2 provides our comments for the questioned direct costs.

Please note that the finding references used in our attachments correspond to those used in the Whinney Murray draft report.

Thank you

Sincerely,

T M

Tarek Mansour
Partner

Attachments

21

Schedule 1

- 1 As for the Partners Direct Labor Costs we understand that it is more realistic to be calculated as a 67% productive of Direct Labor Costs and 33% as Indirect Partners Labor Costs
- 2 The Professional Staff Direct Costs as per our payroll shows LL 2 533,958 equivalent to US\$745,281 and not US\$499,339 and cannot reconcile the difference

Schedule 2

- 1 Cannot reconcile some of the overhead costs as by example
 - Administrative staff
 - Social insurance
 - Continuing education?
 - Staff other costs

as need more details and explanation for many of the overhead costs items, specially that some of the overheads items are given different names than in our balance sheet

IQC No 3064

- 1 Delivery Order No 2 (Amount LE 9,037)

Whinney Murray (WM) has not provided adequate details to enable us to respond to this questioned amount. According to our records, we have incurred time on Delivery Order No 2 which exceeds the Delivery Order's authorized amount.

- 2 Delivery Order No 5 (Amount LE 3,162)

WM has not provided adequate details to enable us to respond to this questioned amount.

- 3 Delivery Order No 12 (Amount LE 262)

C&L staff do not receive overtime (premium pay)

Our staff's schedule for performing audits corresponds with the schedule of those organizations being audited. In rare cases, the audited organization's official working hours exceed those of C&L. In those cases, after completion of the audit, the C&L staff take time off in lieu of hours worked in excess of C&L's official working hours.

We are not aware of any USAID/Egypt regulation that prohibits this practice.

- 4.1 Delivery Order No 14 (Amount LE 836)

See our comments above under #3

- 4.2 Delivery Order No 14 (Amount LE 218)

WM has not provided adequate details to enable us to respond to this questioned amount.

IQC No 3119

- 5 Delivery Order No 4 (Amount LE 68)

See our comments above under #3

COOPERS & LYBRAND (C&L)
INDEFINITE QUANTITY CONTRACT (IQC)
NOs 263-0000-I-00-3064-00
AND 263-0000-I-00-3119-00

AUDITOR'S RESPONSE

Management of Coopers & Lybrand (C&L) requested explanations and certain comments to our draft report on December 30, 1997. We have provided the necessary details both during our field work and subsequently but have not received any further response. C&L letter dated December 30, 1997 is included, unedited, in appendix A of this report. We have reviewed management's comments and have either adjusted our final report or clarified our position as follows:

FUND ACCOUNTABILITY STATEMENT

I- IQC NO 263-0000-I-00-3064-00 & IQC No 263-0000-I-00-3119-00

We have provided C&L management details of questioned costs but received no response. Accordingly, questioned amounts relating to both IQC's will remain in our final report.

FIXED MULTIPLIER

I- Partner Direct Labor Cost

Based on management clarification, partners direct labor costs have been allocated 67% as direct and 33% as indirect.

II- Professional Staff Direct Costs and Overhead Costs Reconciliations

We have provided management with overhead costs reconciliation but received no response. Accordingly, this allocation will remain in our final report.



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO EGYPT

March 17, 1998

MEMORANDUM

TO Lou Mundy, RIG/A/C

FROM Shirley A Hunter, Division Chief, FM/FA 

SUBJECT Financial Audit of Coopers & Lybrand Indefinite
Quantity Contract (IQC) Nos 263-0000-I-00-3064-00 and
263-0000-I-00-3119-00 - Draft Report dated February 18,
1998

Following is the Mission response to the subject draft audit report

Recommendation No. 1

We recommend that USAID/Egypt make a management decision about the questioned costs of \$3,995 (ineligible costs of \$3,001 and unsupported costs of \$994), as detailed on pages 7-8 and 12-13 of the audit report

Mission Response

The questioned amount relates to IQC No 263-0000-I-00-3064-00, for which, RIG/A/C is the COTR, and IQC No 263-0000-I-00-3119-00, for which FM Office is the COTR. After numerous requests by FM, Coopers & Lybrand submitted its supporting documentation in response to the audit. Due to the late submission of the supporting documentation, a thorough review could not be made before the issuance of the final report. FM, Procurement Office, and RIG/A/C will meet and review the documents submitted after the issuance of the final report. Based on this review, Procurement will make its final determination of the questioned amount.

Recommendation NO. 2

We recommend that USAID/Egypt make a determination as to whether Coopers & Lybrand's fixed multiplier should be modified based on the costs questioned on pages 9-10 of the audit report, at the next contract renewal or new contract award.

Mission Response:

The multiplier is fixed and will not be renegotiated based on this audit. However, this information is intended to be used, as deemed necessary by the Procurement Officer, for future contract negotiation with Coopers & Lybrand, and/or amendments to current IQC.

Based on the above, Mission requests closure of Recommendation No. 2 upon issuance of the final report.